O'REILLY AUTOMOTIVE

2000 ANNUAL REPORT

O'REILLY AUTOMOTIVE | 2000 ANNUAL REPORT | *DRIVEN*

O'REILLY AUTOMOTIVE

2000 ANNUAL REPORT

FINANCIAL HIGHLIGHTS

(In thousands, except per share and operating data)

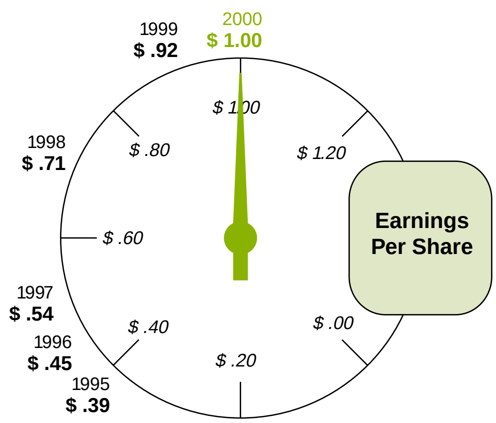
Years ended December 31,	2000	1999	Percent Change
Operations			
Product sales	$ 890,421	$ 754,122	18.1%
Operating income	90,029	76,920	17.0%
Net income	51,708	45,639	13.3%
Financial position			
Working capital	$ 296,272	$ 249,351	18.8%
Total assets	715,995	610,442	17.3%
Long-term debt	90,463	90,704	–
Shareholders' equity	463,731	403,044	15.1%
Net income per common share (diluted)	$ 1.00	$ 0.92	8.7%
Weighted average common shares outstanding (assuming dilution)	51,728	49,715	4.0%
Operating data			
Stores at year end	672	571	17.7%
Same-store sales gain	4.0%	9.6%	-5.6%

TABLE OF CONTENTS

EARNINGS PER SHARE

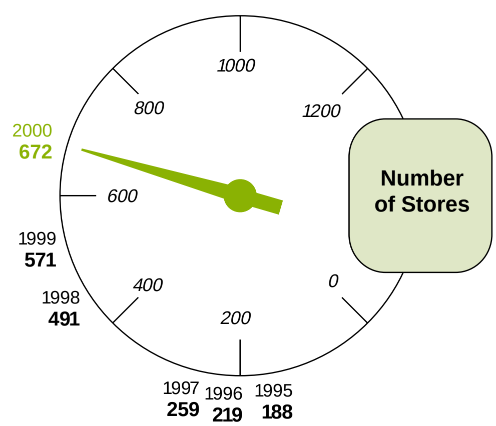
(ASSUMING DILUTION)

Our 10-year compound average growth rate in earnings per share is 26%.



NUMBER OF STORES

Our growth plans include opening 18%-20% new stores each year



2000 YEAR IN REVIEW

January	Announced acquisition of Gateway Auto Parts – 14 stores (12 net) in Dallas/Fort Worth, Texas
February	Announced entry into E-Commerce, selling parts at www.oreillyauto.com
April	Announced purchase of 14 (9 net) KarPro stores in Arkansas and distribution center ("DC") in Little Rock, Arkansas
August	Announced formation of Internet Autoparts, Inc.
December	Opened 672nd store (101 for the year 2000), and opened Dallas Distribution Center

Growth seems to be the word that best explains O'Reilly in the year 2000. We opened 101 new stores and added our sixth and seventh DCs. We added the opportunity for our customers to purchase automotive parts and accessories via their home computers and the Internet. We ended the year with 1,300 additional team members, which means there are nearly 11,000 people working in our stores, DCs and corporate offices. O'Reilly Auto Parts truly is *DRIVEN!*

THE HISTORY OF O'REILLY AUTOMOTIVE

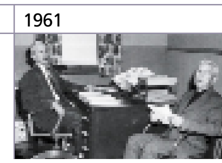
1957

C.F. & Chub O'Reilly open O'Reilly Automotive with 10 additional employees.

1958

First-Year Sales: $700,000.

1961



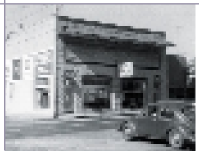
Sales: $1.3 million.

To our shareholders:

Team O'Reilly worked extremely hard to make 2000 another very successful year. We added 101 new stores, 43 through various acquisitions, including 12 Gateway Auto Parts stores in Dallas/Ft. Worth, Texas, and nine KarPro stores in Little Rock, Arkansas. On the distribution front, we also had a very eventful year. The 338,140 square-foot distribution center ("DC") in Dallas, Texas, which was purchased a year ago, opened in December and will service over 100 stores by early 2001. This will allow us to continue expanding our stores in northern Texas, both to the east and west. Also included in the KarPro purchase was a 97,000 square-foot DC which will provide quicker access and more product coverage to our stores in Arkansas and will allow significant expansion in those markets.

Our team members were very focused on many projects designed to enhance the level of service to our customers. A number of technological advances in systems and programs will allow us to greatly improve customer service with more value added to the O'Reilly shopping experience. Included in these efforts are: an electronic transaction database, which allows easier and better access to customer purchase history; improved product search capability to allow stores to locate other O'Reilly stores and DCs that carry harder-to-find items; and a new store inventory management system that

Left to right: Larry O'Reilly, Ted F. Wise, Rosalie O'Reilly-Wooten, Charlie O'Reilly, David O'Reilly and Greg Henslee.

1963	1965	1967
Charles H. "Charlie" O'Reilly, Jr. joins the Company.	 Second O'Reilly Auto Parts store opened.	Sales: $2.2 million.

allows more specific inventory customization focusing on improving turnover and return on investment for our shareholders. Consequently, the list of improvements completed in 2000 and those rolling out in 2001 is extensive, but one improvement that is very significant is the establishment of a Company Intranet. This will have a huge impact on our productivity, allowing our stores to operate nearly paperless by utilizing various electronic forms and reports. Immediate access to a wealth of information through the Intranet will allow the stores to carry out their responsibilities much more efficiently, thereby allowing our managers and team members to focus more on customer service.

With product sales of $890 million in 2000, we are anxiously pursuing our goal of over $1 billion in revenue in 2001. Our commitment to our shareholders is focused more than ever on operating efficiently and, therefore, at better operating margins. We are very proud of achieving an operating margin in excess of 10% in 2000, and have set our goal at 11% for 2001. This is aggressive but attainable if we collectively execute our plan. With over 11,000 O'Reilly team members, we have placed a priority on developing them, knowing that to function at our highest level, we must acknowledge the tremendous value that each and every individual brings to our effort. We truly embrace the philosophy that a "happy team" will make for satisfied customers.

Our plans for 2001 include continued growth, combining approximately 120 new store installations with existing progress toward increased same-store sales growth in the mid single-digit level. With these two concepts, we hope to grow our top-line revenues by 18% or more and our operating profits by more than that with increased efficiencies in our operations. No additional DCs will be needed in 2001 to accomplish these objectives; therefore, we fully plan to leverage our existing investment in distribution throughout the upcoming year.

Many new enhancements to our store displays and merchandising plans will continue to make O'Reilly a leading-edge shopping experience. We will, as always, focus our efforts on the commercial or professional service technician segment, which requires a very experienced and informed staff in our stores. Our plan is to stay tuned to our "dual market strategy," with approximately 50% of our sales to the professional installer and 50% to the do-it-yourself ("DIY") or retail trade. We feel this combination of business is right for O'Reilly and allows us to differentiate ourselves in product offering, professional service to our customers and knowledgeable team members who are *DRIVEN* to succeed.

In conclusion, we believe 2001 will be an excellent year with many challenges. We are very prepared to meet the high expectations our shareholders have grown to expect from Team O'Reilly.

Larry O'Reilly
Chief Operating Officer & Co-Chairman of the Board

Ted F. Wise
Co-President

Rosalie O'Reilly-Wooten
Executive Vice President

Charlie O'Reilly
Vice Chairman of the Board

David O'Reilly
Chief Operating Officer & Co-Chairman of the Board

Greg Henslee
Co-President

Charged

Training new team members. Planning new store locations. Researching new products.

Our Management is *CHARGED* with the excitement of growth!

Successfully leading a growing company is a daunting challenge – one that requires skilled, innovative, experienced and visionary leaders. They are everyday people with extraordinary dedication and knowledge that earn the trust and respect of fellow team members, our customers and our shareholders. O'Reilly management meets this challenge head-on with contagious enthusiasm and determination.

The O'Reilly family's belief in and vision for the Company are passed down through the ranks from the strategic planning meetings to the Annual Managers' Conference that is attended by more than 1,000 store, district and sales managers. Charlie O'Reilly personally attends many store grand openings – extending the "family" welcome to new team members and demonstrating firsthand the O'Reilly Culture! He'll have many more opportunities with our plans to open 120 new stores in 2001.

Pooling the resourcefulness and creativity of our 40 senior management leaders who average more than 18 years of service with O'Reilly, we are confident that we will attain the goals we've set. Installing warehouse and store systems for managing and improving our inventory turns, while still providing the broadbase of parts our customers have come to rely on, and wisely using our balance sheet and obtaining capital with sale-leaseback and synthetic-lease transactions, are a few ways to arrive at our targets of 11% operating margin, reducing SG&A to 32%-32.5% of sales and increasing our EPS by 22%-25% in 2001. **At O'Reilly … We're looking back on a proud past and looking ahead to a great future!**

1969	1970		1972
Larry O'Reilly joins the Company.		Fifth O'Reilly Auto Parts store opened.	David O'Reilly joins the Company.

All O'Reilly supervisors, including store managers, understand that the best way to spread the Company's vision and values is by displaying these through one-on-one contact with other team members.

Neat, well-stocked stores and friendly, knowledgeable Professional Parts People keep our customers coming back to O'Reilly for all their parts and tool needs.

1975

Groundbreaking for new warehouse facility.

Sales: $7.0 million.

1977

15th O'Reilly Auto Parts store opened.

Respect, honesty, teamwork, expense control, hard work, professionalism, enthusiasm, excellent customer service, dedication, win-win attitude.

These 10 values are prominently displayed throughout the Company on posters and, more importantly, in our *REVVED* team members!

Successfully offering inspiration, motivation and opportunity are ways O'Reilly fosters that old-fashioned family atmosphere among our nearly 11,000 team members. The day-to-day attitudes passed down by the O'Reilly family since 1957 have bred a fierce sense of pride throughout all levels of the Company, and continue to be instilled through weekly newsletters, the monthly "Team Spirit" publication and training and development meetings.

Team members are empowered to "do whatever it takes" and the Company is rewarded by the loyalty of people dedicated to fulfilling their responsibilities to fellow team members and our customers. Whether at stores, distribution centers or in corporate office support positions, everyone understands the need to step outside his or her designated role to give help to anyone who needs it. This may mean staying late, coming in early or simply answering a phone that's ringing. The success of O'Reilly depends on everyone seeing the big picture.

We're never disappointed and always inspired to see how O'Reilly pride comes through whenever our customers, communities or fellow team members have a need. We receive dozens of letters each and every month praising the many team members who have gone above and beyond the call of duty.

The well-defined expectations for team members and the Company's future goals offer endless opportunities for anyone willing to work hard. There are countless examples of current team members who started with the Company at counter sales, delivery or picking orders in a distribution center and have, with determination and self-improvement, worked their way through the ranks to corporate management and even to president of the Company! **At O'Reilly … We take pride in our team members, customer service, work ethic and performance.**

Revved

Fueled

Giving superior service. Giving extensive product selection. Giving competitive pricing.

Our Unique Dual Market Strategy is *FUELED* to service do-it-yourself and professional installer customers!

Successfully balancing the complex needs of both DIY and professional installer customers isn't easy, as many of our competitors have discovered. With eight consecutive years of record revenues and earnings for our shareholders, we may have made it look simple, but there is a lot of history behind our accomplishments.

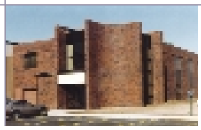
Now in our 44th year of operation, we began selling to professional installers in 1957. From the mid-1960s to the mid-1970s we grew from one store to 15 stores, slowly learning the strategies needed to serve DIY customers while continuing to develop professional installer business. In 1986, we entered the large metropolitan markets.

From the mid-1980s through 1997 we derived approximately 50% of our product sales from our DIY customers and approximately 50% from our professional installer customers. With the 1998 acquisition of Hi-Lo Automotive, Inc. (189 stores, with approximately 65% of sales from DIY customers and approximately 35% from professional installer customers) our traditional 50/50 blend of business changed. For 2000, approximately 57% of sales were from DIY customers and approximately 43% from professional installer customers. As a result of our historical success in executing our dual market strategy and more than 100 full-time sales representatives dedicated solely to calling upon and selling to professional installer customers, we believe we will increase the former Hi-Lo stores' sales to the O'Reilly pre-acquisition level of approximately 50/50 DIY and professional installer customers.

But why do we put so much emphasis on serving a dual market? We believe targeting both types of customers allows us to operate profitably in both large markets and less densely populated geographic areas which typically attract fewer competitors. This strategy also enables us to target a larger base of consumers of automotive aftermarket parts and capitalize on our existing retail and distribution infrastructure. It enhances service levels to our DIY customers by offering a broad selection of stock keeping units ("SKUs") and the extensive product knowledge required by professional installers.

The bottom line is that the dual market strategy – as executed by O'Reilly – is highly effective.

At O'Reilly ... Our No. 1 priority is customer satisfaction.

1980	1982	1984	1989
First Managers' Conference held. Springfield warehouse expanded by 50%. Rosalie O'Reilly-Wooten joins the Company	 New 10,000-square-foot office facility at Springfield warehouse site.	Sales: $45 million. Ted Wise (current president) promoted to vice president. 50th store opened in June.	 100th O'Reilly Auto Parts store opened.

Deliveries to professional installer customers are made throughout the day when orders are placed by phone or via computers we've installed at the customer's business.

Modern technology, such as the rotating carousels shown above, adds efficiency in filling orders and speeding the parts on the way for nightly delivery to O'Reilly stores.

1993	1995	1998	1999	2000
O'Reilly goes public (IPO). Kansas City DC opened. Ranked among 200 best small companies in the U.S. by *Forbes* Magazine. 	Oklahoma City DC opened.	O'Reilly purchases Hi/Lo Auto Parts.	500th store opened. Two-for-one stock split. Secondary stock offering.	Dallas DC opened. Little Rock DC opened.

Serving more stores. Stocking more products. Driving more vehicles.

Our Distribution System is *GEARED* for the job!

Successfully providing the availability of a broad range of products is a key competitive advantage in satisfying customer demand and generating repeat business. This is precisely why we are dedicated to the unique philosophy of providing each of our stores with same-day or overnight access to over 100,000 stock keeping units ("SKUs"), many of which are hard-to-find items not typically found at other parts retailers.

The opening of our sixth and seventh DCs in Little Rock, Arkansas, and Dallas, Texas, during the fourth quarter of 2000 has given us the power to support overnight delivery to each of the 792 stores we plan to have in operation by the end of 2001 and take us well into 2002. Product shipment is expedited by the state-of-the-art rotating carousels in the Des Moines, Iowa, DC, the computerized Warehouse Management System that should be fully implemented in four DCs by second quarter 2001 and computer-assisted and satellite-based links from stores to DCs. With more than $890 million in product sales in 2000, and with a goal of over $1 billion for 2001, it will take more than computers and carousels to meet customer demand. We know that both our professional installer and DIY customers expect the parts they order to be delivered as promised, no excuses. Making the whole operation work involves more than 1,900 DC team members – dock workers, order pickers, quality control, route drivers, shipping supervisors and managers – all working together. Customers also rely on our fleet of over 100 trucks that averages nearly 752,000 miles per month to deliver products from our DCs to O'Reilly stores. **At O'Reilly … You want it? We've got it!**

Geared

O'REILLY LOCATIONS

2000 ANNUAL REPORT

KEY
(as of March 1, 2001)

Stars indicate the location of distribution centers.

Arkansas	36	Stores
Illinois	3	Stores
Iowa	57	Stores
Kansas	51	Stores
Louisiana	30	Stores
Missouri	117	Stores
Nebraska	24	Stores
Oklahoma	96	Stores
Texas	282	Stores

When the year 2000 came to a close, the map showed 672 O'Reilly stores and seven distribution centers ("DCs"). We opened an additional 24 stores during the first two months of 2001, bringing the total to 696 at March 1, 2001. By the close of 2001, we plan to open a total of 120 stores. We will continue the successful O'Reilly strategy of expanding into new, contiguous markets, keeping all stores within a 150-mile to 200-mile radius of an O'Reilly DC for easy nightly deliveries.

SELECTED CONSOLIDATED FINANCIAL DATA

O'REILLY AUTOMOTIVE

Years ended December 31, (In thousands, except per share data)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
INCOME STATEMENT DATA:										
Product sales	$890,421	$754,122	$616,302	$316,399	$259,243	$201,492	$167,057	$137,164	$110,147	$94,937
Cost of goods sold, including warehouse and distribution expenses	507,720	428,832	358,439	181,789	150,772	116,768	97,758	82,102	65,066	56,255
Gross profit	382,701	325,290	257,863	134,610	108,471	84,724	69,299	55,062	45,081	38,682
Operating, selling, general and administrative expenses	292,672	248,370	200,962	97,526	79,620	62,687	52,142	42,492	35,204	29,961
Operating income	90,029	76,920	56,901	37,084	28,851	22,037	17,157	12,570	9,877	8,721
Other income (expense), net	(6,870)	(3,896)	(6,958)	472	1,182	236	376	216	204	(104)
Provision for income taxes	31,451	27,385	19,171	14,413	11,062	8,182	6,461	4,556	3,686	3,167
Income from continuing operations before cumulative effects of changes in accounting principles	51,708	45,639	30,772	23,143	18,971	14,091	11,072	8,230	6,395	5,450
Cumulative effects of changes in accounting principles	–	–	–	–	–	–	–	–	(163)	–
Income from continuing operations	51,708	45,639	30,772	23,143	18,971	14,091	11,072	8,230	6,232	5,450
Income (loss) from discontinued operations	–	–	–	–	–	–	–	48	129	(68)
Net income	$ 51,708	$ 45,639	$ 30,772	$ 23,143	$ 18,971	$ 14,091	$ 11,072	$ 8,278	$ 6,361	$ 5,382
Basic Earnings Per Common Share:										
Income per share from continuing operations before cumulative effects of changes in accounting principles	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25	$ 0.22	$ 0.19
Income per share from continuing operations	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25	$ 0.21	$ 0.19
Income per share from discontinued operations	–	–	–	–	–	–	–	–	0.01	–
Net income per share	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25	$ 0.22	$ 0.19
Weighted-average common shares outstanding	51,168	48,674	42,476	42,086	41,728	35,640	34,620	32,940	29,436	29,308
Earnings Per Common Share – Assuming Dilution:										
Income per share from continuing operations before cumulative effects of changes in accounting principles	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25	$ 0.22	$ 0.19
Income per share from continuing operations	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25	$ 0.21	$ 0.19
Income per share from discontinued operations	–	–	–	–	–	–	–	–	0.01	–
Net income per share	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25	$ 0.22	$ 0.19
Weighted-average common shares outstanding – adjusted (e)	51,728	49,715	43,204	42,554	42,064	35,804	34,778	33,046	29,436	29,308

Years ended December 31, (In thousands, except selected operating data)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991
SELECTED OPERATING DATA:										
Number of stores at year-end (a)	672	571	491	259	219	188	165	145	127	116
Total store square footage at year-end (in 000's) (b)	4,491	3,777	3,172	1,454	1,155	923	785	671	571	511
Weighted-average product sales per store (in 000's) (b)	$ 1,412	$ 1,423	$ 1,368	$ 1,306	$ 1,239	$ 1,101	$ 1,007	$ 949	$ 838	$ 759
Weighted-average product sales per square foot (b)(f)	$ 212.6	$ 216.5	$ 238.0	$ 235.8	$ 242.2	$ 227.3	$ 215.4	$ 208.7	$ 187.2	$ 174.4
Percentage increase in same-store product sales open two full periods (c)	4.0%	9.6%	6.8%	6.8%	14.4%	8.9%	8.9%	14.9%	11.4%	9.2%
Percentage increase in same-store product sales open one year (d)	5.0%									
BALANCE SHEET DATA:										
Working capital	$ 296,272	$249,351	$208,363	$93,763	$74,403	$80,471	$41,416	$41,193	$15,251	$13,434
Total assets	715,995	610,442	493,288	247,617	183,623	153,604	87,327	73,112	58,871	49,549
Short-term debt	49,121	19,358	13,691	130	3,154	231	311	495	3,462	1,298
Long-term debt, less current portion	90,463	90,704	170,166	22,641	237	358	461	732	2,668	3,326
Long-term debt related to discontinued operations, less current portion	–	–	–	–	–	–	–	–	9,873	10,316
Shareholders' equity	463,731	403,044	218,394	182,039	155,782	133,870	70,224	57,805	29,281	22,881

(a) The number of stores at year-end 1991 and 1992 are net of the combinations in each such year of two stores located within one mile of each other. Two stores were closed during 1997, one was closed in 1998 and one was closed in 2000. No other stores were closed during the periods presented. Additionally, seven former Hi/LO stores located in California were sold in 1998.

(b) Total square footage includes normal selling, office, stockroom and receiving space. Weighted-average product sales per store and per square foot are weighted to consider the approximate dates of store openings or expansions.

(c) Same-store product sales data are calculated based on the change in product sales of only those stores open during both full periods being compared. Percentage increase in same-store product sales is calculated based on store sales results, which exclude sales of specialty machinery, sales by outside salesmen and sales to employees.

(d) Beginning January 2000, same-store product sales data are calculated based on the change in product sales of stores open at least one year. Percentage increase in same-store product sales is calculated based on store sales results, which exclude sales of specialty machinery, sales by outside salesmen and sales to employees.

(e) There was no additional dilution until 1993 when options were first granted.

(f) 1998 does not include stores aquired from Hi/LO. Consolidated weighted-average product sales per square foot were $207.3.

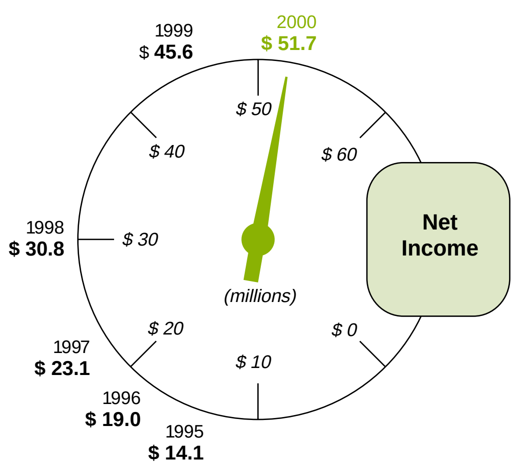
The following discussion of our financial condition, results of operations and liquidity and capital resources should be read in conjunction with our consolidated financial statements, related notes and other financial information included elsewhere in this annual report.

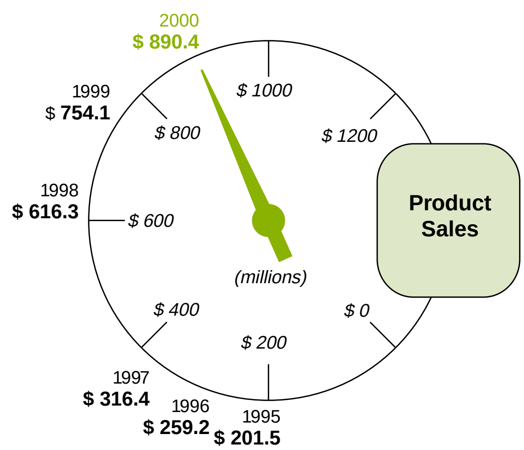
We are one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States, selling our products to both do-it-yourself ("DIY") customers and professional installers. Our stores carry an extensive product line consisting of new and remanufactured automotive hard parts, maintenance items and accessories, and a complete line of autobody paint and related materials, automotive tools and professional service equipment.

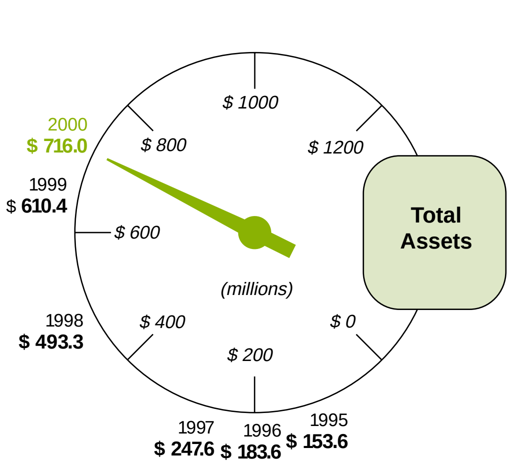
Beginning in January 2000, we calculate same-store product sales based on the change in product sales for stores open at least one year. We also calculate same-store product sales based on the change in product sales of only those stores open during both full periods being compared. We calculate the percentage increase in both same-store product sales based on store sales results, which exclude sales of specialty machinery, sales by outside salesmen and sales to employees.

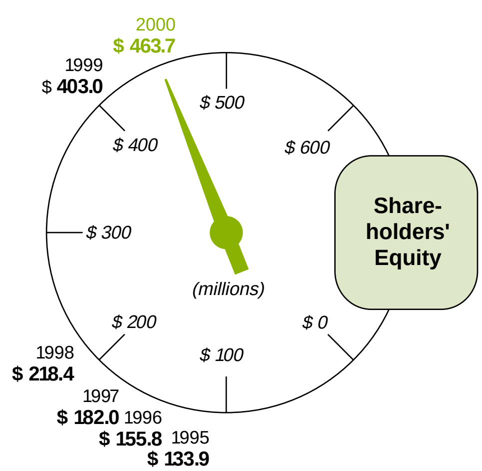
Cost of goods sold consists primarily of product costs and warehouse and distribution expenses. Cost of goods sold as a percentage of product sales may be affected by variations in our product mix, price changes in response to competitive factors and fluctuations in merchandise costs and vendor programs.

Operating, selling, general and administrative expenses consist primarily of store payroll, store occupancy, advertising expenses, other store expenses and general and administrative expenses, including salaries and related benefits of corporate employees, administrative office occupancy expenses, data processing, professional expenses and other related expenses.









Results of Operations

The following table sets forth certain income statement data as a percentage of product sales for the years indicated:

Years ended December 31,	2000	1999	1998
Product sales	**100.0%**	100.0%	100.0%
Cost of goods sold, including warehouse and distribution expenses	**57.0**	56.9	58.2
Gross profit	**43.0**	43.1	41.8
Operating, selling, general and administrative expenses	**32.9**	32.9	32.6
Operating income	**10.1**	10.2	9.2
Other expense, net	**(0.8)**	(0.5)	(1.1)
Income before income taxes	**9.3**	9.7	8.1
Provision for income taxes	**3.5**	3.6	3.1
Net income	**5.8%**	6.1%	5.0%

2000 Compared to 1999

Product sales increased $136.3 million, or 18.1% from $754.1 million in 1999 to $890.4 million in 2000, due to 101 net additional stores opened during 2000, and a $28.0 million, or 4.0% increase in same-store product sales for stores opened in both full periods. We believe that the increased product sales achieved by the existing stores are the result of our offering a broader selection of products in most stores, an increased promotional and advertising effort through a variety of media and localized promotional events, and continued improvement in the merchandising and store layouts of most stores. Also, our continued focus on serving professional installers contributed to increased sales.

Gross profit increased 17.6% from $325.3 million (or 43.1% of product sales) in 1999 to $382.7 million (or 43.0% of product sales) in 2000.

Operating, selling, general and administrative expenses increased $44.3 million from $248.4 million (or 32.9% of product sales) in 1999 to $292.7 million (or 32.9% of product sales) in 2000. The increase in these expenses in dollar amount was primarily attributable to increased salaries and benefits, rent and other costs associated with the addition of employees and facilities to support the increased level of our operations.

Other expense, net, increased by $3.0 million from $3.9 million in 1999 to $6.9 million in 2000. The increase was primarily due to interest expense on increased borrowings under our credit facility.

Provision for income taxes increased from $27.4 million in 1999 (37.5% effective tax rate) to $31.5 million in 2000 (37.8% effective tax rate). The increase in the dollar amount was primarily due to the increase of income before income taxes. The nominal increase in the effective tax rate was primarily due to changes in the apportionment of sales between states with differing tax rates.

Principally as a result of the foregoing, net income in 2000 was $51.7 million (or 5.8% of product sales), an increase of $6.1 million (or 13.3%) from net income in 1999 of $45.6 million (or 6.1% of product sales).

1999 Compared to 1998

Product sales increased $137.8 million, or 22.4% from $616.3 million in 1998 to $754.1 million in 1999, due to 80 net additional stores opened during 1999, and a $56.4 million, or 9.6% increase in same-store product sales. We believe that the increased product sales achieved by the existing stores are the result of our offering of a broader selection of products in most stores, an increased promotional and advertising effort through a variety of media and localized promotional events, and continued improvement in the merchandising and store layouts of most stores. Also, our continued focus on serving professional installers contributed to increased sales.

Gross profit increased 26.2% from $257.9 million (or 41.8% of product sales) in 1998 to $325.3 million (or 43.1% of product sales) in 1999. The increase in gross profit margin was primarily attributable to the continued improvements in our product acquisition programs and improved buying power due to the number of net new stores opened in 1999.

Operating, selling, general and administrative expenses increased $47.4 million from $201.0 million (or 32.6% of product sales) in 1998 to $248.4 million (or 32.9% of product sales) in 1999. The increase in these expenses in dollar amount and as a percentage of sales primarily resulted from higher costs for employee medical and workers' compensation benefits, the continued conversion of Hi-Lo Automotive, Inc. ("Hi/LO") stores and distribution center, as well as the addition of employees and facilities to support the increased level of our operations.

Other expense, net, decreased by $3.1 million from $7.0 million in 1998 to $3.9 million in 1999. The decrease was primarily due to the decrease in interest expense as a result of repayments of indebtedness under our syndicated credit facility with a portion of the net proceeds of our secondary offering.

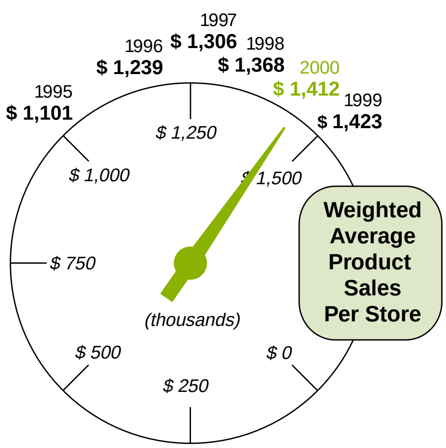
Our provision for income taxes was 37.5% and 38.4%, respectively, of income before income taxes in 1999 and 1998. The decrease in the effective tax rate primarily related to a higher percentage of our sales occurring in states with lower income tax rates.

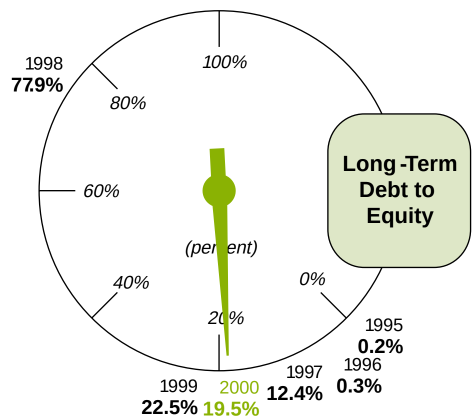
Principally as a result of the foregoing, net income in 1999 was $45.6 million (or 6.1% of product sales), an increase of $14.9 million (or 48.3%) from net income in 1998 of $30.8 million (or 5.0% of product sales).

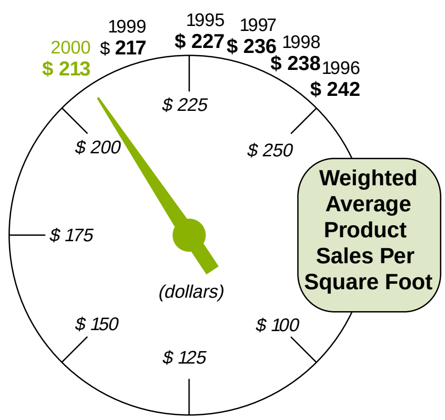
Liquidity and Capital Resources

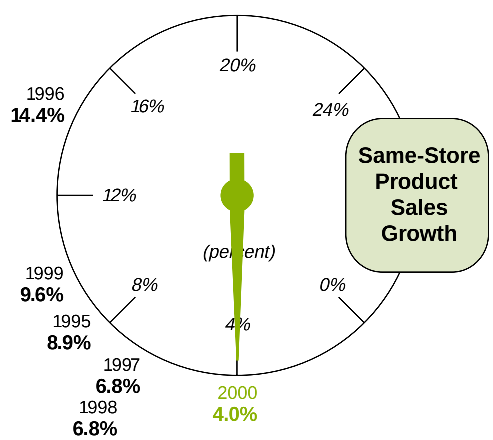
Net cash provided by operating activities was $5.8 million in 2000 and $29.7 million in 1999. Net cash used in operating activities was $19.1 million in 1998. The decrease in cash provided by operating activities in 2000 compared to 1999 is the result of an increase in inventory and to a lesser extent, increases in accounts receivable and amounts receivable from vendors, partially offset by increases in net income, accounts payable and accrued payroll. The increase in net cash provided by operating activities in 1999 compared to 1998 is the result of increases in net income, accrued payroll, other current liabilities and a larger tax benefit resulting from stock option exercises, offset by increases in amounts receivable from vendors and inventory.

Net cash used in investing activities was $40.5 million in 2000, $77.8 million in 1999 and $100.8 million in 1998. The decrease in cash used in 2000 was primarily due to the sale of 90 properties for $52 million in a sale-leaseback transaction. The decrease in cash used in 1999 was due to the Hi/LO acquisition in 1998 and an increase in payments received on notes receivable, partially offset by increased purchases of property and equipment. The increase in cash used in 1998 was primarily due to the purchase of Hi/LO and increased capital expenditures.









On December 29, 2000, we completed a sale-leaseback transaction. Under the terms of the transaction, we sold 90 properties, including land, buildings and improvements, for $52.3 million. The lease, which is being accounted for as an operating lease, provides for an initial lease term of 21 years and may be extended for one initial ten-year period and two additional successive periods of five years each. The resulting gain of $4.5 million has been deferred and is being amortized over the initial lease term. Net rent expense during the initial term will be approximately $5.5 million annually and is included in the table of future minimum annual rental commitments under non-cancelable operating leases. Proceeds from the transaction were used to reduce outstanding borrowings under our Revolving Credit Facility.

Capital expenditures were $82.0 million in 2000, $86.0 million in 1999 and $57.7 million in 1998. These expenditures were primarily related to the opening of new stores, as well as the relocation or remodeling of existing stores. We opened 101, 80 and 50 net stores in 2000, 1999 and 1998, respectively. We remodeled or relocated eight stores in both 2000 and in 1999, and 18 stores in 1998. Two new distribution centers were acquired; one in October 2000, located in Little Rock, Arkansas, and the other in December 1999, located in Dallas, Texas.

On December 15, 2000, we entered into a $50 million Synthetic Operating Lease Facility ("Synthetic Facility" or "the Facility") with a group of financial institutions. Under the Facility, the Lessor acquires land to be developed for O'Reilly Auto Parts stores and funds our development thereof as the Construction Agent and Guarantor. We subsequently lease the property from the Lessor for an initial term of five years with two additional successive renewal periods of five years each. The Facility provides for a residual value guarantee and purchase options on the properties. It also contains a provision for an event of default whereby the Lessor, among other things, may require us to purchase any or all of the properties. We plan to utilize the Facility to finance a portion of our planned store growth for 2001. Funding under the Facility at December 31, 2000, totaled $1.0 million.

Our continuing store expansion program requires significant capital expenditures and working capital principally for inventory requirements. The costs associated with the opening of a new store (including the cost of land acquisition, improvements, fixtures, inventory and computer equipment) are estimated to average approximately $900,000 to $1.1 million; however, such costs may be significantly reduced where we lease, rather than purchase, the store site. Although the cost to acquire the business of an independently owned parts store varies, depending primarily upon the amount of inventory and the amount, if any, of real estate being acquired, we estimate that the average cost to acquire such a business and convert it to one of our stores is approximately $400,000. We plan to finance our expansion program through cash expected to be provided from operating activities and available borrowings under our existing credit facilities and the Synthetic Facility.

On November 4, 1999, the Board of Directors declared a two-for-one stock split effected in the form of a 100% stock dividend to all shareholders of record as of November 15, 1999. The stock dividend was paid on November 30, 1999.

In March 1999, we sold 7,002,000 shares of common stock through a secondary public offering. The net proceeds from that offering, which amounted to $124.6 million, were used to repay a portion of our outstanding indebtedness under our bank credit facilities and to fund our expansion.

In order to fund the Hi/LO acquisition, our continuing store expansion program, and our working capital and general corporate needs, we replaced our lines of credit in January 1998 with an unsecured, five-year syndicated credit facility totaling $175 million. The facility was reduced to $165 million in 1999 and further reduced to $152.5 million in 2000. The facility is comprised of a $125 million revolving loan, a $5 million sublimit for the issuance of letters of credit and a $27.5 million term loan. This credit facility is guaranteed by our subsidiaries. At December 31, 2000, the effective interest rate on the revolving and term loan portions, which each mature on January 27, 2003, was 7.0% per annum. At December 31, 2000, $50.2 million in borrowings was available under this credit facility.

We believe that our existing cash, short-term investments, cash expected to be provided by operating activities, available bank credit facilities and trade credit will be sufficient to fund both our short- and long-term capital needs for the foreseeable future.

Inflation and Seasonality

We succeeded, in many cases, in reducing the effects of merchandise cost increases principally by taking advantage of vendor incentive programs, economies of scale resulting from increased volume of purchases and selective forward buying. As a result, we do not believe that our operations have been materially affected by inflation.

Our business is somewhat seasonal, primarily as a result of the impact of weather conditions on store sales. Store sales and profits have historically been higher in the second and third quarters (April through September) of each year than in the first and fourth quarters.

Quarterly Results

The following table sets forth certain quarterly unaudited operating data for fiscal 2000 and 1999. The unaudited quarterly information includes all adjustments which management considers necessary for a fair presentation of the information shown.

The unaudited operating data presented below should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report, and the other financial information included here.

(In thousands, except per share data)

Fiscal 2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Product sales	**$ 195,758**	**$ 226,359**	**$ 251,413**	**$ 216,891**
Gross profit	**84,712**	**97,261**	**105,863**	**94,865**
Operating income	**19,486**	**24,793**	**28,805**	**16,945**
Net income	**11,567**	**14,359**	**16,572**	**9,210**
Basic net income per common share	**0.23**	**0.28**	**0.32**	**0.18**
Net income per common share – assuming dilution	**0.23**	**0.28**	**0.32**	**0.18**

(In thousands, except per share data)

Fiscal 1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Product sales	$ 166,404	$ 196,107	$ 208,401	$ 183,210
Gross profit	70,957	81,823	88,001	84,509
Operating income	16,241	19,630	22,231	18,818
Net income	8,603	11,769	13,412	11,855
Basic net income per common share	0.20	0.23	0.26	0.23
Net income per common share – assuming dilution	0.20	0.23	0.26	0.23

New Accounting Standards

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which is required to be adopted in years beginning after June 15, 2000. We do not anticipate that the adoption of SFAS No. 133 will have a significant effect on the financial position or the results of our operations.

CONSOLIDATED BALANCE SHEETS

O'REILLY AUTOMOTIVE

(In thousands)

December 31,	2000	1999
Assets		
Current assets:		
Cash	$ 9,204	$ 9,791
Short-term investments	500	500
Accounts receivable, less allowance for doubtful accounts of $135 in 2000 and $681 in 1999	32,673	26,462
Amounts receivable from vendors	29,175	25,984
Inventory	372,069	293,924
Refundable income taxes	92	2,333
Deferred income taxes	1,402	1,776
Other current assets	4,089	3,583
Total current assets	449,204	364,353
Property and equipment, at cost:		
Land	46,740	54,631
Buildings	109,835	112,270
Leasehold improvements	34,750	25,841
Furniture, fixtures and equipment	106,068	80,569
Vehicles	25,628	19,495
	323,021	292,806
Accumulated depreciation and amortization	76,167	56,289
Net property and equipment	246,854	236,517
Notes receivable	2,836	3,501
Other assets	17,101	6,071
Total assets	$715,995	$ 610,442
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable to bank	$ 35,000	$ 5,000
Income taxes payable	1,011	–
Accounts payable	68,947	64,885
Accrued payroll	9,309	6,278
Accrued benefits and withholdings	9,360	10,382
Other current liabilities	15,184	14,099
Current portion of long-term debt	14,121	14,358
Total current liabilities	152,932	115,002
Long-term debt, less current portion	90,463	90,704
Deferred income taxes	4,086	1,215
Other liabilities	4,783	477
Shareholders' equity:		
Preferred stock, $0.01 par value:		
Authorized shares – 5,000,000		
Issued and outstanding shares – none	–	–
Common stock, $0.01 par value:		
Authorized shares – 90,000,000		
Issued and outstanding shares – 51,544,879 in 2000 and 50,799,353 in 1999	515	508
Additional paid-in capital	230,600	221,628
Retained earnings	232,616	180,908
Total shareholders' equity	463,731	403,044
Total liabilities and shareholders' equity	$715,995	$ 610,442

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

O'REILLY AUTOMOTIVE

(In thousands, except per share data)

Years ended December 31,	2000	1999	1998
Product sales	**$ 890,421**	$ 754,122	$ 616,302
Cost of goods sold, including warehouse and distribution expenses	**507,720**	428,832	358,439
Operating, selling, general and administrative expenses	**292,672**	248,370	200,962
	800,392	677,202	559,401
Operating income	**90,029**	76,920	56,901
Other income (expense):			
Interest expense	**(8,362)**	(5,343)	(8,126)
Interest income	**439**	402	396
Other, net	**1,053**	1,045	772
	(6,870)	(3,896)	(6,958)
Income before income taxes	**83,159**	73,024	49,943
Provision for income taxes	**31,451**	27,385	19,171
Net income	**$ 51,708**	$ 45,639	$ 30,772
Basic income per common share:			
Net income per common share	**$ 1.01**	$ 0.94	$ 0.72
Weighted-average common shares outstanding	**51,168**	48,674	42,476
Income per common share – assuming dilution:			
Net income per common share – assuming dilution	**$ 1.00**	$ 0.92	$ 0.71
Adjusted weighted-average common shares outstanding	**51,728**	49,715	43,204

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

O'REILLY AUTOMOTIVE

(In thousands)

	Common Stock		Additional Paid-In	Retained	
	Shares	Par Value	Capital	Earnings	Total
Balance at December 31, 1997	42,250	$ 211	$ 77,077	$ 104,751	$ 182,039
Issuance of common stock under employee benefit plans	184	1	2,720	–	2,721
Issuance of common stock under stock option plans	266	1	2,022	–	2,023
Tax benefit of stock options exercised	–	–	839	–	839
Net income	–	–	–	30,772	30,772
Balance at December 31, 1998	42,700	213	82,658	135,523	218,394
Issuance of common stock through secondary offering	7,002	35	124,535	–	124,570
Issuance of common stock under employee benefit plans	176	1	3,829	–	3,830
Issuance of common stock under stock option plans	922	5	6,521	–	6,526
Tax benefit of stock options exercised	–	–	4,085	–	4,085
Two-for-one stock split	–	254	–	(254)	–
Net income	–	–	–	45,639	45,639
Balance at December 31, 1999	50,800	508	221,628	180,908	403,044
Issuance of common stock under employee benefit plans	364	3	4,535	–	4,538
Issuance of common stock under stock option plans	381	4	3,460	–	3,464
Tax benefit of stock options exercised	–	–	977	–	977
Net income	–	–	–	51,708	51,708
Balance at December 31, 2000	**51,545**	**$ 515**	**$ 230,600**	**$ 232,616**	**$ 463,731**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

O'REILLY AUTOMOTIVE

(In thousands)

Years ended December 31,	2000	1999	1998
Operating activities			
Net income	$ 51,708	$ 45,639	$ 30,772
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	24,812	17,902	12,164
Provision for doubtful accounts	1,235	961	250
Loss (Gain) on sale of property and equipment	220	(82)	(134)
Deferred income taxes	3,245	5,455	7,629
Common stock contributed to employee benefit plans	2,648	2,339	1,629
Tax benefit of stock options exercised	977	4,085	839
Post-retirement benefits	–	12	12
Changes in operating assets and liabilities, net of the effects of the acquisition:			
Accounts receivable	(7,446)	157	(5,809)
Amounts receivable from vendors	(3,191)	(1,644)	(21,691)
Inventory	(78,145)	(47,912)	(53,328)
Refundable income taxes	2,241	693	(5,527)
Other current assets	(444)	734	(179)
Other assets	–	(1,931)	(1,753)
Accounts payable	4,062	(1,852)	20,071
Income taxes payable	1,011	–	–
Accrued payroll	3,031	1,479	(3,533)
Accrued benefits and withholdings	(1,022)	2,038	2,156
Other current liabilities	870	3,386	(2,681)
Other liabilities	20	(1,744)	–
Net cash provided by (used in) operating activities	5,832	29,715	(19,113)
Investing activities			
Purchases of property and equipment	(81,987)	(86,002)	(57,732)
Acquisition, net of cash acquired	–	–	(49,296)
Proceeds from sale of property and equipment	52,861	7,039	6,038
Proceeds from sale of short-term investments	–	–	500
Payments received on notes receivable	604	1,265	372
Advances made on notes receivable	–	(70)	(650)
Investment in other assets	(11,995)	–	—
Net cash used in investing activities	(40,517)	(77,768)	(100,768)
Financing activities			
Borrowings on notes payable to bank	30,000	7,130	5,000
Payments on notes payable to bank	–	(7,130)	–
Proceeds from issuance of long–term debt	431,159	172,892	157,860
Principal payments on long–term debt	(432,415)	(249,363)	(46,651)
Net proceeds from secondary offering	–	124,570	–
Net proceeds from issuance of common stock	5,354	8,017	3,115
Net cash provided by financing activities	34,098	56,116	119,324
Net increase (decrease) in cash	(587)	8,063	(557)
Cash at beginning of year	9,791	1,728	2,285
Cash at end of year	$ 9,204	$ 9,791	$ 1,728

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

O'Reilly Automotive, Inc. ("the Company") is a specialty retailer and supplier of automotive aftermarket parts, tools, supplies and accessories to both the DIY customer and the professional installer throughout Arkansas, Illinois, Iowa, Kansas, Louisiana, Missouri, Nebraska, Oklahoma and Texas.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Revenue Recognition

The Company recognizes sales upon shipment of products.

Use of Estimates

The preparation of consolidated financial statements, in conformity with accounting principles generally accepted in the United States ("GAAP"), requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Inventory

Inventory, which consists of automotive hard parts, maintenance items, accessories and tools, is stated at the lower of cost or market. Cost has been determined using the last-in, first-out ("LIFO") method. If the first-in, first-out ("FIFO") method of costing inventory had been used by the Company, inventory would have been $369,869,000 and $291,077,000 as of December 31, 2000, and 1999, respectively.

Amounts Receivable from Vendors

Amounts receivable from vendors consist primarily of amounts due the Company for changeover merchandise, rebates and other allowances.

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided on straight-line and accelerated methods over the estimated useful lives of the assets. Service lives for property and equipment generally range from three to forty years. Leasehold improvements are amortized over the terms of the underlying leases. Maintenance and repairs are charged to expense as incurred. Upon retirement or sale, the cost and accumulated depreciation are eliminated and the gain or loss, if any, is included in the determination of net income as a component of other income (expense). The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

The Company capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowings. Total interest costs capitalized for the years ended December 31, 2000, 1999 and 1998, were $1,354,000, $1,134,000 and $1,213,000, respectively.

Income Taxes

The Company accounts for income taxes using the liability method in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109. The liability method provides that deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense charged to operations amounted to $12,150,000, $9,428,000 and $8,326,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Financial Instrument

The Company utilizes interest rate swap agreements to manage interest rate risk on its floating rate debt. During 1998, the Company entered into an interest-rate swap agreement to modify the interest characteristics of its outstanding long-term debt from a floating rate to a fixed rate basis. This agreement involves the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and recognized as an adjustment to interest expense related to the debt. The related amount payable to or receivable from the counterparty is included in other liabilities or assets. The fair value of the swap agreement is not recognized in the consolidated financial statements and approximates its carrying cost.

Pre-opening Costs

Costs associated with the opening of new stores, which consist primarily of payroll and occupancy costs, are charged to operations as incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

continued

Stock Option Plans

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for its employee stock options because, as discussed in Note 11, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires the use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Concentration of Credit Risk

The Company grants credit to certain customers who meet the Company's pre-established credit requirements. Generally, the Company does not require security when trade credit is granted to customers. Credit losses are provided for in the Company's consolidated financial statements and consistently have been within management's expectations.

The Company has provided long-term financing to a company, through a note receivable, for the construction of an office building which is leased by the Company (see Note 7). The note receivable, amounting to $2,066,000 and $2,137,000 at December 31, 2000 and 1999, respectively, bears interest at 6% and is due in August 2017.

The carrying value of the Company's financial instruments, including cash, short-term investments, accounts receivable, accounts payable and long-term debt, as reported in the accompanying consolidated balance sheets, approximates fair value.

Reclassifications

The reclassifications of certain amounts have been made to the 1999 and 1998 consolidated financial statements to conform to the 2000 presentation.

New Accounting Pronouncements

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as deferred by SFAS No. 137, which is required to be adopted in years beginning after June 15, 2000. The Company does not anticipate that the adoption of SFAS No. 133 will have a significant effect on its financial position or results of operations.

NOTE 2 – ACQUISITION

Effective January 31, 1998, the Company acquired 100% of the outstanding capital stock of Hi-Lo Automotive, Inc. and its subsidiaries ("Hi/LO"). Hi/LO was a specialty retailer supplying automotive aftermarket tools, supplies and accessories principally throughout Texas and Louisiana. The purchase price was approximately $49.3 million, including acquisition costs. The purchase price was financed with long-term borrowings under the Company's credit facility. The acquisition was accounted for using the purchase method of accounting and accordingly, the results of operations of Hi/LO have been included in the Company's results of operations since the date of acquisition. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values. The excess of net assets acquired over the purchase price, which totaled approximately $9.7 million, has been applied as a reduction to the acquired property and equipment. Additional purchase liabilities recorded included approximately $5,622,000 for severance and certain costs associated with the closure and consolidation of certain acquired stores, none of which remained on the balance sheet at December 31, 1999.

The following unaudited pro forma financial information presents the combined historical results of the Company and Hi/LO as if the acquisition had occurred at January 1, 1998, after giving effect to certain adjustments, including the application of the excess of net assets acquired over the purchase price to the acquired property and equipment and resulting effect on depreciation, increased interest expense on long-term debt related to the acquisition, and the related income tax effects.

(In thousands, except per share data)		1998
Product sales	$	634,072
Net income	$	29,443
Net income per share-assuming dilution	$	0.68

The pro forma combined results are not necessarily indicative of the results that would have occurred if the acquisition had been completed as of January 1, 1998.

NOTE 3 – SHORT-TERM INVESTMENTS

The Company's short-term investments are classified as available-for-sale in accordance with SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and are carried at cost, which approximates fair market value. At December 31, 2000, and 1999, short-term investments consisted of preferred equity securities.

NOTE 4 – RELATED PARTIES

The Company leases certain land and buildings related to its O'Reilly Auto Parts stores under six-year operating lease agreements with O'Reilly Investment Company and O'Reilly Real Estate Company, partnerships in which certain shareholders of the Company are partners. Generally, these lease agreements provide for renewal options for an additional six years at the option of the Company. Additionally, the Company leases certain land and buildings related to its O'Reilly Auto Parts stores under 15-year operating lease agreements with O'Reilly-Wooten 2000 LLC, which is owned by certain shareholders of the Company. Generally, these lease agreements provide for renewal options for two additional five-year terms at the option of the Company (see Note 7). Rent expense under these operating leases totaled $2,671,000, $2,647,000 and $2,158,000 in 2000, 1999 and 1998, respectively.

NOTE 5 – NOTE PAYABLE TO BANK

At December 31, 2000, the Company had available short-term unsecured bank lines of credit providing for maximum borrowings of $10 million, all of which was outstanding at December 31, 2000, and $5 million of which was outstanding at December 31, 1999. The lines of credit bear interest at LIBOR plus 0.50% (7.25% at December 31, 2000). Additionally, at December 31, 2000, the Company had available a short-term line of credit in the amount of $25 million, all of which was outstanding at December 31, 2000. This line of credit was paid in full on January 9, 2001. The line of credit bears interest at LIBOR plus 0.75% (7.45% at December 31, 2000). The weighted-average interest rate for all lines of credit for the years ended December 31, 2000, and 1999 was 7.2% and 6.7%, respectively.

NOTE 6 – LONG-TERM DEBT

At December 31, 2000, the Company had available an unsecured credit facility providing for maximum borrowings of $152.5 million. The facility is comprised of a revolving credit facility of $125 million and a term loan of $27.5 million. At December 31, 1999, the Company had available a credit facility providing for maximum borrowings of $165 million. The facility was comprised of a $125 million revolving credit facility and a $40 million term loan.

At December 31, 2000, and 1999, $74,755,000 and $61,560,000, respectively, of the revolving credit facility and $27.5 million and $40 million, respectively, of the term loan were outstanding. The credit facility, which bears interest at LIBOR plus 0.50% (7.0% at December 31, 2000), expires in January 2003.

During 2000 and 1999, the Company leased certain computer equipment under capitalized leases. The lease agreements are three-year terms expiring from 2001 to 2003. At December 31, 2000, the monthly installments under these agreements were approximately $180,000. The present value of the future minimum lease payments under these agreements totaled $2,232,000 and $3,362,000 at December 31, 2000, and 1999, respectively, which has been classified as long-term debt in the accompanying consolidated financial statements. During 2000 and 1999, the Company purchased $800,000 and $2,676,000, respectively, of assets under capitalized leases.

Additionally, the Company has various unsecured notes payable to individuals, amounting to $97,000 and $140,000, at December 31, 2000, and 1999, respectively. The notes bear interest at rates ranging from 7.75% to 9.0% and are due in monthly installments of approximately $1,500 including interest. Only one note remained at December 31, 2000, which matures in 2008.

Indirect borrowings under letters of credit provided by a $5,000,000 sublimit of the revolving credit facility totaled $648,510 and $1,275,000 at December 31, 2000, and 1999, respectively. These letters of credit reduced availability of borrowings at December 31, 2000, and 1999.

Principal maturities of long-term debt for each of the next five years ending December 31 are as follows:

(In thousands)	
2001	$ 14,121
2002	11,715
2003	78,684
2004	13
2005	14
Thereafter	37
	$ 104,584

Cash paid by the Company for interest during the years ended December 31, 2000, 1999 and 1998 amounted to $8,240,000, $6,134,000 and $8,509,000, respectively.

NOTE 7 – COMMITMENTS

Lease Commitments

During 1999, the Company entered into a Master Lease Agreement with O'Reilly-Wooten 2000 LLC (an entity owned by certain shareholders of the Company) related to the sale and leaseback of certain properties. The transaction closed on January 4, 1999, with a purchase price of approximately $5.5 million. The lease calls for an initial term of 15 years with two five-year renewal options.

On December 29, 2000, the Company completed a sale-leaseback transaction. Under the terms of the transaction, the Company sold 90 properties, including land, buildings and improvements, for $52.3 million. The lease, which is being accounted for as an operating lease, provides for an initial lease term of 21 years and may be extended for one initial ten-year period and two additional successive periods of five years each. The resulting gain of $4.5 million has been deferred and is being amortized over the initial lease term. Net rent expense during the initial term will be approximately $5.5 million annually and is included in the table of future minimum annual rental commitments under non-cancelable operating leases. Proceeds from the transaction were used to reduce outstanding borrowings under the Company's Revolving Credit Facility.

On December 15, 2000, the Company entered into a $50 million Synthetic Operating Lease Facility ("the Facility") with a group of financial institutions. Under the Facility, the Lessor acquires land to be developed for O'Reilly Auto Parts stores and funds the development thereof by the Company as the Construction Agent and Guarantor. The Company subsequently leases the property from the Lessor for an initial term of five years with two additional successive renewal periods of five years each. The Facility provides for a residual value guarantee and purchase options on the properties. It also contains a provision for an event of default whereby the Lessor, among other things, may require the Company to purchase any or all of the properties. The Company plans to utilize the Facility to finance a portion of its planned store growth for 2001. Funding under the Facility at December 31, 2000, totaled $1.0 million.

The Company also leases certain office space, retail stores, property and equipment under long-term, non-cancelable operating leases. Most of these leases include renewal options and some include options to purchase and provisions for percentage rent based on sales. At December 31, 2000, future minimum rental payments under all of the Company's operating leases for each of the next five years and in the aggregate are as follows:

(In thousands)	Related Parties	Non-related Parties	Total
2001	$ 2,032	$ 19,823	$ 21,855
2002	1,957	18,239	20,196
2003	1,160	16,874	18,034
2004	1,001	15,436	16,437
2005	665	13,273	13,938
Thereafter	5,575	112,305	117,880
	$ 12,390	$ 195,950	$ 208,340

Rental expense amounted to $16,219,000, $14,122,000 and $13,862,000 for the years ended December 31, 2000, 1999, and 1998, respectively.

Other Commitments

The Company had construction commitments, which totaled approximately $7.0 million, at December 31, 2000.

NOTE 8 – LEGAL PROCEEDINGS

The Company is currently involved in litigation as a result of a complaint filed against Hi/LO in May 1997. The plaintiff in this lawsuit sought to certify a class action on behalf of persons or entities in the states of Texas, Louisiana and California that have purchased a battery from Hi/LO since May 1990. The complaint alleges that Hi/LO offered and sold "old," "used" and "out of warranty" batteries as if the batteries were new, resulting in claims for violations of deceptive trade practices, breach of contract, negligence, fraud, negligent misrepresentation and breach of warranty. The plaintiff is seeking, on behalf of the class, an unspecified amount of compensatory and punitive damages, as well as attorneys' fees and pre- and post-judgment interest. On July 27, 1998, the Trial Court certified this class. The Company appealed the decision to certify the class in the Court of Appeals for the Ninth District of Texas. On February 25, 1999, the Court of Appeals issued an opinion affirming the Trial Court's decision to certify the class. At that time, the Company appealed the opinion by seeking a mandamus from the Supreme Court of Texas. On April 6, 1999, the Supreme Court of Texas asked the plaintiff to

NOTE 8 – LEGAL PROCEEDINGS

continued

file a response, which was filed on April 14, 1999. On May 3, 1999, the Company filed a reply to that response. On June 6, 2000, the Supreme Court of Texas denied the appeal for a mandamus. On January 15, 2001, the Company reached a favorable verbal settlement with the plaintiffs' counsel. The settlement documents are currently being prepared and will be subject to the approval of the Trial Court. The Company believes that this lawsuit will not have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

In addition, the Company is involved in various other legal proceedings incidental to the conduct of its business. Although the Company cannot ascertain the amount of liability that it may incur from any of these matters, it does not currently believe that, in the aggregate, they will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

NOTE 9 – INTEREST RATE RISK MANAGEMENT

The Company entered into an interest rate swap agreement to effectively convert a portion of its floating rate long-term debt to a fixed rate basis, thereby reducing the impact of interest rate changes on future income. Pursuant to this pay-fixed swap agreement, the Company agreed to exchange, at specified intervals, the difference between the fixed and the floating interest amounts calculated on the notional amount of the swap agreement which totaled $50 million, $50 million and $100 million, respectively, at January 27, 2000, December 31, 1999, and 1998. The Company's fixed interest rate under the swap agreement was 5.66% and the counterparty's floating rate was 6.20% at January 27, 2000, and December 31, 1999. The swap agreement expired on January 27, 2000.

NOTE 10 – EMPLOYEE BENEFIT PLANS

The Company sponsors a contributory profit sharing and savings plan that covers substantially all employees who are 21 years of age with at least six months of service. Employees may contribute up to 15% of their annual compensation subject to Internal Revenue Code maximum limitations. The Company has agreed to make matching contributions equal to 50% of the first 2% of each employee's contribution and 25% of the next 2% of each employee's contribution. Additional contributions to the plan may be made as determined annually by the Board of Directors. After three years of service, Company contributions and earnings thereon vest at the rate of 20% per year. Company contributions charged to operations amounted to $2,454,000 in 2000, $2,618,000 in 1999 and $1,818,000 in 1998. Company contributions, in the form of common stock, to the profit sharing and savings plan to match employee contributions during the years ended December 31 were as follows:

Year Contributed	Shares	Market Value
2000	**49,891**	**$724,000**
1999	29,481	658,000
1998	31,438	514,000

Profit sharing contributions accrued at December 31, 2000, 1999, and 1998 funded in the next year through the issuance of shares of the Company's common stock were as follows:

Year Funded	Shares	Market Value
2000	**132,890**	**$1,919,000**
1999	60,640	1,300,000
1998	72,386	1,070,000

The Company also sponsors an unfunded non-contributory defined benefit health care plan, which provides certain health benefits to retired employees. According to the terms of this plan, retirees' annual benefits are limited to $1,000 per employee starting at age 66 for employees with 20 or more years of service. Post-retirement benefit costs for each of the years ended December 31, 2000, 1999, and 1998 amounted to $12,000.

Additionally, the Company has adopted a stock purchase plan under which 1,000,000 shares of common stock are reserved for future issuance. Under the plan, substantially all employees and non-employee directors have the right to purchase shares of the Company's common stock monthly at a price equal to 85% of the fair market value of the stock. Under the plan, 147,315 shares were issued at a weighted-average price of $12.83 per share during 2000, 78,927 shares were issued at a weighted-average price of $18.90 per share during 1999, and 74,632 shares were issued at a weighted-average price of $15.05 per share during 1998.

The Company has in effect a performance incentive plan for the Company's senior management under which 400,000 shares of restricted stock are reserved for future issuance. Under the plan, 12,164 shares, 6,796 shares and 5,358 shares were issued during 2000, 1999 and 1998, respectively.

NOTE 11 – STOCK OPTION PLANS

The Company has a stock option plan under which incentive stock options or non-qualified stock options may be granted to officers and key employees. An aggregate of 6,000,000 shares of common stock is reserved for future issuance under this plan. The exercise price of options granted shall not be less than the fair market value of the stock on the date of grant and the options will expire no later than 10 years from the date of grant. Options granted pursuant to the plan become exercisable no sooner than six months from the date of grant. In the case of a shareholder owning more than 10% of the outstanding stock of the Company, the exercise price of an incentive option may not be less than 110% of the fair market value of the stock on the date of grant, and such options will expire no later than 10 years from the date of grant. Also, the aggregate fair market value of the stock with respect to which incentive stock options are exercisable for the first time by any individual in any calendar year may not exceed $100,000. A summary of outstanding stock options is as follows:

	Price per Share	Number of Shares
Outstanding at December 31, 1997	$ 4.38 – 14.00	2,672,400
Granted	12.38 – 22.91	823,750
Exercised	4.38 – 16.07	(238,600)
Canceled	4.38 – 20.88	(68,700)
Forfeitures	4.38	(5,000)
Outstanding at December 31, 1998	5.94 – 22.91	3,183,850
Granted	18.44 – 26.75	1,148,000
Exercised	5.94 – 18.75	(948,620)
Canceled	6.75 – 26.38	(35,750)
Forfeitures	6.07	(1,000)
Outstanding at December 31, 1999	6.07 – 26.75	3,346,480
Granted	10.56 – 24.38	581,250
Exercised	6.07 – 22.75	(361,875)
Canceled	10.00 – 25.88	(206,625)
Outstanding at December 31, 2000	**$ 8.00 – 26.75**	**3,359,230**

Options to purchase 1,729,033, 1,171,888 and 855,100 shares of common stock were exercisable at December 31, 2000, 1999, and 1998, respectively.

The Company also maintains a stock option plan for non-employee directors of the Company under which 300,000 shares of common stock are reserved for future issuance. All director stock options are granted at fair market value on the date of grant and expire on the earlier of termination of service to the Company as a director or seven years. Options granted under this plan become exercisable six months from the date of grant. A summary of outstanding stock options is as follows:

	Price per Share	Number of Shares
Outstanding at December 31, 1997	$ 4.38 – 9.10	60,000
Granted	13.50	20,000
Exercised	4.38	(10,000)
Canceled	–	–
Outstanding at December 31, 1998	6.56 – 13.50	70,000
Granted	23.91	20,000
Exercised	–	–
Canceled	–	–
Outstanding at December 31, 1999	6.56 – 23.91	90,000
Granted	12.44	20,000
Exercised	6.56 – 6.75	(20,000)
Canceled	–	–
Outstanding at December 31, 2000	**$ 9.09 – 23.91**	**90,000**

All options under this plan were exercisable at December 31, 2000, 1999, and 1998.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Company had accounted for its employee and non-employee director stock options under the fair value method of that SFAS.

The fair values for these options were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998, respectively: risk-free interest rates of 5.02%, 6.54% and 4.74%; volatility factors of the expected market price of the Company's common stock of .442, .247, .221; and weighted-average expected life of the options of 8.9, 8.0 and 8.0 years. The Company assumed a 0% dividend yield over the expected life of the options. The weighted-average fair values of options granted during the years ended December 31, 2000, 1999, and 1998 were $9.24, $10.22 and $6.44, respectively. The weighted-average remaining contractual life at December 31, 2000, for all outstanding options under the Company's stock option plans is 7.1 years. The weighted-average exercise price for all outstanding options under the Company's stock option plans was $16.12 at December 31, 2000.

NOTE 11 – STOCK OPTION PLANS

continued

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing model does not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The effects of applying SFAS No. 123 for pro forma disclosures are not likely to be representative of the effects on reported net income or losses for future years. The Company's pro forma information follows:

(In thousands, except per share data)

	2000	1999	1998
Pro forma net income	$ 48,177	$ 43,501	$ 29,242
Pro forma basic net income per share	$ 0.94	$ 0.89	$ 0.69
Pro forma net income per share – assuming dilution	$ 0.93	$ 0.88	$ 0.67

NOTE 12 – INCOME PER COMMON SHARE

The following table sets forth the computation of basic and diluted income per common share:

(In thousands, except per share data)

Years ended December 31,	2000	1999	1998
Numerator (basic and diluted):			
Net income	$ 51,708	$ 45,639	$ 30,772
Denominator:			
Denominator for basic income per common share – weighted-average shares	51,168	48,674	42,476
Effect of stock options (Note 11)	560	1,041	728
Denominator for diluted income per common share – Adjusted weighted-average shares and assumed conversion	51,728	49,715	43,204
Basic net income per common share	$ 1.01	$ 0.94	$ 0.72
Net income per common share – assuming dilution	$ 1.00	$ 0.92	$ 0.71

NOTE 13 – INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows at December 31:

(In thousands)

	2000	1999
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	$ 51	$ 226
Other accruals	2,960	3,586
	3,011	3,812
Noncurrent:		
Other	834	1,306
Total deferred tax assets	3,845	5,118
Deferred tax liabilities:		
Current:		
Inventory carrying value	1,609	2,036
Noncurrent:		
Property and equipment	4,920	2,521
Total deferred tax liabilities	6,529	4,557
Net deferred tax assets (liabilities)	$ (2,684)	$ 561

The provision for income taxes consists of the following:

(In thousands)

	Current	Deferred	Total
2000:			
Federal	$ 25,120	$ 2,946	$ 28,066
State	3,086	299	3,385
	$ 28,206	$ 3,245	$ 31,451
1999:			
Federal	$ 19,934	$ 4,959	$ 24,893
State	1,996	496	2,492
	$ 21,930	$ 5,455	$ 27,385
1998:			
Federal	$ 10,386	$ 6,852	$ 17,238
State	1,156	777	1,933
	$ 11,542	$ 7,629	$ 19,171

A reconciliation of the provision for income taxes to the amounts computed at the federal statutory rate is as follows:

(In thousands)

	2000	1999	1998
Federal income taxes at statutory rate	$ 29,106	$ 25,558	$ 17,480
State income taxes, net of federal tax benefit	2,200	1,625	1,256
Other items, net	145	202	435
	$ 31,451	$ 27,385	$ 19,171

The tax benefit associated with the exercise of non-qualified stock options has been reflected as additional paid-in capital in the accompanying consolidated financial statements.

During the years ended December 31, 2000, 1999, and 1998, cash paid by the Company for income taxes amounted to $24,244,000, $17,151,000 and $16,229,000, respectively.

NOTE 14 – STOCK SPLIT

On November 8, 1999, the Company's Board of Directors declared a two-for-one stock split to be effected in the form of a 100% stock dividend payable to all shareholders of record as of November 15, 1999. The stock dividend was paid on November 30, 1999. Accordingly, this stock split has been recognized by reclassifying $254,000, the par value of the additional shares resulting from the split, from retained earnings to common stock.

All share and per share information included in the accompanying consolidated financial statements has been restated to reflect the retroactive effect of the stock split for all periods presented.

NOTE 15 – PUBLIC OFFERING OF COMMON STOCK

In March 1999, the Company completed a secondary public offering of 7,002,000 shares of common stock. Pursuant to this offering, the Company issued 7,002,000 shares of common stock resulting in net proceeds to the Company of $124,570,000. A portion of the proceeds was used to repay the Company's outstanding indebtedness under its bank credit facilities. The remaining portion of the proceeds was used to fund the Company's expansion.

NOTE 16 – QUARTERLY FINANCIAL DATA – UNAUDITED

(In thousands, except per share data)

Year ended December 31, 2000	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Product sales	$ 195,758	$ 226,359	$ 251,413	$ 216,891
Gross profit	84,712	97,261	105,863	94,865
Operating income	19,486	24,793	28,805	16,945
Net income	11,567	14,359	16,572	9,210
Basic net income per share	0.23	0.28	0.32	0.18
Net income per share – assuming dilution	0.23	0.28	0.32	0.18

(In thousands, except per share data)

Year ended December 31, 1999	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Product sales	$ 166,404	$ 196,107	$ 208,401	$ 183,210
Gross profit	70,957	81,823	88,001	84,509
Operating income	16,241	19,630	22,231	18,818
Net income	8,603	11,769	13,412	11,855
Basic net income per share	0.20	0.23	0.26	0.23
Net income per share – assuming dilution	0.20	0.23	0.26	0.23

The above quarterly financial data is unaudited, but in the opinion of management, all adjustments necessary for a fair presentation of the selected data for these interim periods presented have been included.

REPORT OF INDEPENDENT AUDITORS

O'REILLY AUTOMOTIVE

The Board of Directors and Shareholders
O'Reilly Automotive, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheets of O'Reilly Automotive, Inc. and Subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of O'Reilly Automotive, Inc. and Subsidiaries at December 31, 2000, and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Kansas City, Missouri
February 23, 2001

DIRECTORS AND EXECUTIVE COMMITTEE

Chub O'Reilly
Chairman of the Board Emeritus
and Director

Charlie O'Reilly
Vice Chairman of the Board and Director

David O'Reilly [1]
Co-Chairman of the Board and
Chief Executive Officer and Director

Larry O'Reilly
Co-Chairman of the Board and Chief
Operating Officer and Director

Rosalie O'Reilly Wooten
Executive Vice President and Director

Ted Wise
President of Sales/Operations/Real Estate

Greg Henslee
President of Merchandise/
Systems/Distribution

Paul Lederer [1]
Director
Director R & B, Inc.
Director Woods Equipment Co.
Director FPM, Inc.
Director Trans-Pro, Inc.
Advisory Board Richco, Inc.
Advisory Board Turtlewax, Inc.
Advisory Board Ampere Products
Advisory Board The Wine Discount Center
(Director 1993 – July 1997; Feb. 2001)

Jay Burchfield [1][2]
Director
Chairman of the Board of City Bancorp
Chairman of the Board of Trust Company
of the Ozarks
President of Oklahoma City Bakery, Inc.
Director of The Primary Care Network
(Director since 1997)

Joe C. Greene [1][2]
Director
Managing Partner of Greene & Curtis,
LLP, attorneys
(Director since 1993)

Jim Batten
Vice President of Finance/
Chief Financial Officer

Ron Byerly
Vice President of Marketing,
Advertising and Training

Alan Fears
Vice President of Expansion
and Acquisitions

Tricia Headley
Vice President of Corporate Services/
Corporate Secretary

Pat O'Reilly
Vice President of Distribution

Steve Pope
Vice President of Human Resources

Larry Pryor
Vice President of Merchandise

Jeff Shaw
Vice President of Southern Division

Jerry Skaggs
Vice President of Sales

Mike Williams
Vice President of Information Systems

[1] Member of Audit Committee

[2] Member of Compensation Committee

OPERATING MANAGEMENT

SENIOR MANAGEMENT

Allen Alexander
Director of Des Moines Region

Buddy Ball
Director of Kansas City Region

Tony Bartholomew
Director of Southern Division Sales

Bert Bentley
Director of Houston Region

Doug Bragg
Director of Oklahoma Region

Michelle Bright
Director of Finance

Mary Brown
Director of Human Resources

Keith Childers
Director of Little Rock Region

Ken Cope
Director of Dallas Rural Region

Charlie Downs
Director of Store Expansion

Phyllis Evans
Director of Store Administration

John Grassham
Director of Dallas Region

Joe Hankins
Director of Store Design

Jaime Hinojosa
Director of Valley Region

Jack House
Director of Customer Services

Randy Johnson
Director of Inventory Control

Brad Knight
Director of Pricing

Jim Maynard
Director of Employment/Team
Member Relations

Kim Mesenbrink
Director of Accounting

Wayne Price
Director of Risk Management

Steve Rice
Director of Credit and Collections

Barry Sabor
Director of Loss Prevention

Denny Smith
Director of Springfield Region

Dick Smith
Director of Construction
and Real Estate Development

Charlie Stallcup
Director of Training

David Strom
Director of Houston Region

Mike Swearengin
Director of Merchandise

Danny Woods
Director of Installer Marketing

CORPORATE MANAGEMENT

Tom Allen
Computer Operations Manager

Keith Asby
National Accounts Manager

Jeanene Asher
Telecommunications Manager

Mike Ballard
PC Development Manager

Yvonne Ballew
Payroll Manager

Bob Bealert
Springfield Distribution Center Manager

Greg Beck
Purchasing Manager

Doug Bennett
Sales Department Manager

Steve Berger
Safety Manager

Ron Biegay
Southern Division Training Manager

Larry Blundell
Regional Field Sales Manager

Rob Bodenhamer
Database Development Manager

Larry Boevers
Oklahoma City Distribution Center Manager

Tom Bollinger
Regional Field Sales Manager

Bridget Brashears
PC Support Manager

John Bush
Regional Field Sales Manager

Julie Carroll
Des Moines Distribution Center Manager

Stan Clingan
Regional Field Sales Manager

Cecil Davis
Assistant Distribution Center Manager

Joe Edwards
Store Installations Manager

Paula Eyman
Accounting Office Manager

Beck Fincher
Advertising Manager

Kevin Ford
Regional Distribution Center Manager

Randy Freund
Regional Field Sales Manager

David Furr
Service Equipment Sales Manager

David Glore
Ozark Sales Manager

Larry Gregory
Store Maintenance Manager

Mike Hauk
Central Division Training Manager

Brett Heintz
Store Procedures Manager

Doy Hensley
Store Help Support Manager

Julie Hibler
Corporate Services Manager

Diana Hicks
Internal Communications Manager

Mark Hoehne
Regional Field Sales Manager

Lori Holden
Customer Service Manager

Doug Hopkins
Distribution Systems Manager

Vicki Hume
Corporate Administration/Travel Manager

Doug Hutchison
Inventory Control Project Manager

Steve Jasinski
Systems Development Manager

Gene Johnson
Property Manager

David Jordan
Kansas City Distribution Center Manager

Les Keeth
Supplier Credits Manager

Julie Langley
Finance Controller

Steve Lines
Sales Training Manager

Jeff Main
Jobber Systems Sales Manager

Ed Martinez
Houston Distribution Center Manager

David McCready
Regional Distribution Center Manager

Bryan Mescher
Regional Field Sales Manager

Brad Oplotnik
Systems Networking Manager

Steve Phillips
Southern Division Regional
Loss Prevention Manager

Kathy Prainito
Real Estate Contract Administration Manager

Ed Randall
Real Estate Acquisition Manager

Shari Reaves
Benefits Manager

Jeanetta Redden
Dallas Distribution Center Manager

Art Rodriguez
Regional Field Sales Manager

Chuck Rogers
Installer Systems Manager

Mary Sabor
Distribution Center Administrative
Services Manager

Rick Samsel
Inventory Control Manager

Joyce Schultz
Southern Division Office Manager

Tom Seboldt
Product Manager

Darren Shaw
PBE Sales Manager

Tim Smith
Credit Manager

Dwayne Snow
Regional Field Sales Manager

Paul Stinson
Regional Field Sales Manager

Mary Stratton
Human Resources Records Manager

Cliff Tomerlin
Regional Field Sales Manager

Jeff Watts
Regional Field Sales Manager

Larry Wiles
A/V Communications Manager

Saundra Wilkinson
Store Support Manager

Joe Winterberg
Product Manager

DISTRICT CORPORATE MANAGERS

Chuck Avis
Emmitt Barina
Brad Beckham
Steve Beil
Tim Brakebill
Pat Brown
Mike Chapman
David Chavis
Ken Coda
Kenny Criss
Bruce Dowell
Dan Dowell
Tommy Dunn
Dallas Engel
Ron England
Bill Fellows
Kirk Frazier
Terry Grimmett
Rick Hedges
Gerry Hendrix
Perry Hess
Brad Hilker
Mike Hollis
David House
Jeff Howard
Jeff Jennings
B. J. Jones
Chad Keel
Butch Kelton
Todd Kemper
Jim Koehn
John Krebs
Dave Leonhart
Chris Lewis
Rick Lorenzen
Kenny Martin
Rodger McClary
Kevin McCurry
Marc McGehee
Wayne McKinney
Chris Meade
Curt Miles
Ciro Moya
Ron Papay
Pernell Peters
David Pilat
Mike Platt
Will Reger
Alan Riddle
Larry Roof
Juan Salinas
Jim Scott
Steve Severe
Mark Smith
Brian Stecklein
Marvin Swaim
Bert Tamez
Randy Tanner
Rick Tearney
Greg Thomas
Dallas Thompson
Darryl Thompson
Justin Tracy
Mark Van Hoecke
Brett Warstler
Rob Weiskirch
John Wells
Allen Wise
Dexter Woods
Mike Yates
Jason York

SHAREHOLDER INFORMATION

O'REILLY AUTOMOTIVE

Corporate Address

233 South Patterson
Springfield, Missouri 65802
417-862-3333
Web site – www.oreillyauto.com

Registrar and Transfer Agent

UMB Bank
928 Grand Boulevard
Kansas City, Missouri 64141-0064

Inquiries regarding stock transfers, lost certificates or address changes should be directed to UMB Bank at the above address.

Independent Auditors

Ernst & Young LLP
One Kansas City Place
Kansas City, Missouri 64105-2143

Legal Counsel

Gallop Johnson & Neuman, L.C.
101 South Hanley Road, Suite 1600
St. Louis, Missouri 63105

Skadden, Arps, Slate, Meagher & Flom
333 West Wacker Drive, Suite 2100
Chicago, Illinois 60606

Annual Meeting

The annual meeting of shareholders of O'Reilly Automotive, Inc. will be held at 10:00 a.m. local time on May 8, 2001, at the University Plaza Convention Center, 333 John Q. Hammons Parkway in Springfield, Missouri. Shareholders of record as of February 28, 2001, will be entitled to vote at this meeting.

Form 10–K Report

The Form 10-K Report of O'Reilly Automotive, Inc. filed with the Securities and Exchange Commission and our quarterly press releases are available without charge to shareholders upon written request. These requests and other investor contacts should be directed to James R. Batten, Vice President of Finance/Chief Financial Officer, at the corporate address.

Trading Symbol

The Company's common stock is traded on The Nasdaq Stock Market (National Market) under the symbol ORLY.

ORLY™ NASDAQ LISTED

Number of Shareholders

As of February 28, 2001, O'Reilly Automotive, Inc. had approximately 19,500 shareholders based on the number of holders of record and an estimate of the number of individual participants represented by security position listings.

Analyst Coverage

The following analysts provide research coverage of O'Reilly Automotive, Inc.

Credit Suisse First Boston – Gary Balter
William Blair & Co. – Ellen Baras
A.G. Edwards – Mark Johnson
Merrill Lynch – Douglas Neviera
Advest – Brett Jordan
Smith Moore & Co. – John Rast

Market Prices and Dividend Information

The prices in the table below represent the high and low sales price for O'Reilly Automotive, Inc. common stock as reported by the Nasdaq Stock Market.

The common stock began trading on April 22, 1993. No cash dividends have been declared since 1992, and the Company does not anticipate paying any cash dividends in the foreseeable future.

	2000		1999	
	High	**Low**	High	Low
First Quarter	**$ 22⅛**	**$ 8¼**	$ 26⅜	$ 12⅝
Second Quarter	**15 7/16**	**11¾**	25¾	20
Third Quarter	**16⅛**	**13⅛**	27 5/16	17⅞
Fourth Quarter	**27¼**	**14**	24⅜	19 7/16
For the Year	**27¼**	**8¼**	27 5/16	17⅞

Design: Falk Harrison Creative, St. Louis, Mo.

Certain statements contained in this document are forward-looking statements. These statements discuss, among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are subject to risks, uncertainties and assumptions, including, but not limited to, competition, product demand, the market for auto parts, the economy in general, inflation, consumer debt levels, governmental approvals, our ability to hire and retain qualified employees and the weather. Actual results may materially differ from anticipated results described in these forward-looking statements. Please refer to the Risk Factors sections of the Company's Form 10-K for the year ended December 31, 2000, for more details.

O'Reilly AUTO PARTS®
PROFESSIONAL PARTS PEOPLE
233 South Patterson
Springfield, Missouri 65802
417-862-3333
www.oreillyauto.com