A MODEL YEAR

O'REILLY AUTOMOTIVE 2001 ANNUAL REPORT

2001 O'REILLY
A YEAR OF RECORD PERFORMANCE

A MODEL YEAR

Whether you're a "do-it-yourselfer" or a professional installer, there's a certain labor of love you have with your automobile. Our team members at O'Reilly Auto Parts know, understand and share this passion. From the moment you walk into one of our stores, you know you're getting the same attention and care from our professionals that they would put into their own vehicles. It's the passion for what we do coupled with our dual market strategy, unique distribution system, strong leadership team and our culture that has built this "Model Year."

1954 CORVETTE
A YEAR OF CLASSIC PERFORMANCE

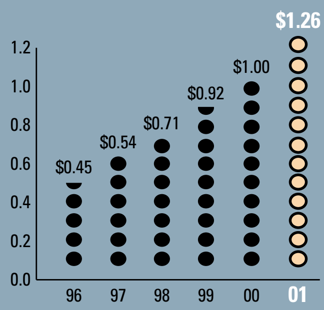
FINANCIAL HIGHLIGHTS

(In thousands, except per share and operating data) *Years ended December 31,*	**2001**	2000	% change
OPERATIONS			
Product Sales	**$ 1,092,112**	$ 890,421	22.7%
Operating Income	**113,831**	90,029	26.4%
Net Income	**66,352**	51,708	28.3%
FINANCIAL POSITION			
Working Capital	**$ 429,527**	$ 296,272	45.0%
Total Assets	**856,859**	715,995	19.7%
Long-Term Debt	**165,618**	90,463	83.1%
Shareholders' Equity	**556,291**	463,731	20.0%
Net Income Per Common Share (diluted)	**$ 1.26**	$ 1.00	26.0%
Weighted-Average Common Shares Outstanding (assuming dilution)	**52,786**	51,728	2.1%
OPERATING DATA			
Stores At Year-End	**875**	672	30.2%
Same-Store Sales Gain	**8.2%**	4.0%	105.0%

YEAR IN REVIEW

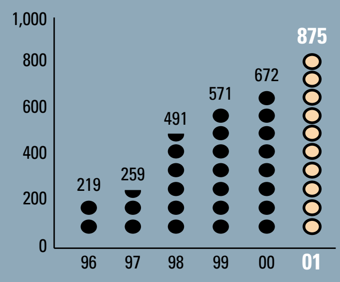
- *OPENED 121 NEW STORES.*
- *TEAM O'REILLY ACHIEVED OUR 1-5-U GOAL OF $1 BILLION IN SALES ONE YEAR EARLY WITH PRODUCT SALES INCREASING 22.7% TO $1.09 BILLION.*
- *ACQUIRED MID-STATE AUTOMOTIVE DISTRIBUTORS, INC. INCLUDING 82 NET NEW STORES AND 2 DISTRIBUTION CENTERS.*
- *NET INCOME INCREASED 28.3% TO $66.4 MILLION.*
- *OVER 12,500 TEAM MEMBERS STRONG.*
- *A TOTAL OF 875 STORES AND 9 DISTRIBUTION CENTERS LOCATED IN 16 STATES.*

EARNINGS PER SHARE (ASSUMING DILUTION)



Our 10-year compound average growth rate in earnings per share is 20.8%.

NUMBER OF STORES



Our growth plans for 2002 include opening at least 100 new stores.

INSIDE:

A MODEL YEAR

This leadership team averages over 28 years of service with O'Reilly. As pictured from left to right: Greg Henslee, David O'Reilly, Ted Wise, Rosalie O'Reilly-Wooten, Larry O'Reilly and Charlie O'Reilly.

LETTER TO SHAREHOLDERS

Over generations, our Company has built a strong track record of growth and performance by pursuing our mission of being the dominant supplier of auto parts in our markets. 2001 was no exception. With more than 12,500 dedicated team members having a strong focus on customer service, work ethic and our prominent culture, Team O'Reilly has completed a *Model Year*.

In 1998, we embarked on a vision for growth called 1-5-U. It represented our mission to reach $1 billion in sales in five years. We are proud to announce that once again Team O'Reilly has risen to the challenge, meeting this goal one year early. This demonstrates the commitment of our team members and their ability to excel beyond expectations.

In late 2001, O'Reilly seized a tremendous opportunity with our acquisition of Mid-State Automotive Distributors, Inc. The acquisition provided strategic and contiguous growth for our Company throughout seven additional states, added 82 net new stores, two distribution centers and over 1,800 new experienced team members. In addition to our acquisition of Mid-State, we added 121 new stores, bringing our total store count to 875 throughout 16 states.

We continue to make improvements in our use of technology. Our Global Inventory System has increased the availability of parts to our customers by giving our stores visibility to inventory at all distribution centers and other stores. This system also reduces inventory levels at both stores and distribution centers. We continue to find new ways to utilize TeamNet, our intranet system and reduce the cost associated with printed materials while improving communications with our stores.

A lot of hard work by Team O'Reilly produced another year of strong financial results. Product sales of $1.09 billion,an increase of 22.7%, a 10.4% operating margin and net income growth of 26.0% highlight this *Model Year*. Approximately 56% of product sales were generated from the do-it-yourself or retail trade, and approximately 44% of product sales were generated from the professional installer market. We continue our focus on this dual-market strategy with a goal of 50% from each market.

O'Reilly has positioned itself for the opportunities ahead. Our plans for 2002 include opening at least 100 new stores and same store sales objectives in the mid single-digit range. We will continue to leverage our technology investment in the area of inventory control. Our goal is to achieve inventory turns of 1.7 times, an operating margin of 11% or greater and top line sales growth of approximately 18-20%.

We look forward to taking the opportunities that lie ahead in 2002 and converting them to shareholder value. Team O'Reilly has a successful track record of responding to these opportunities as we strive to be the dominant auto part supplier in our markets. Thank you for taking time to learn more about Team O'Reilly and for your continued support and confidence.

CHARLIE O'REILLY
VICE CHAIRMAN OF THE BOARD

DAVID O'REILLY
CHIEF EXECUTIVE OFFICER & CO-CHAIRMAN OF THE BOARD

LARRY O'REILLY
CHIEF OPERATING OFFICER & CO-CHAIRMAN OF THE BOARD

ROSALIE O'REILLY-WOOTEN
EXECUTIVE VICE PRESIDENT

TED WISE
CO-PRESIDENT

GREG HENSLEE
CO-PRESIDENT

O'REILLY EXECUTIVE COMMITTEE

C.H. CHUB O'REILLY
44 YEARS
CHAIRMAN EMERITUS

JERRY SKAGGS
41 YEARS
VICE PRESIDENT SALES

MIKE WILLIAMS
32 YEARS
VICE PRESIDENT INFORMATION SYSTEMS

TRICIA HEADLEY
24 YEARS
VICE PRESIDENT CORPORATE SERVICES & CORPORATE SECRETARY

ALAN FEARS
19 YEARS
VICE PRESIDENT EXPANSION ACQUISITIONS

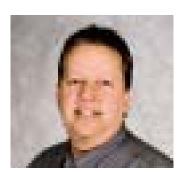
STEVE POPE
14 YEARS
VICE PRESIDENT HUMAN RESOURCES

JEFF SHAW
11 YEARS
VICE PRESIDENT SOUTHERN DIVISION

PAT O'REILLY
10 YEARS
VICE PRESIDENT DISTRIBUTION

JIM BATTEN
9 YEARS
VICE PRESIDENT FINANCE & CFO

MIKE SWEARENGIN
8 YEARS
VICE PRESIDENT MERCHANDISE

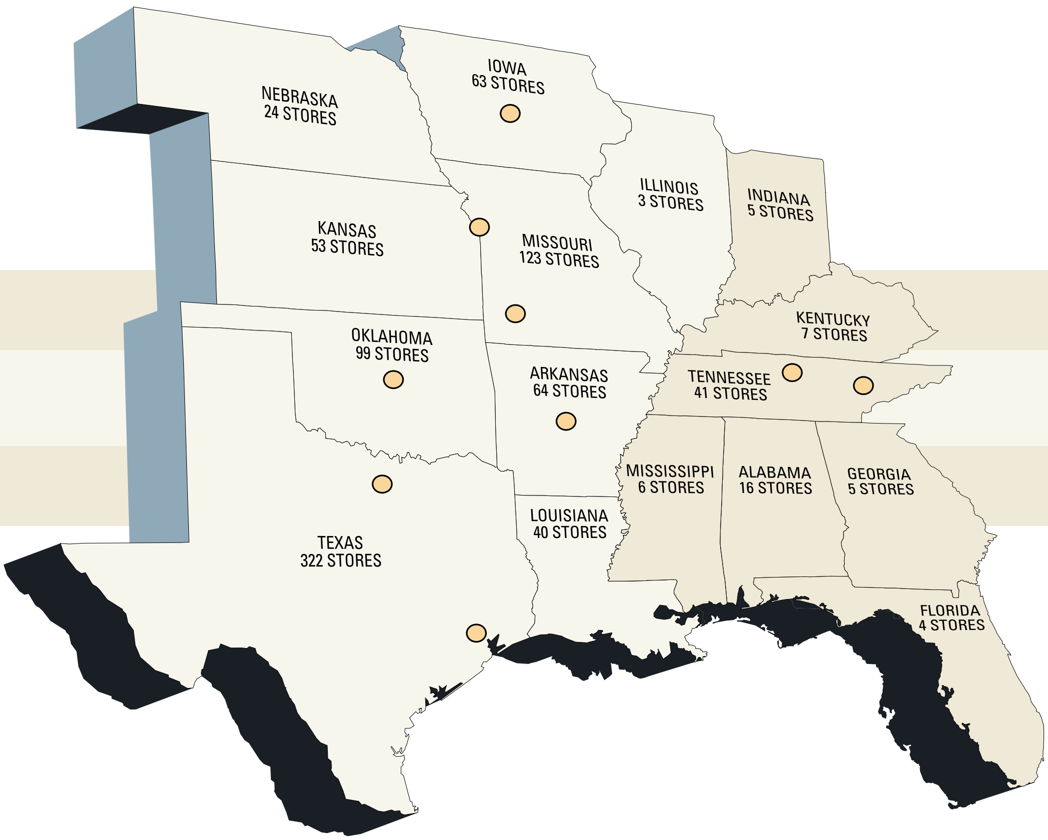


RON BYERLY
7 YEARS
VICE PRESIDENT MARKETING, ADVERTISING & TRAINING

875 LOCATIONS

DISTRIBUTION CENTERS

- LITTLE ROCK, ARKANSAS
- DES MOINES, IOWA
- KANSAS CITY, MISSOURI
- SPRINGFIELD, MISSOURI
- OKLAHOMA CITY, OKLAHOMA
- KNOXVILLE, TENNESSEE
- NASHVILLE, TENNESSEE
- DALLAS, TEXAS
- HOUSTON, TEXAS

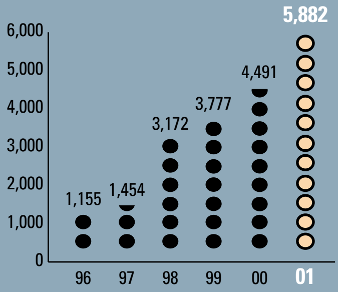


MID-STATE ACQUISITION

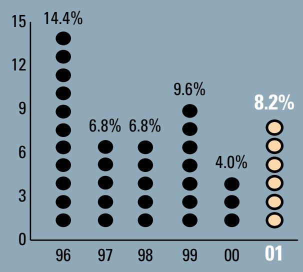
States	# of Stores Added
INDIANA	5
KENTUCKY	7
TENNESSEE	40
MISSISSIPPI	5
ALABAMA	16
GEORGIA	5
FLORIDA	4

Time and time again, Team O'Reilly has demonstrated its ability to successfully build and acquire new stores. This year was no exception. We added 121 new stores and successfully completed our acquisition of Mid-State Automotive Distributors, Inc., for an additional 82 stores making a total of 203 stores added in 2001. Our tradition of aggressive growth will continue throughout 2002 with the planned opening of 100 new stores. The acquisition of Mid-State was a great fit for O'Reilly. Mid-State had been in business for 33 years with a strong wholesale hard parts background and independently owned jobber store business. The seven contiguous states, 82 stores and two strategically located distribution centers set the stage for our future growth. The conversion of the Mid-State stores to O'Reilly Auto Parts stores will build on the established professional installer business while creating growth opportunities in the retail business.

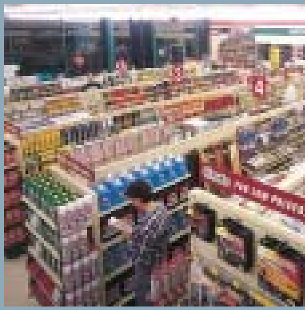
TOTAL STORE SQUARE FOOTAGE AT YEAR-END[a] (IN THOUSANDS)



PERCENTAGE INCREASE IN SAME STORE PRODUCT SALES[b]



(a) total square footage includes normal selling, office, stockroom and receiving space.
(b) for stores opened in two full periods.



O'Reilly stores feature modern fixtures and state-of-the-art merchandising, showcasing our large inventory of auto parts, chemicals, tools and accessories.

BRANDS, LOCATIONS, SERVICE ... O'REILLY DELIVERS

When our customers walk into any O'Reilly store, they get a feeling of knowing that every store is designed and laid out with consistency to best serve their needs. Our Hi-5 program ensures that each O'Reilly customer will be welcomed within the first five steps of entering the store and that we will provide the best customer service possible.

2001
O'REILLY TEAM MEMBERS

A MODEL YEAR

The team concept is a critical part of the O'Reilly business plan. It takes the entire team to get the right parts to our customers. The personal, professional service received by our customers provides us with a competitive edge, and our model team members provide the very best. Our team embraces the ten values of the O'Reilly Culture: respect, honesty, teamwork, expense control, hard work, professionalism, enthusiasm, excellent customer service, dedication and a win-win attitude.

1959
CADILLAC ELDORADO

The overriding priority for the O'Reilly Information Systems team members is to support the customer service needs of the store network by managing our tremendous data warehouse and providing the best possible point-of-sale support.

OVER 12,500 TEAM MEMBERS

The strong financial results of this *Model Year* could not be achieved without the dedication, knowledge, work ethic and team spirit of our more than 12,500 team members. As our Company grows, so does our dedication and commitment to our culture and the team concept. It is one of the most critical elements of our success. Every new team member receives orientation training designed to instill in them the key values and behaviors that have come to be known as the O'Reilly Culture.

We continue to invest in our No. 1 resource, our team members, with a variety of training. Both do-it-yourself and professional installers rely on our team member's extensive knowledge. This knowledge and dedication to customer service is what makes our team members "Professional Parts People."

Our training programs, promote-from-within philosophy and dedication to treating our team members fairly all contribute to the longevity of our team.

Managing our Company's aggressive growth while maintaining control of expenses and profitability is a challenge our leadership team faces head-on. Our senior management team consists of 49 highly skilled and qualified individuals who average greater than 18 years of service with O'Reilly. Many senior managers, including our two co-presidents, have worked their way up from entry level positions within the Company.

The O'Reilly customer support department assures our ability to source the right part at the right price ... everytime.

2001
DUAL MARKET STRATEGY

A MODEL YEAR

Of the $1.09 billion in product sales in 2001, 44% was generated from our professional installer market. O'Reilly provides a broad inventory availability with over 100,000 SKUs (stock keeping units). This lets our customers know they can count on the O'Reilly name to deliver!

1965
SHELBY COBRA

The O'Reilly customer knows that our team members can provide expert advice and trouble-shooting assistance for a wide variety of automotive maintenance needs.

TWO MARKETS, ONE BILLION IN SALES

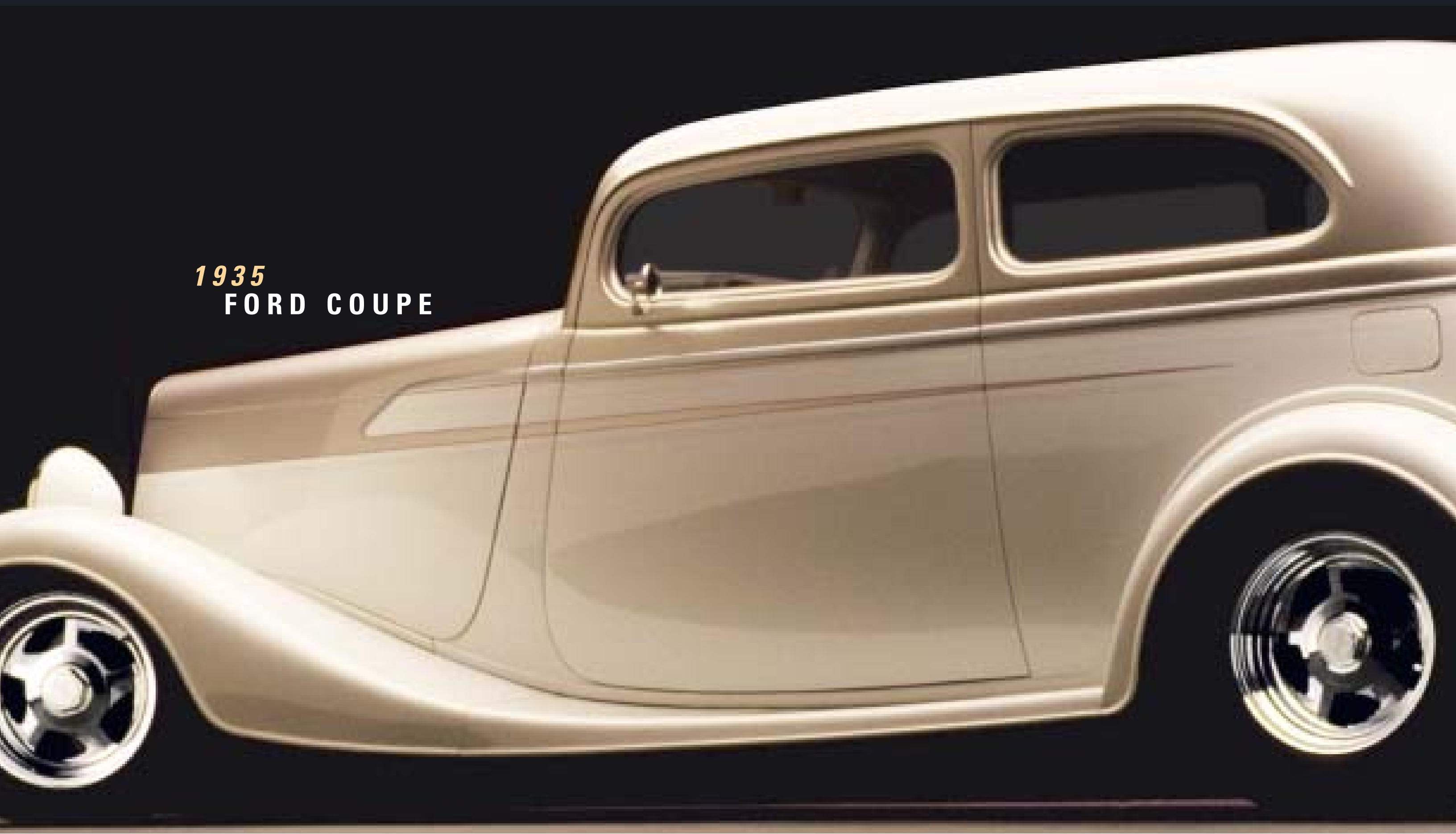
Many of our Professional Parts People are ASE certified to ensure that every customer gets the right part, for the right price, guaranteed!

Once again, Team O'Reilly delivers! In 1998 we began the quest toward our 1-5-U goal of $1 billion in sales within five years. In 2001, we achieved our goal one year early. Product sales reached over $1.09 billion in 2001 making it our ninth year of record sales since becoming a public company. Competitive pricing, dual market strategy and efforts from every team member helped make 2001 a *Model Year*.

At O'Reilly, we work hard to serve all customers in our markets, trying to keep approximately a 50/50 blend between do-it-yourself ("DIY") customers and professional installers. Our DIY customers appreciate and rely on the knowledge of our professional parts people, convenient locations and comfort in knowing that at O'Reilly they will get the lowest price, guaranteed. Our professional installer customer trusts in O'Reilly for our support programs, broad inventory availability and the best value in equipment, tools and parts. Serving both of these markets provides a greater opportunity to serve a large number of customers.

A MODEL YEAR

Our sophisticated point-of-sale system allows stores to order hard-to-find parts directly from one of our nine distribution centers. Once a part has been ordered, our advanced inventory control system and handling technology allow the part to be picked and delivered to the store and to our customer within 24 hours.

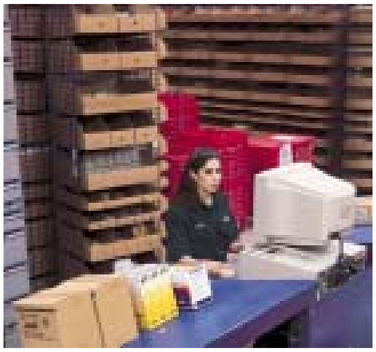


Our industry-leading distribution network supports the daily delivery of customer-ordered parts to every store in 24 hours or less.

UNIQUE DISTRIBUTION SYSTEM

Our unique distribution system starts with our No. 1 priority, our customer. When one of our valued customers needs a hard-to-find part, store team members use our dynamic inventory management system to search the inventory of distribution centers as well as other stores to locate and order the part. The order is automatically generated at one of our distribution centers where the part is picked, packed and put on one of our 159 trucks that deliver merchandise to every O'Reilly store, every night. That hard-to-find part is ready for our customer by the time our store opens the next morning, or better yet, the same day in many markets.

Over 2,330 O'Reilly team members work around the clock in our distribution centers to provide exceptional service to our stores. Our nine strategically located distribution centers, including the two distribution centers from the Mid-State acquisition, provide nightly deliveries to every O'Reilly store. These distribution centers have 1,465,403 square feet of space to house over 100,000 SKUs (stock keeping units) and ensure that our customers get the right part for the right price at the right time.



Advanced technological equipment, such as these rotating carousels, helps in filling orders efficiently and speeding parts on their way for nightly delivery to O'Reilly stores.

National Oil Seals · Prestone · SEALED POWER · SUPER START PREMIUM BATTERY · WAGNER LIGHTING PRODUCTS · WALKER QUIET-FLOW MUFFLERS

1957
FORD THUNDERBIRD

A MODEL YEAR

Looking back on a proud past ... looking forward to a great future.

2002
FORD THUNDERBIRD

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except per share data)

YEARS ENDED DECEMBER 31,	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
INCOME STATEMENT DATA										
Product sales	**$1,092,112**	$890,421	$754,122	$616,302	$316,399	$259,243	$201,492	$167,057	$137,164	$110,147
Cost of goods sold, including warehouse and distribution expenses	**624,294**	507,720	428,832	358,439	181,789	150,772	116,768	97,758	82,102	65,066
Gross profit	**467,818**	382,701	325,290	257,863	134,610	108,471	84,724	69,299	55,062	45,081
Operating, selling, general and administrative expenses	**353,987**	292,672	248,370	200,962	97,526	79,620	62,687	52,142	42,492	35,204
Operating income	**113,831**	90,029	76,920	56,901	37,084	28,851	22,037	17,157	12,570	9,877
Other income (expense), net	**(7,104)**	(6,870)	(3,896)	(6,958)	472	1,182	236	376	216	204
Provision for income taxes	**40,375**	31,451	27,385	19,171	14,413	11,062	8,182	6,461	4,556	3,686
Income from continuing operations before cumulative effects of changes in accounting principles	**66,352**	51,708	45,639	30,772	23,143	18,971	14,091	11,072	8,230	6,395
Cumulative effects of changes in accounting principles	–	–	–	–	–	–	–	–	–	(163)
Income from continuing operations	**66,352**	51,708	45,639	30,772	23,143	18,971	14,091	11,072	8,230	6,232
Income from discontinued operations	–	–	–	–	–	–	–	–	48	129
Net income	**$ 66,352**	$ 51,708	$ 45,639	$ 30,772	$ 23,143	$ 18,971	$ 14,091	$ 11,072	$ 8,278	$ 6,361
BASIC EARNINGS PER COMMON SHARE										
Income per share from continuing operations before cumulative effects of changes in accounting principles	**$ 1.27**	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25	$ 0.22
Income per share from continuing operations	**$ 1.27**	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25	$ 0.21
Income per share from discontinued operations	–	–	–	–	–	–	–	–	–	0.01
Net income per share	**$ 1.27**	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25	$ 0.22
Weighted-average common shares outstanding	**52,121**	51,168	48,674	42,476	42,086	41,728	35,640	34,620	32,940	29,436
EARNINGS PER COMMON SHARE – ASSUMING DILUTION										
Income per share from continuing operations before cumulative effects of changes in accounting principles	**$ 1.26**	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25	$ 0.22
Income per share from continuing operations	**$ 1.26**	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25	$ 0.21
Income per share from discontinued operations	–	–	–	–	–	–	–	–	–	0.01
Net income per share	**$ 1.26**	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25	$ 0.22
Weighted-average common shares outstanding – adjusted [e]	**52,786**	51,728	49,715	43,204	42,554	42,064	35,804	34,778	33,046	29,436

SELECTED CONSOLIDATED FINANCIAL DATA *(CONTINUED)*

(In thousands, except selected operating data)

YEARS ENDED DECEMBER 31,	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
SELECTED OPERATING DATA:										
Number of stores at year-end[(a)]	**875**	672	571	491	259	219	188	165	145	127
Total store square footage at year-end (in 000's)[(b)]	**5,882**	4,491	3,777	3,172	1,454	1,155	923	785	671	571
Weighted-average product sales per store (in 000's)[(b)]	**$ 1,425**	$ 1,412	$ 1,423	$ 1,368	$ 1,306	$ 1,239	$ 1,101	$ 1,007	$ 949	$ 838
Weighted-average product sales per square foot [(b) (f)]	**$ 213.0**	$ 212.6	$ 216.5	$ 238.0	$ 235.8	$ 242.2	$ 227.3	$ 215.4	$ 208.7	$ 187.2
Percentage increase in same-store product sales open two full periods[(c)]	**8.2%**	4.0%	9.6%	6.8%	6.8%	14.4%	8.9%	8.9%	14.9%	11.4%
Percentage increase in same-store product sales open one year[(d)]	**8.8%**	5.0%								
BALANCE SHEET DATA:										
Working capital	**$429,527**	$296,272	$249,351	$208,363	$ 93,763	$ 74,403	$ 80,471	$ 41,416	$ 41,193	$ 15,251
Total assets	**856,859**	715,995	610,442	493,288	247,617	183,623	153,604	87,327	73,112	58,871
Short-term debt	**16,843**	49,121	19,358	13,691	130	3,154	231	311	495	3,462
Long-term debt, less current portion	**165,618**	90,463	90,704	170,166	22,641	237	358	461	732	2,668
Long-term debt related to discontinued operations, less current portion	–	–	–	–	–	–	–	–	–	9,873
Shareholders' equity	**$556,291**	$463,731	$403,044	$218,394	$182,039	$155,782	$133,870	$ 70,224	$ 57,805	$ 29,281

(a) The number of stores at year-end 1992 are net of the combinations 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 acquired 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 methods 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 team members, administrative office occupancy expenses, data processing, professional expenses and other related expenses.

CRITICAL ACCOUNTING POLICIES

The fundamental objective of financial reporting is to provide useful information that allows a reader to comprehend the business activities of our company. To aid in that understanding, management has identified our "critical accounting policies". These policies have the potential to have a more significant impact on our financial statements, either because of the significance of the financial statement item to which they relate, or because they require judgment and estimation due to the uncertainty involved in measuring, at a specific point in time, events which are continuous in nature.

- **Cost of goods sold**– Cost of goods sold includes estimates of shortages that are adjusted upon physical inventory counts in subsequent periods and estimates of amounts due from vendors for certain merchandise allowances and rebates. These estimates are consistent with historical experience.
- **Operating, selling, general and administrative expense** – Operating, selling, general and administrative expense includes estimates for worker's compensation and other general liability obligations, which are partially based on estimates of certain claim costs and historical experience.
- **Credit Operations** – Allowance for doubtful accounts is estimated based on historical loss ratios and consistently have been within management's expectations.
- **Revenue** – We recognize sales upon shipment of the products.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(CONTINUED)*

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,	2001	2000	1999
Product sales	**100.0%**	100.0%	100.0%
Cost of goods sold, including warehouse and distribution expenses	**57.2**	57.0	56.9
Gross profit	**42.8**	43.0	43.1
Operating, selling, general and administrative expenses	**32.4**	32.9	32.9
Operating income	**10.4**	10.1	10.2
Other expense, net	**(0.6)**	(0.8)	(0.5)
Income before income taxes	**9.8**	9.3	9.7
Provision for income taxes	**3.7**	3.5	3.6
Net income	**6.1%**	5.8%	6.1%

2001 COMPARED TO 2000

Product sales increased $201.7 million, or 22.7% from $890.4 million in 2000 to $1.09 billion in 2001, primarily due to 121 net additional stores opened during 2001, an 8.8% increase in same-store product sales for stores open at least one year and the acquisition of 82 stores in connection with the purchase of Mid-State, effective October 1, 2001. 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 22.2% from $382.7 million (or 43.0% of product sales) in 2000 to $467.8 million (or 42.8% of product sales) in 2001.

Operating, selling, general and administrative expenses increased $61.3 million from $292.7 million (or 32.9% of product sales) in 2000 to $354.0 million (or 32.4% of product sales) in 2001. 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 $234,000 from $6.9 million in 2000 to $7.1 million in 2001. The increase was primarily due to interest expense on increased debt levels related to the issuing of $100 million of senior notes, partially offset by lower interest expense on borrowings under the revolving credit facility due to lower interest rates.

Provision for income taxes increased from $31.5 million in 2000 (37.8% effective tax rate) to $40.4 million in 2001 (37.8% effective tax rate). The increase in the dollar amount was due to the increase in the amount of income before income taxes.

Principally as a result of the foregoing, net income in 2001 was $66.4 million (or 6.1% of product sales), an increase of $14.6 million (or 28.3%) from net income in 2000 of $51.7 million (or 5.8% of product sales).

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 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 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).

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $50.0 million in 2001, $5.8 million in 2000 and $31.6 million in 1999. The increase in cash provided by operating activities in 2001 compared to 2000 is largely the result of smaller increases in inventory, increased net income and, to a lesser extent, increased accrued benefits and withholdings. This increase in cash provided by operating activities in 2001 compared to 2000 was partially offset by the increase in amounts receivable from vendors and a decrease in accounts payable and other current liabilities. 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.

Net cash used in investing activities was $77.8 million in 2001, $40.5 million in 2000 and $79.7 million in 1999. The increase in cash used in investing activities in 2001 was largely due to the purchase of Mid-State as discussed in Note 2 of the consolidated financial statements, and a significant reduction in the amount of proceeds received from the sale of property and equipment. The decrease in cash used in 2000 compared to 1999 was primarily due to proceeds from the sale of 90 properties for $52.3 million in a sale-leaseback transaction.

On December 15, 2000, we 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 our development thereof as the Construction Agent and Guarantor. We subsequently lease the property from the lessor for an initial term of five years and have the option to request up to two additional successive renewal periods of five years each from the lessor, although the lessor is not obligated to grant us either renewal period. The Facility provides for a residual value guarantee of approximately $36.6 million at December 31, 2001, 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 are utilizing the Facility to finance a portion of our store growth. Funding under the Facility at December 31, 2001 and 2000, totaled $43.0 million and $1.0 million, respectively.

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 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 lease term is approximately $5.5 million annually and is included in the table of future minimum annual rental commitments under noncancelable operating leases. Proceeds from the transaction were used to reduce outstanding borrowings under our revolving credit facility.

In August 2001, the Company completed a sale-leaseback with O'Reilly-Wooten 2000 LLC (an entity owned by certain shareholders of the Company). The transaction closed on September 1, 2001, with a purchase price of approximately $5.6 million for nine O'Reilly Auto Parts stores and did not result in a material gain or loss. The lease, which has been accounted for as an operating lease, calls for an initial term of 15 years with three five-year renewal options.

Capital expenditures were $68.5 million in 2001, $82.0 million in 2000 and $86.0 million in 1999. These expenditures were primarily

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

related to the opening of new stores, as well as the relocation or remodeling of existing stores. We opened 121, 101 and 80 net stores in 2001, 2000 and 1999, respectively. We also acquired 82 stores in connection with the purchase of Mid-State, effective October 1, 2001. We remodeled or relocated 16 stores in 2001 and 8 stores in both 2000 and in 1999. Four new distribution centers were acquired: two in October 2001, located in Nashville, Tennessee, and Knoxville, Tennessee; one in October 2000, located in Little Rock, Arkansas; and the other in December 1999, located in Dallas, Texas.

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.

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 of $175 million. The credit facility was reduced to $165 million in 1999, $152.5 million in 2000 and $140 million in 2001. The facility is currently comprised of a revolving credit facility of $125 million and a term loan of $15 million. The credit facility is guaranteed by all of our subsidiaries. At December 31, 2001 and 2000, $61,350,000 and $74,755,000, respectively, of the revolving credit facility and $15 million and $27.5 million, respectively, of the term loan were outstanding. The credit facility, which bears interest at LIBOR plus 0.50% (2.43% at December 31, 2001), expires in January 2003.

Our contractual obligation, including commitments for future payments under non-cancelable lease arrangements and short and long-term debt arrangements, are summarized below and are fully disclosed in Notes 5, 6 and 7 to the consolidated financial statements. We have not participated in, nor secured financings for any unconsolidated special purpose entities.

(In thousands)

PAYMENTS DUE BY PERIOD	TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Notes payable	$ 5,165	$ 5,074	$ 86	$ 5	$ –
Long-term debt	176,436	11,261	65,125	75,029	25,021
Capital lease obligations	860	509	351	–	–
Operating leases	216,103	24,838	41,077	30,546	119,642
Unconditional purchase commitments	22,349	22,349	–	–	–
Total contractual cash obligations	$420,913	$64,031	$106,639	$105,580	$144,663

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-term 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 2001 and 2000. 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. The reclassifications of certain amounts have been made to the 2001 consolidated financial quarterly results shown below.

(In thousands, except per share data)

FISCAL 2001	***FIRST QUARTER***	***SECOND QUARTER***	***THIRD QUARTER***	***FOURTH QUARTER***
Product sales	**$239,063**	**$280,676**	**$293,996**	**$278,377**
Gross profit	**102,426**	**117,789**	**125,287**	**122,316**
Operating income	**21,732**	**30,758**	**34,142**	**27,199**
Net income	**12,317**	**17,987**	**20,140**	**15,908**
Basic net income per common share	**0.24**	**0.35**	**0.38**	**0.30**
Net income per common share – assuming dilution	**0.24**	**0.34**	**0.38**	**0.30**

(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

NEW ACCOUNTING STANDARDS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other identifiable intangible assets will continue to be amortized over their useful lives or, if they have indefinite lives, such identifiable assets will not be amortized but will be subject to annual impairment tests. We will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal 2002. Application of the provisions of the Statement are not expected to have a material impact on our financial condition or results of operations.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

DECEMBER 31,	2001	2000
ASSETS		
Current assets:		
Cash	**$ 15,041**	$ 9,204
Short-term investments	**500**	500
Accounts receivable, less allowance for doubtful accounts of $1,760 in 2001 and $135 in 2000	**41,486**	32,673
Amounts receivable from vendors	**38,440**	29,175
Inventory	**447,793**	372,069
Refundable income taxes	**168**	92
Deferred income taxes	**3,908**	1,402
Other current assets	**3,327**	4,089
Total current assets	**550,663**	449,204
Property and equipment, at cost:		
Land	**48,096**	46,740
Buildings	**121,250**	109,835
Leasehold improvements	**45,456**	34,750
Furniture, fixtures and equipment	**143,046**	106,068
Vehicles	**34,517**	25,628
	392,365	323,021
Accumulated depreciation and amortization	**103,361**	76,167
Net property and equipment	**289,004**	246,854
Notes receivable	**2,557**	2,836
Other assets, net	**14,635**	17,101
Total assets	**$856,859**	$715,995
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to bank	**$ 5,000**	$ 35,000
Income taxes payable	**–**	1,011
Accounts payable	**61,875**	68,947
Accrued payroll	**12,866**	9,309
Accrued benefits and withholdings	**14,038**	9,360
Other current liabilities	**15,514**	15,184
Current portion of long-term debt	**11,843**	14,121
Total current liabilities	**121,136**	152,932
Long-term debt, less current portion	**165,618**	90,463
Deferred income taxes	**9,141**	4,086
Other liabilities	**4,673**	4,783
Commitments and contingencies	**–**	–
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 – 52,850,713 in 2001 and 51,544,879 in 2000	**528**	515
Additional paid-in capital	**256,795**	230,600
Retained earnings	**298,968**	232,616
Total shareholders' equity	**556,291**	463,731
Total liabilities and shareholders' equity	**$856,859**	$715,995

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

YEARS ENDED DECEMBER 31,	*2001*	*2000*	*1999*
Product sales	**$1,092,112**	$890,421	$754,122
Cost of goods sold, including warehouse and distribution expenses	**624,294**	507,720	428,832
Operating, selling, general and administrative expenses	**353,987**	292,672	248,370
	978,281	800,392	677,202
Operating income	**113,831**	90,029	76,920
Other income (expense):			
Interest expense	**(9,092)**	(8,362)	(5,343)
Interest income	**1,362**	439	402
Other, net	**626**	1,053	1,045
	(7,104)	(6,870)	(3,896)
Income before income taxes	**106,727**	83,159	73,024
Provision for income taxes	**40,375**	31,451	27,385
Net income	**$ 66,352**	$ 51,708	$ 45,639
Basic income per common share:			
Net income per common share	**$ 1.27**	$ 1.01	$ 0.94
Weighted-average common shares outstanding	**52,121**	51,168	48,674
Income per common share – assuming dilution:			
Net income per common share – assuming dilution	**$ 1.26**	$ 1.00	$ 0.92
Adjusted weighted-average common shares outstanding	**52,786**	51,728	49,715

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

	COMMON STOCK		ADDITIONAL PAID-IN	RETAINED	
	SHARES	PAR VALUE	CAPITAL	EARNINGS	TOTAL
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
Issuance of common stock under employee benefit plans	223	2	4,856	–	4,858
Issuance of common stock under stock option plans	1,083	11	14,924	–	14,935
Tax benefit of stock options exercised	–	–	6,415	–	6,415
Net income	–	–	–	66,352	66,352
Balance at December 31, 2001	**52,851**	**$528**	**$256,795**	**$298,968**	**$556,291**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

YEARS ENDED DECEMBER 31,	*2001*	*2000*	*1999*
Operating activities			
Net income	**$ 66,352**	$ 51,708	$ 45,639
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**28,963**	23,846	17,619
Amortization	**1,581**	966	283
Provision for doubtful accounts	**2,635**	1,235	961
Loss (gain) on sale of property and equipment	**(158)**	220	(82)
Deferred income taxes	**6,371**	3,245	5,455
Common stock contributed to employee benefit plans	**2,690**	2,648	2,339
Tax benefit of stock options exercised	**6,415**	977	4,085
Changes in operating assets and liabilities, net of the effects of the acquisition:			
Accounts receivable	**(3,432)**	(7,446)	157
Amounts receivable from vendors	**(7,908)**	(3,191)	(1,644)
Inventory	**(35,115)**	(78,145)	(47,912)
Refundable income taxes	**(76)**	2,241	693
Other current assets	**1,244**	(444)	734
Accounts payable	**(16,891)**	4,062	(1,852)
Income taxes payable	**(1,011)**	1,011	–
Accrued payroll	**3,557**	3,031	1,479
Accrued benefits and withholdings	**4,678**	(1,022)	2,038
Other current liabilities	**(9,756)**	870	3,386
Other liabilities	**(110)**	20	(1,732)
Net cash provided by operating activities	**50,029**	5,832	31,646
Investing activities			
Purchases of property and equipment	**(68,521)**	(81,987)	(86,002)
Proceeds from sale of property and equipment	**8,534**	52,861	7,039
Acquisition, net of cash acquired	**(20,536)**	–	–
Payments received on notes receivable	**721**	604	1,265
Advances made on notes receivable	**–**	–	(70)
Investment in other assets	**1,956**	(11,995)	(1,931)
Net cash used in investing activities	**(77,846)**	(40,517)	(79,699)
Financing activities			
Borrowings on notes payable to bank	**5,000**	30,000	7,130
Payments on notes payable to bank	**(35,000)**	–	(7,130)
Proceeds from issuance of long-term debt	**289,974**	431,159	172,892
Principal payments on long-term debt	**(243,422)**	(432,415)	(249,363)
Net proceeds from secondary offering	**–**	–	124,570
Net proceeds from issuance of common stock	**17,102**	5,354	8,017
Net cash provided by financing activities	**33,654**	34,098	56,116
Net increase (decrease) in cash	**5,837**	(587)	8,063
Cash at beginning of year	**9,204**	9,791	1,728
Cash at end of year	**$ 15,041**	$ 9,204	$ 9,791

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, Oklahoma, Tennessee 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 the 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 $442,529,000 and $369,869,000 as of December 31, 2001 and 2000, respectively.

Amounts Receivable from Vendors

Amounts receivable from vendors consist primarily of amounts due the Company for changeover merchandise, rebates and other allowances. Reserves for uncollectable amounts receivable from vendors are provided for in the Company's consolidated financial statements and consistently have been within management's expectations.

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 expected 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, 2001, 2000 and 1999, were $324,000, $1,354,000 and $1,134,000, 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 basis 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 $12,796,000, $12,150,000 and $9,428,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

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.

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.

Earnings per Share

Basic earnings per share is based on the weighted-average outstanding common shares. Diluted earnings per share is based on the weighted-average outstanding shares adjusted for the effect of common stock equivalents.

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 $1,991,000 and $2,066,000 at December 31, 2001 and 2000, 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

Certain reclassifications have been made to the 2000 and 1999 consolidated financial statements in order to conform to the 2001 presentation.

New Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* effective for fiscal years beginning after December 15, 2001. Under SFAS 142, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with the Statement. Other identifiable intangible assets will continue to be amortized over their useful lives or, if they have indefinite lives, such identifiable assets will not be amortized but will be subject to annual impairment tests. The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of fiscal year 2002. Application of the provisions of the Statement are not expected to have a material impact on the Company's financial condition or results of operations.

NOTE 2—ACQUISITION

On October 1, 2001, the Company purchased all of the outstanding stock of Mid-State Automotive Distributors, Inc. ("Mid-State") for approximately $20.5 million including acquisition costs. Mid-State was a specialty retailer which supplied automotive aftermarket parts throughout certain states in the southeastern part of the United States. The acquisition was accounted for using the purchase method of accounting, and accordingly, the results of operations of Mid-State are included in the consolidated statements of income from the date of acquisition. The purchase price was allocated to assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The pro forma effect on earnings of the acquisition of Mid-State are not material.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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, 2001 and 2000, 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 $2,894,000, $2,671,000 and $2,647,000 in 2001, 2000 and 1999, respectively.

NOTE 5—NOTE PAYABLE TO BANK

At December 31, 2001, the Company had available short-term unsecured bank lines of credit providing for maximum borrowings of $5 million, all of which was outstanding at December 31, 2001. At December 31, 2000, the Company had available unsecured short-term bank lines of credit providing for borrowings up to $10 million, all of which was outstanding at December 31, 2000. The lines of credit bear interest at LIBOR plus 0.50% (2.43% at December 31, 2001). 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. The weighted-average interest rate for all lines of credit for the years ended December 31, 2001 and 2000, was 5.48% and 7.20%, respectively.

NOTE 6—LONG-TERM DEBT

At December 31, 2001, the Company had available an unsecured credit facility providing for maximum borrowings of $140 million. The facility is comprised of a revolving credit facility of $125 million and a term loan of $15 million. At December 31, 2000, the Company had available an unsecured credit facility providing for maximum borrowings of $152.5 million. The facility was comprised of a revolving credit facility of $125 million and a term loan of $27.5 million. At December 31, 2001 and 2000, $61,350,000 and $74,755,000, respectively, of the revolving credit facility and $15 million and $27.5 million, respectively, of the term loan were outstanding. The credit facility, which bears interest at LIBOR plus 0.50% (2.43% at December 31, 2001), expires in January 2003.

On May 16, 2001, the Company completed a $100 million private placement of two series of unsecured senior notes ("Senior Notes"). The Series 2001-A Senior Notes were issued for $75 million, are due May 16, 2006, and bear interest at 7.72% per year. The Series 2001-B Senior Notes were issued for $25 million, are due May 16, 2008, and bear interest at 7.92% per year. The private placement agreement allows for a total of $200 million of Senior Notes issuable in series. Proceeds from the transaction were used to reduce outstanding borrowings under the Company's revolving credit facility.

During 2001 and 2000, the Company leased certain computer equipment under capitalized leases. The lease agreements are three-year terms expiring from 2001 to 2003. At December 31, 2001, the monthly installments under these agreements were approximately $42,000. The present value of the future minimum lease payments under these agreements totaled $860,000 and $2,232,000 at December 31, 2001 and 2000, respectively, which has been classified as long-term debt in the accompanying consolidated financial statements. During 2001, 2000 and 1999 the Company purchased $467,000, $800,000 and $2,676,000, respectively, of assets under capitalized leases.

Additionally, the Company has various unsecured notes payable to individuals and banks, amounting to $251,000 and $97,000, at December 31, 2001 and 2000, respectively.

Indirect borrowings under letters of credit provided by a $5,000,000 sublimit of the revolving credit facility totaled $210,650 and $648,510 at December 31, 2001 and 2000, respectively. These letters of credit reduced availability of borrowings at December 31, 2001 and 2000.

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

(amounts in thousands)

2002	$ 11,843
2003	65,510
2004	51
2005	19
2006	75,016
Thereafter	25,022
	$177,461

Cash paid by the Company for interest during the years ended December 31, 2001, 2000 and 1999, amounted to $9,092,000, $8,240,000 and $6,134,000, 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 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. The Company has the option of requesting up to two additional successive renewal periods of five years each from the lessor, although the lessor is not obligated to grant the Company either renewal period. The Facility provides for a residual value guarantee of $36.6 million 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 is utilizing the Facility to finance a portion of its store growth. Funding under the Facility at December 31, 2001 and 2000, totaled approximately $43.0 million and $1.0 million, respectively. Future minimum rental commitments under the Facility have been included in the table of future minimum annual rental commitments below.

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 is approximately $5.5 million annually and is included in the table of future minimum annual rental commitments below.

In August, 2001, the Company completed a sale-leaseback with O'Reilly-Wooten 2000 LLC (an entity owned by certain shareholders of the Company). The transaction closed on September 1, 2001, with a purchase price of approximately $5.6 million for nine O'Reilly Auto Parts stores and did not result in a material gain or loss. The lease, which has been accounted for an operating lease, calls for an initial term of 15 years with three five-year renewal options.

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, 2001, 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:

(amounts in thousands)	RELATED PARTIES	NON-RELATED PARTIES	TOTAL
2002	$ 2,751	$ 22,087	$ 24,838
2003	1,710	19,787	21,497
2004	1,684	17,896	19,580
2005	1,455	15,354	16,809
2006	1,227	12,510	13,737
Thereafter	9,786	109,856	119,642
	$ 18,613	$197,490	$216,103

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

Rental expense amounted to $25,122,000, $16,219,000 and $14,122,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Other Commitments

The Company had construction commitments, which totaled approximately $22.3 million, at December 31, 2001.

NOTE 8—LEGAL PROCEEDINGS

The Company is a defendant in a lawsuit entitled "Coalition for a Level Playing Field, L.L.C., et. al., v. AutoZone, Inc., et. al.," in the United States District Court for the Eastern District of New York. The over 100 plaintiffs consist primarily of warehouse distributors and jobbers, and the eight defendants are principally automotive aftermarket parts retailers. The plaintiffs allege that the defendants violated certain provisions of the Robinson-Patman Act by receiving and inducing various forms of price discriminations from manufacturers of automotive parts. The plaintiffs seek compensatory damages, as well as injunctive and other equitable relief. The Company and the other defendants filed a motion to dismiss this action and subsequently, on October 23, 2001, the court overruled a substantial portion of the defendant's motion. The Company believes the claims are without merit and that this lawsuit will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

The Company was 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 had purchased a battery from Hi/LO since May 1990. The complaint alleged 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. On January 15, 2001, the Company reached a favorable verbal settlement with the plaintiffs' counsel. The settlement, which was not significant and which was accrued at December 31, 2001 and 2000, was approved on October 18, 2001, by the 60th Judicial District Court of Texas.

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—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 4% 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 $3,207,000 in 2001, $2,454,000 in 2000 and $2,618,000 in 1999. 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
2001	**37,081**	**$969,000**
2000	49,891	724,000
1999	29,481	658,000

Profit sharing contributions accrued at December 31, 2001, 2000 and 1999, funded in the next year through the issuance of shares of the Company's common stock were as follows:

YEAR FUNDED	*SHARES*	*MARKET VALUE*
2001	**88,118**	**$1,729,000**
2000	132,890	1,919,000
1999	60,640	1,300,000

The Company also sponsors a non-funded 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, 2001, 2000 and 1999, 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, 97,991 shares were issued at a weighted-average price of $22.13 per share during 2001, 147,315 shares were issued at a weighted-average price of $12.83 per share during 2000, and 78,927 shares were issued at a weighted-average price of $18.90 per share during 1999.

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, no shares were issued to senior management in 2001. In 2000 and 1999, 12,164 shares and 6,796 shares were issued under the plan, respectively.

NOTE 10—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, 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
Granted	14.37 - 37.62	1,328,000
Exercised	8.15 - 26.37	(1,082,695)
Canceled	14.25 - 34.30	(220,787)
Outstanding at December 31, 2001	**$ 8.00 - 37.62**	**3,383,748**

Options to purchase 1,250,261, 1,729,033 and 1,171,888 shares of common stock were exercisable at December 31, 2001, 2000 and 1999, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

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, 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
Granted	20.65	30,000
Exercised	9.09 - 23.91	(70,000)
Canceled	–	–
Outstanding at December 31, 2001	**$12.44 -23.91**	**50,000**

All options under this plan were exercisable at December 31, 2001, 2000 and 1999.

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 2001, 2000 and 1999, respectively: risk-free interest rates of 5.16%, 5.02% and 6.54%; volatility factors of the expected market price of the Company's common stock of .475, .442 and .247; and weighted-average expected life of the options of 9, 8.9 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, 2001, 2000 and 1999, were $16.52, $9.24 and $10.22, respectively. The weighted-average remaining contractual life at December 31, 2001, for all outstanding options under the Company's stock option plans is 7.346 years. The weighted-average exercise price for all outstanding options under the Company's stock option plans was $20.63, $16.12 and $16.15 at December 31, 2001, 2000 and 1999, respectively.

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 Company's pro forma information follows:

(In thousands, except per share data)

	2001	2000	1999
Pro forma net income	**$60,946**	$48,177	$43,501
Pro forma basic net income per share	**$ 1.17**	$ 0.94	$ 0.89
Pro forma net income per share – assuming dilution	**$ 1.15**	$ 0.93	$ 0.88

NOTE 11—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,	2001	2000	1999
Numerator (basic and diluted):			
Net income	**$66,352**	$51,708	$45,639
Denominator:			
Denominator for basic income per common share – weighted-average shares	**52,121**	51,168	48,674
Effect of stock options (Note 10)	**665**	560	1,041
Denominator for diluted income per common share – Adjusted weighted-average shares and assumed conversion	**52,786**	51,728	49,715
Basic net income per common share	**$ 1.27**	$ 1.01	$ 0.94
Net income per common share – assuming dilution	**$ 1.26**	$ 1.00	$ 0.92

NOTE 12—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)

	2001	2000
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	**$ 665**	$ 51
Other accruals	**4,284**	2,960
	4,949	3,011
Noncurrent:		
Other	**–**	834
Total deferred tax assets	**4,949**	3,845
Deferred tax liabilities:		
Current:		
Inventory carrying value	**1,041**	1,609
Noncurrent:		
Property and equipment	**8,333**	4,920
Other	**808**	–
Total deferred tax liabilities	**10,182**	6,529
Net deferred tax liabilities	**$ 5,233**	$ 2,684

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

NOTE 12—INCOME TAXES (CONTINUED)

The provision for income taxes consists of the following:

(In thousands)

	CURRENT	DEFERRED	TOTAL
2001:			
Federal	**$30,429**	**$5,702**	**$36,131**
State	**3,575**	**669**	**4,244**
	$34,004	**$6,371**	**$40,375**
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

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

(In thousands)

	2001	2000	1999
Federal income taxes at statutory rate	**$37,354**	$29,106	$25,558
State income taxes, net of federal tax benefit	**2,775**	2,200	1,625
Other items, net	**246**	145	202
	$40,375	$31,451	$27,385

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, 2001, 2000 and 1999, cash paid by the Company for income taxes amounted to $28,676,000, $24,244,000 and $17,151,000, respectively.

NOTE 13—STOCK SPLIT

On November 8, 1999, the Company's Board of Directors declared a two-for-one stock split which was 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 14—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.

REPORT OF INDEPENDENT AUDITORS

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, 2001, and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. 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, 2001, and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Kansas City, Missouri
February 22, 2002

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 and Real Estate

Greg Henslee
President of Merchandise, Systems and Distribution

Paul Lederer [1][2]
Director
Director R & B, Inc.
Director FPM, Inc.
Director Icarz.com
Director Trans-Pro, Inc.
Advisory Board Richco, Inc.
Advisory Board Turtle Wax, Inc.
Advisory Board Ampere Products
Advisory Board The Wine Discount Center
(Director 1993-July 1997; Feb. 2001)

Jay Burchfield [1][2]
Director
Director and Chairman of the Board Trust Company of the Ozarks
Director Quest Capital Alliance
Director Primary Care Network
Director and Chairman of the Board City Bancorp
(Director since 1997)

Joe C. Greene [1][2]
Director
Director of Bass Pro, Inc.
Director of Coca Cola Bottling Co.
Director of Commerce Bank
Chairman of Missouri Sports Hall of Fame
Executive Secretary of Missouri Golf Association
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 and Corporate Secretary

Pat O'Reilly
Vice President of Distribution

Steve Pope
Vice President of Human Resources

Jeff Shaw
Vice President of Southern Division

Jerry Skaggs
Vice President of Sales

Mike Swearengin
Vice President of Merchandise

Mike Williams
Vice President of Information Systems

[1] **Member of Audit Committee**

[2] **Member of Compensation Committee**

OPERATIONS MANAGEMENT

SENIOR MANAGEMENT

Allen Alexander
Director of Iowa/Nebraska Region

Buddy Ball
Director of Kansas City Region

Tony Bartholomew
Director of Southern Division Sales

Greg Beck
Director of Purchasing

Bert Bentley
Director of Houston Region

Doug Bragg
Director of Oklahoma Region

Michelle Bright
Director of Finance

Mary Brown
Director of Human Resourses

Mike Chapman
Director of Region 9

Keith Childers
Director of Little Rock Region

Ken Cope
Director of Nashville 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

Kenny Martin
Director of Gulf States

Jim Maynard
Director of Employee and Team Member Relations

David McCready
Director of DC Operations

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

Charlie Stallcup
Director of Training

David Strom
Director of Houston Region

Danny Woods
Director of Installer Marketing

OPERATIONS MANAGEMENT *(CONTINUED)*

CORPORATE MANAGEMENT

Tom Allen
Computer Operations Manager

Dan Altis
Distribution Center Projects and Procedures Manager

Keith Asby
Sales Manager of Special Markets

Jeanene Asher
Telecommunications Manager

Mike Ballard
Internet Development Manager

Bob Bealert
Regional Distribution Center 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
Regional Distribution Center Manager

Tom Bollinger
Regional Field Sales Manager

Bridget Brashears
PC Support Manager

Kent Brewer
Distribution Center Transportation Manager

John Bush
Regional Field Sales Manager

Yvonne Cannon
Payroll Manager

Julie Carroll
Des Moines Distribution Center Manager

Tom Connor
Springfield Distribution Center Manager

Cecil Davis
Distribution Center Inbound Manager

Joe Edwards
Store Installations Manager

Paula Eyman
Accounting Special Projects Manager

Becky Fincher
Advertising Manager

Kevin Ford
Regional Distribution Center Manager

Mike Ford
Sales Territory Manager

Randy Freund
Springfield Regional Sales Manager

David Furr
Service Equipment Sales Manager

Art Glidewell
Oklahoma City Distribution Center Manager

David Glore
Ozark Sales Manager

Garry Glossip
Store Accounting Manager

Larry Gregory
Real Estate Store Maintenance Manager

Kevin Greven
Retail Marketing and Promotions Manager

David Hardin
Little Rock Distribution Center Manager

Mike Hauk
Division Training Manager

Brett Heintz
Store Procedures Manager

Doy Hensley
Help Support Manager

Julie Hibler
Corporate Services Manager

Diana Hicks
Internal Communications Manager

Mark Hoehne
Regional Sales Manager

Lori Holden
Customer Service Manager

Doug Hopkins
Distribution Systems Manager

Vicki Hume
Corporate Administration Travel Manager

Doug Hutchison
Inventory Project Manager

Steve Jasinski
Systems Development Manager

Curtis Johnson
Nashville Distribution Center Manager

Gene Johnson
Real Estate Property Manager

Greg Johnson
Systems Development Manager

David Jordan
Kansas City Distribution Center Manager

Les Keeth
Supplier Credit Manager

Steve Lines
Sales Training Manager

Jeff Main
Jobber Systems Sales Manager

Ed Martinez
Houston Distribution Center Manager

Jeff McKinney
Customer Satisfaction Manager

Bryan Mescher
Regional Sales Manager

Chapman Norman
Inventory Maintenance Manager

Brad Oplotnik
Systems and Network Manager

Steve Peterie
Construction Design Manager

Steve Phillips
Division Loss Prevention Manager

Kathy Prainito
Real Estate Contract Administrator Manager

Ed Randall
Houston Distribution Center Manager

Shari Reaves
Benefits Manager

Jeanetta Redden
Dallas Distribution Center Manager

Art Rodriguez
Regional Sales Manager

Chuck Rogers
Installer Systems Manager

Mary Sabor
Distribution Center Administrative Services Manager

Rick Samsel
Inventory Control Manager

Joyce Schultz
Houston Office Manager

Tom Seboldt
Senior Product Manager

Bill Seiber
Knoxville Distribution Center Manager

Darren Shaw
Product Manager

Keith Slemp
Regional Sales Manager

Tim Smith
Credit Manager

Dwayne Snow
Regional Sales Manager

Paul Stinson
Regional Sales Manager

Mary Stratton
Human Resources Records Manager

Cliff Tomerlin
Regional Sales Manager

Tom Tunnell
Financial Reporting and Budgeting Manager

Rob Verch
Product Manager

Tamra Waitman
Assistant Controller

Patton Walden
Division Training Manager

Jeff Watts
Regional Sales Manager

Larry Wiles
A/V Communications Manager

Saundra Wilkinson
Store Support Manager

Joe Winterberg
Product Manager

Wes Wise
Installer Marketing Manager

Nicki Woods
Operations/Loss Prevention Administrative Manager

DISTRICT CORPORATE MANAGEMENT

Eddie Allen
Chuck Avis
Emmitt Barina
Brince Beasley
Steve Beil
Brad Beckham
Tim Brakebill
Patrick Brown
Jay Burroughs
Jimmy Carter
David Chavis
Dirk Chester
Ken Coda
Kenny Criss
Bruce Dowell
Dan Dowell
Tommy Dunn
Dallas Engel
Ron England
Tony Fagan
Bill Fellows
Kirk Frazier
Mark Frazier
Kyle Gorzik
Terry Grimmett
Jon Haught
Rick Hedges
Gerry Hendrix
Perry Hess
Brad Hilker
Mike Hollis
David House
Jeff Howard
Jeff Jennings
Chad Keel
Butch Kelton
Todd Kemper
Jim Koehn
Scott Kraus
John Krebs
Scott Leonhart
David Lever
Chris Lewis
Rodger McClary
Kevin McCurry
Marc McGehee
Wayne McKinney
Travis McPherson
Chris Meade
Curt Miles
Ciro Moya
Kenny Omland
Kevin Overmon
Ron Papay
Jude Patterson
Pernell Peters
David Pilat
Mike Platt
Will Reger
Alan Riddle
Tommy Rhoads
Larry Roof
John Rosati
Juan Salinas
Jim Scott
Brad Seaborn
Cliff Sedtal
Steve Severe
Mark Smith
Brian Stecklein
Marvin Swaim
Bert Tamez
Randy Tanner
Mike Tatum
Rick Tearney
Greg Thomas
Dallas Thompson
Justin Tracy
Mark Van Hoecke
Brett Warstler
Rob Weiskirch
John Wells
Allen Wise
Dexter Woods
Mike Yates
Jason York

SHAREHOLDER INFORMATION

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 7, 2002, at the University Plaza Convention Center, 333 John Q. Hammons Parkway in Springfield, Missouri. Shareholders of record as of February 28, 2002, 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.

NUMBER OF SHAREHOLDERS

As of February 28, 2002, O'Reilly Automotive, Inc. had approximately 20,224 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.

William Blair & Co. – Mark Miller
Merrill Lynch – Douglas Neviera
Advest – Brett Jordan
Huntleigh Securities – John Rast
Salomon Smith Barney – Bill Julian
Credit Suisse First Boston – Gary Balter

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.

	2001		2000	
	HIGH	LOW	HIGH	LOW
First Quarter	**$ 27 3/16**	**$ 15 1/2**	$ 22 1/8	$ 8 1/4
Second Quarter	**29 7/16**	**18 3/4**	15 7/16	11 3/4
Third Quarter	**35 9/16**	**22 3/5**	16 1/8	13 1/8
Fourth Quarter	**38 11/25**	**27**	27 1/4	14
For the Year	**38 11/25**	**15 1/2**	27 1/4	8 1/4

MISSION STATEMENT

"O'Reilly Automotive will be the dominant supplier of auto parts in our market areas by offering our retail customers, professional installers and jobbers the best combination of inventory, price, quality and service; providing our team members with competitive wages and benefits, and working conditions which promote high achievement and ensure fair and equitable treatment; and, providing our stockholders with an excellent return on their investment."

Design: Falk Harrison Creative, St. Louis, MO

Certain statements contained in this press release 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, weather, terrorist activities, war and the threat of war. 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, 2001, for more details.

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