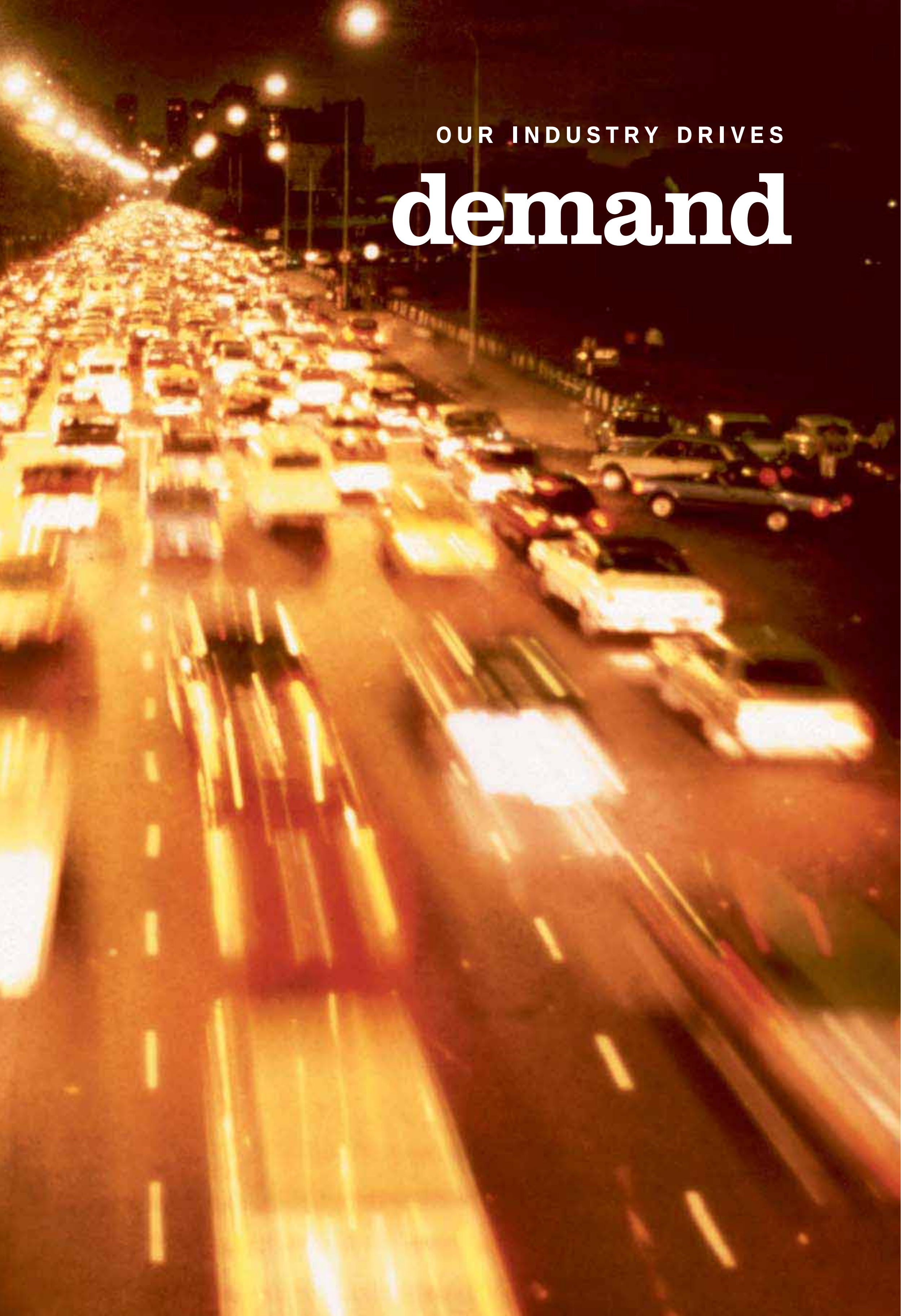
driven by demand

O'REILLY AUTOMOTIVE 2002 ANNUAL REPORT

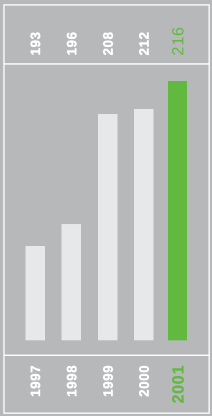
Our growth strategies are perfectly aligned with the needs of the automotive industry. Our operating strategies give us the competitive advantage. Our culture is the key to our growth.

O'Reilly AUTO PARTS


OUR INDUSTRY DRIVES
demand

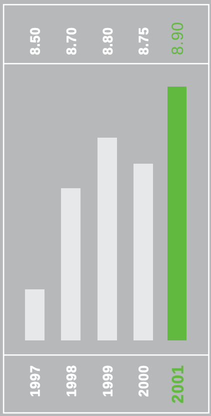
THERE ARE OVER 216,000,000 VEHICLES ON THE ROAD TODAY ...

VEHICLES ON THE ROAD
(in millions)



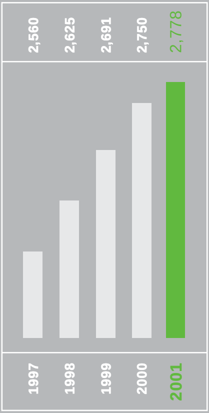
The number of vehicles continue to grow at a steady pace, with an increasing emphasis on light trucks (SUVs).

AVERAGE AGE OF VEHICLES ON THE ROAD
(in years)



Consumers are choosing to maintain vehicles longer to satisfy their driving demands.

MILES DRIVEN
(in billions)

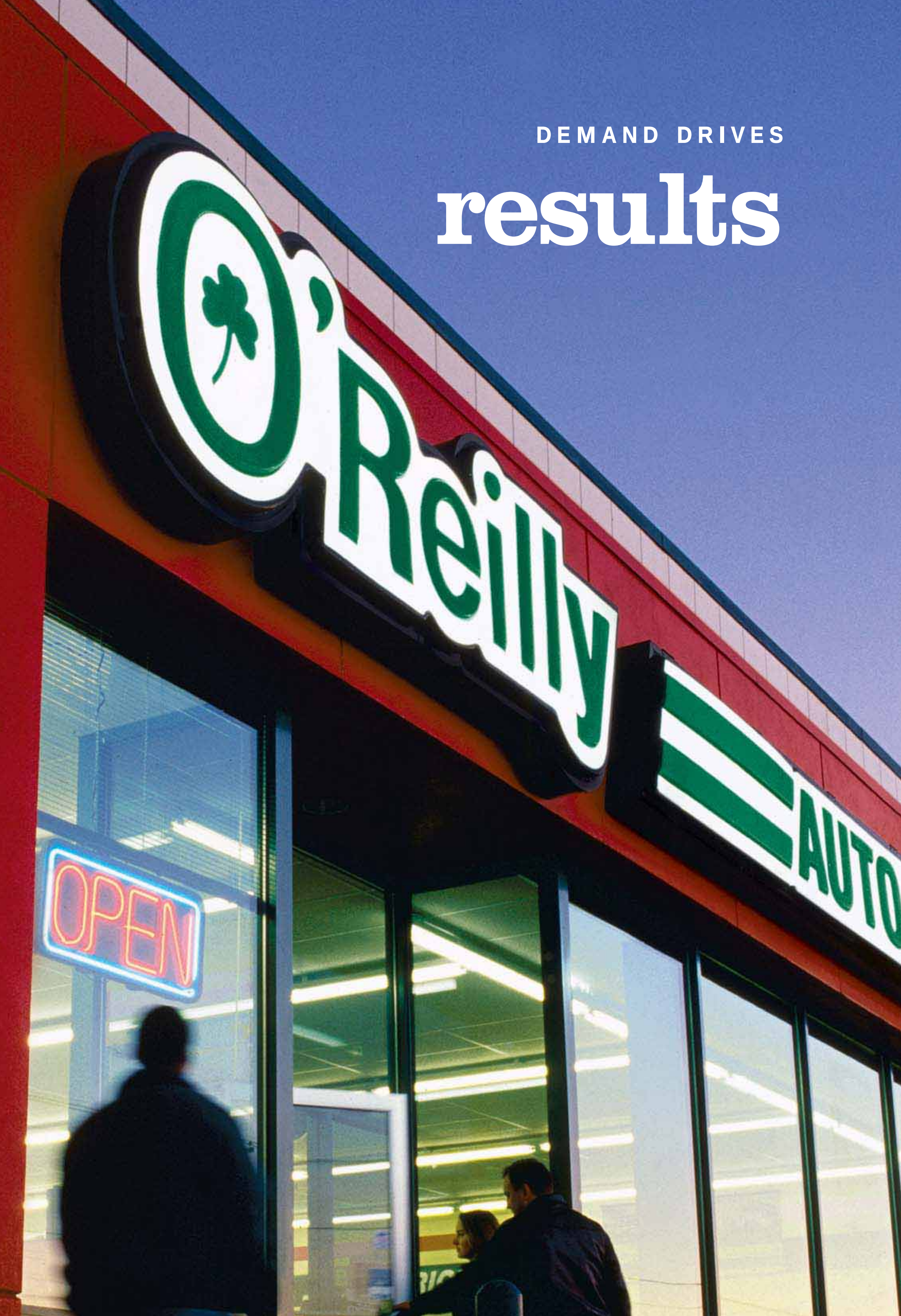


Miles driven continue to grow due to increases in the number of licensed drivers, vehicles on the road and a growing popularity for road travel.

OUR INDUSTRY

- X AGE OF AUTO FLEET NOW 8.9 YEARS
- X MILES DRIVEN 2.8 TRILLION
- X INCREASE IN SUV AND LIGHT TRUCK POPULATION
- X OVER 216 MILLION VEHICLES REGISTERED
- X MORE CARS IN PRIME REPAIR AGE

DEMAND DRIVES
results



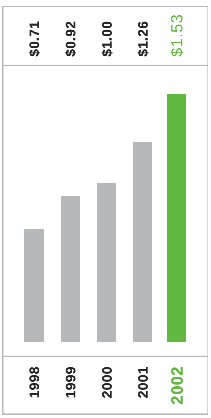
FINANCIAL HIGHLIGHTS

In thousands, except earnings per share data and operating data

Year ended December 31	2002	2001	2000	1999	1998
Product Sales	$ 1,312,490	$ 1,092,112	$ 890,421	$ 754,122	$ 616,302
Operating Income	138,301	113,831	90,029	76,920	56,901
Net Income	81,992	66,352	51,708	45,639	30,772
Working Capital	483,623	429,527	296,272	249,351	208,363
Total Assets	1,009,419	856,859	715,995	610,442	493,288
Long-Term Debt	190,470	165,618	90,463	90,704	170,166
Shareholders' Equity	650,524	556,291	463,731	403,044	218,394
Net Income Per Common Share (assuming dilution)	1.53	1.26	1.00	0.92	0.71
Weighted-Average Common Shares Outstanding (assuming dilution)	53,692	52,786	51,728	49,715	43,204
Stores At Year-End	981	875	672	571	491
Same-Store Sales Gain	3.1%	8.2%	4.0%	9.6%	6.8%

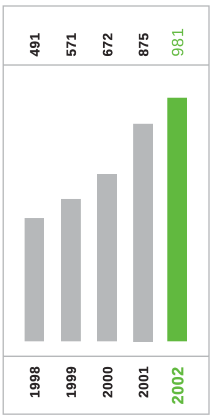
Team O'Reilly is committed to capitalizing on the demand for auto parts and accessories. Our 2-4-Your Future initiative, representing our goal to reach $2 billion in sales per year by December 31, 2005, demonstrates this commitment.

EARNINGS PER SHARE
(assuming dilution)



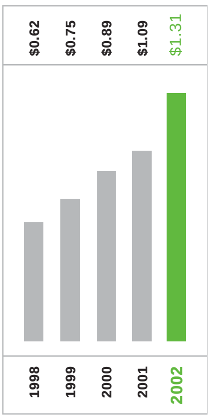
Our 10-year compound average growth rate in earnings per share is 21.4%

NUMBERS OF STORES



We continue adding to our store count with new stores and acquisitions, including plans for 130 new stores in 2003.

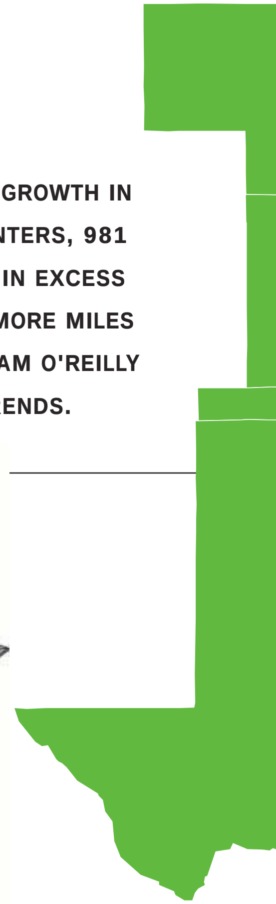
PRODUCT SALES
(in billions)



Our plans are to grow sales 18-20% per year.

OUR GROWTH STRATEGY INCLUDES AGGRESSIVELY OPENING STORES AND FURTHER DEVELOPING

& growth



OVER THE PAST 45 YEARS, O'REILLY HAS EXPERIENCED TREMENDOUS GROWTH IN ALL AREAS. WE CURRENTLY HAVE NINE HIGH-TECH DISTRIBUTION CENTERS, 981 STORES OVER THE EXPANSE OF 16 CONTIGUOUS STATES, AND SALES IN EXCESS OF $1.3 BILLION. AMERICANS ARE OWNING MORE VEHICLES, DRIVING MORE MILES AND HOLDING ON TO THEIR VEHICLES LONGER THAN EVER BEFORE. TEAM O'REILLY IS WELL POSITIONED TO CAPITALIZE ON THESE STRONG INDUSTRY TRENDS.

OUR UNIQUE STORE DESIGN

Although differing in some physical detail, each store emphasizes a bright appearance and attractive merchandise presentation. All stores start with a consistent “plan-o-grammed” merchandise presentation, with changes to reflect local tastes. So whether shopping in Nebraska or Alabama, our customers will feel at home and find what they need at O’Reilly.

981 STORES

Each O'Reilly store is clean, well-lighted and conveniently located. But, more important, is having the right parts available for our customers at a price that represents true value.

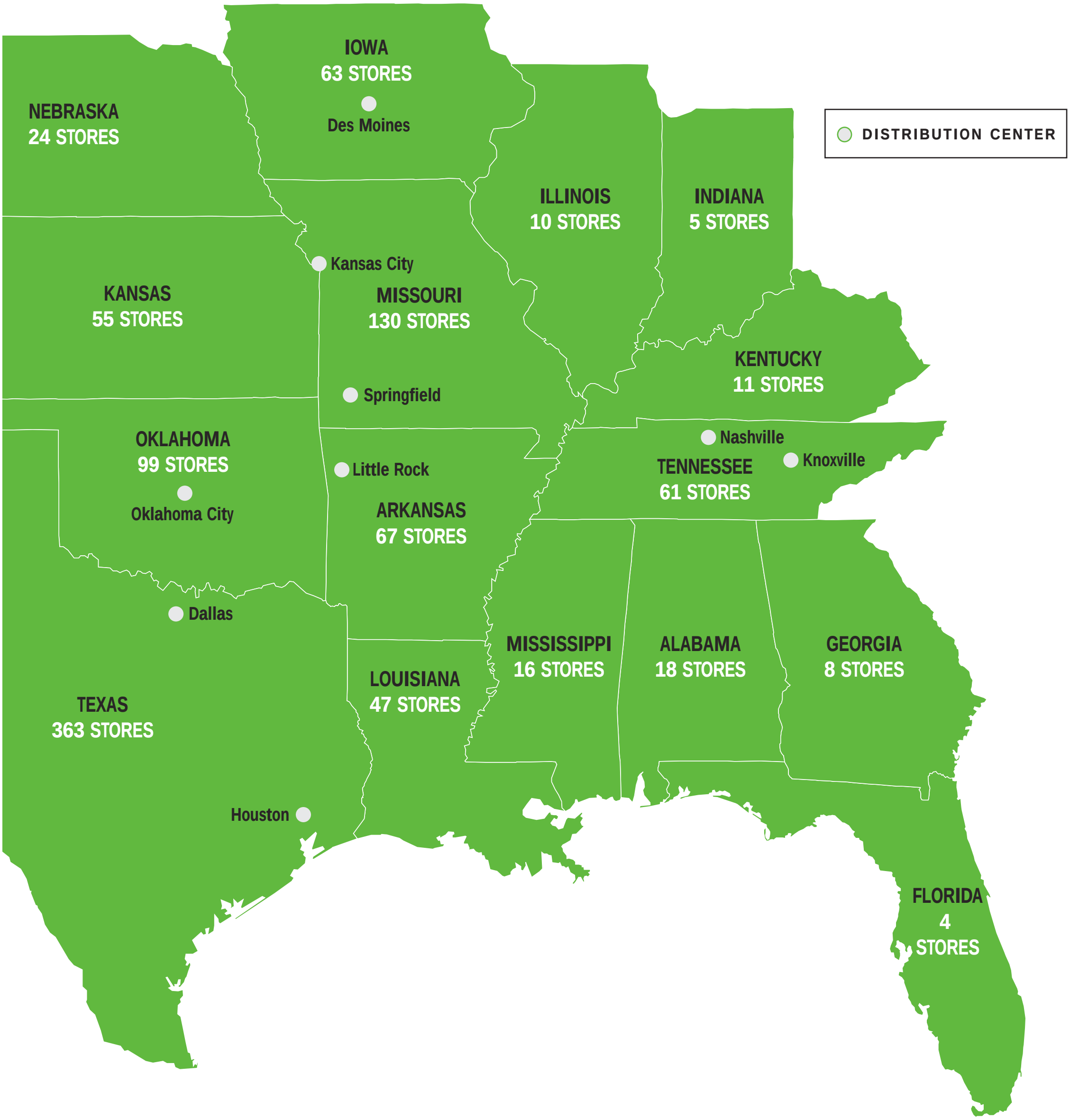
9 DISTRIBUTION CENTERS

A fleet of 81 heavy trucks, 91 tractors and 119 trailers average almost 1,200,000 miles per month to provide overnight delivery of over 100,000 items to all 981 O’Reilly stores.

OVER 14,000 TEAM MEMBERS

The key to O'Reilly's success is the enthusiastic, professional members of Team O'Reilly, who provide our customers with the best possible service every day.

OUR TEAM MEMBERS, BECAUSE WE KNOW THEY ARE THE KEY TO OUR SUCCESS.



DELIVERY

O'Reilly's fleet of 2,927 light trucks provide fast "hotshot" delivery of parts to our commercial customers.

EXPENSE CONTROL

A common phrase around O'Reilly is, "if you watch your pennies, the dollars will take care of themselves." All team members are involved in controlling expenses and know that it takes $18 in sales to make up for only $1 of wasted expense.

TOP AUTOMOTIVE BRANDS

To meet the varying needs of our customers, O'Reilly carries nationally advertised brands as well as high-quality, proprietary brands, many of which are backed by a lifetime warranty.

WE AT O'REILLY AUTOMOTIVE UNDERSTAND WHAT IT TAKES TO MEET THESE INDUSTRY DEMANDS.

OUR COMPETITIVE ADVANTAGES ARE DRIVEN BY OUR CULTURE.

Competitive Advantage:
STRATEGIC DISTRIBUTION SYSTEMS

Our promise is to have the right part for the right price at the right time for all of our customers.

O'REILLY CULTURE

Our culture defines who we are and is driven by our superior customer service.

Competitive Advantage:
DUAL MARKET STRATEGY

Our balanced approach to servicing both do-it-yourselfers and professional installers allows us greater market penetration.

Competitive Advantage:
TEAM O'REILLY

Our team of professional parts people are technically proficient and provide expert assistance to our customers.

O'REILLY CULTURE is more than just a slogan introduced to our team members on the first day of orientation. Respect, honesty, teamwork, expense control, hard work, professionalism, enthusiasm, excellent customer service, dedication and a win-win attitude are values that our team embraces. Our team knows that to reach our 2-4-Your Future goal, it will take every team member giving their best in every aspect of the O'Reilly way.

LETTER TO OUR SHAREHOLDERS

In 1957 C.F. and Chub O'Reilly opened the first O'Reilly Auto Parts store in Springfield, Mo. With the help of 10 original team members, first year sales were $700,000. Now, 45 years later, O'Reilly Auto Parts has nearly 1,000 stores in 16 states, over 14,000 team members and overnight service on over 100,000 inventory items from nine distribution centers. Over the years much has changed, but the O'Reilly Culture remains the same. Excellent customer service from our professional parts people, our dual market strategy, broad inventory coverage and strategic distribution systems are the key components to our competitive advantage.

We have worked very hard this year to reach our goals. We opened 106 new stores, increasing our store count to 981 in 16 contiguous states. We broke ground on our 10th distribution center in Saraland, Alabama, which is scheduled to open in mid-2003. This facility will allow expansion in the former Mid-State market areas.

Financial performance remained strong in 2002 with product sales of $1.31 billion, a 20.2% increase, a 10.6% operating margin and net income growth of 23.6%. After reaching our goal of $1 billion in sales a year ahead of schedule in 2001, we now have our sights set on $2 billion. "Two Four Your Future" (2-4 Your Future) is our slogan for reaching $2 billion in sales within the next four years. Achieving this goal will provide further growth and opportunity for our team members and shareholders. This goal is challenging, yet attainable with a strong commitment and focus from Team O'Reilly.

We look forward to 2003 with enthusiasm. We will continue to run our business with integrity and honesty as we have since 1957. The values of the O'Reilly Culture will guide us through the coming years. Thanks to all of our customers, shareholders and team members for your continued confidence and support.

DAVID O'REILLY	LARRY O'REILLY	TED F. WISE	GREG HENSLEE
CHIEF EXECUTIVE OFFICER & CO-CHAIRMAN OF THE BOARD	CHIEF OPERATING OFFICER & CO-CHAIRMAN OF THE BOARD	CO-PRESIDENT	CO-PRESIDENT

O'REILLY COMPETITIVE ADVANTAGES

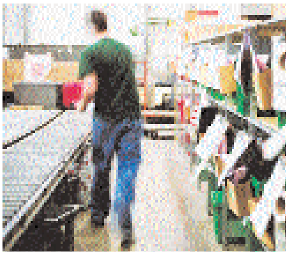
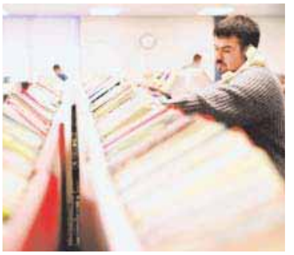
STRATEGIC DISTRIBUTION SYSTEMS

Guaranteeing our customer the right part for the right price at the right time is more than just our slogan, it's our promise. Every member of Team O'Reilly strives to ensure that every customer who enters an O'Reilly store receives the best customer service available anywhere. Each of our stores carries an average of 22,000 stock keeping units (SKUs), more than our competitors. Our enhanced inventory management system links every store to our nine distribution centers. Transactions are recorded within each store and as inventory is sold, the inventory management system places an order at the distribution center for the product to be replenished that night. Our global inventory system allows our stores to view and order from the inventory of other stores and distribution centers, which reduces our overall inventory. Our advanced supply chain system has allowed us to customize the merchandise we stock at each store. The "global" inventory system has allowed us to bring $20 million of overstocked, store merchandise back to the distribution centers since its implementation in June 2001, minimizing our inventory investment and maximizing our return on assets.

Our distribution centers are strategically located in Little Rock, Arkansas; Des Moines, Iowa; Kansas City and Springfield, Missouri; Oklahoma City, Oklahoma; Knoxville and Nashville, Tennessee; and Houston and Dallas, Texas. Combined, these nine distribution centers contain 1,945,690 square feet of warehouse space and house over 100,000 unique SKUs. This unparalleled availability of broad inventory and overnight delivery gives our customers quick access to those hard to find parts.

DUAL MARKET STRATEGY

Keeping a successful balance between servicing do-it-yourself (DIY) and professional installer customers is a difficult challenge, as many of our competitors have come to realize. But that doesn't stop us from continuing to focus on our goal of a 50/50 blend of professional installer and DIY customers to allow greater market penetration.

Our professional installer customers recognize the advantage of our broad inventory availability, special pricing, knowledgeable store staff and fast delivery service. Over 174 full-time sales specialists devote their time to the needs of our professional installer customers to ensure that they are up to date with the latest products, tools and equipment to meet the needs of their businesses.

Our DIY customers have grown to trust and rely on the quality and service that they receive from our professional parts people. Not only are O'Reilly stores conveniently located and provide a large inventory with a low-price guarantee, but our team members provide friendly assistance, service and solutions to our customers' automotive needs. Our customers get quality parts and quality service, before and after the sale at O'Reilly.

TEAM O'REILLY

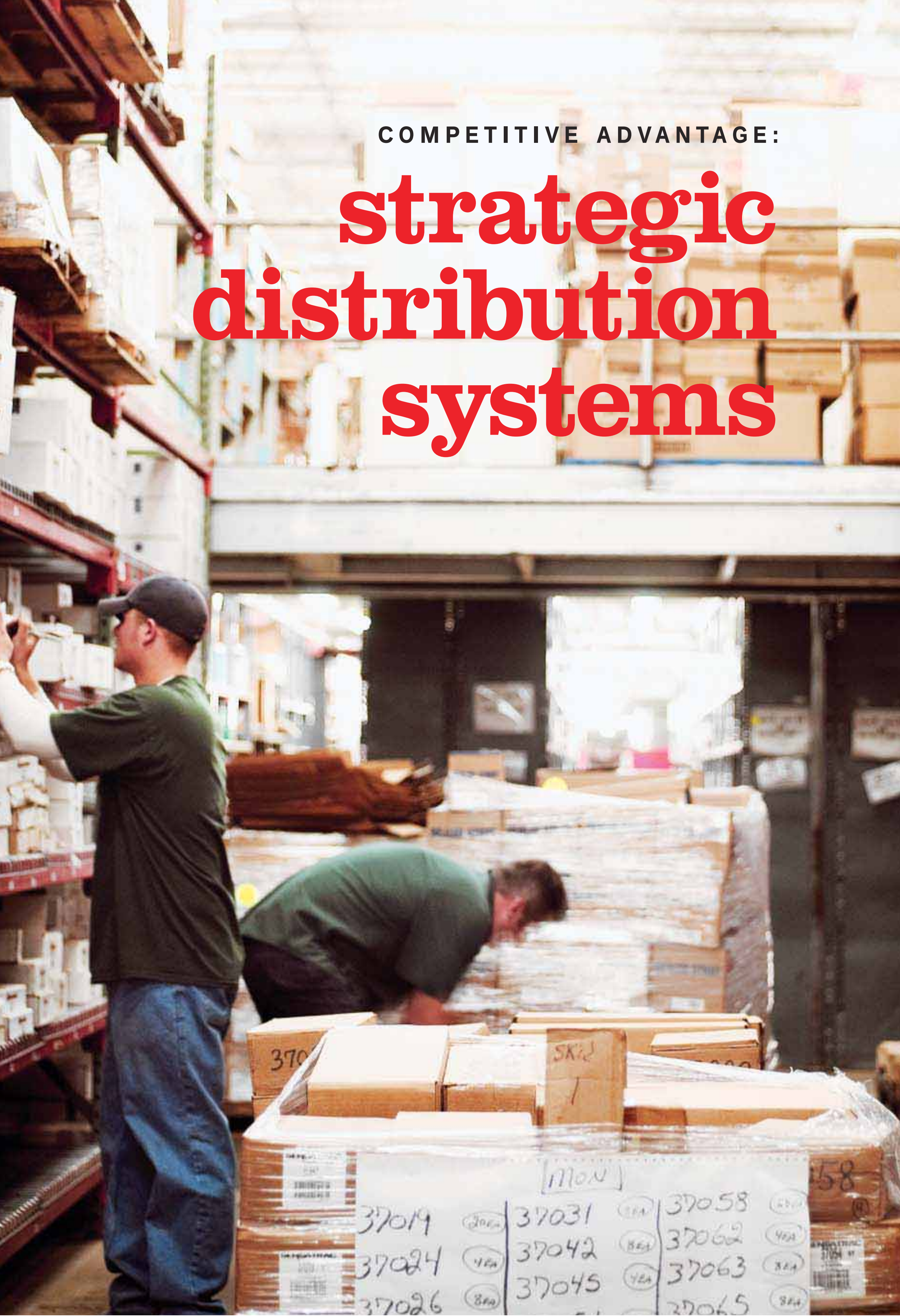
All of the successes of 2002 are directly attributable to our team members. Over 14,000 motivated and dedicated store, distribution center and management team members give O'Reilly Automotive an overwhelming advantage over the competition.

Every team member is exposed to the 10 values of the O'Reilly Culture: respect, honesty, teamwork, expense control, hard work, professionalism, enthusiasm, excellent customer service, dedication and a win-win attitude from the first day of orientation, where they are instilled in them to be carried day to day.

Whether it is packing trucks on the shipping dock or testing a battery for a valued customer, it takes hard work from every O'Reilly team member to keep our customers coming back. Ongoing training and continuing education up to ASE certification ensure that our team members are up to date with new developments and changes in automotive technology. This extensive training and commitment to the O'Reilly Culture is what makes our team members "Professional Parts People."

COMPETITIVE ADVANTAGE:

strategic distribution systems



O'Reilly meets the demands of our customers with a sophisticated point-of-sale system allowing stores to order even hard-to-find parts directly from one of our nine distribution centers. Parts are shipped and delivered daily to all of our stores.

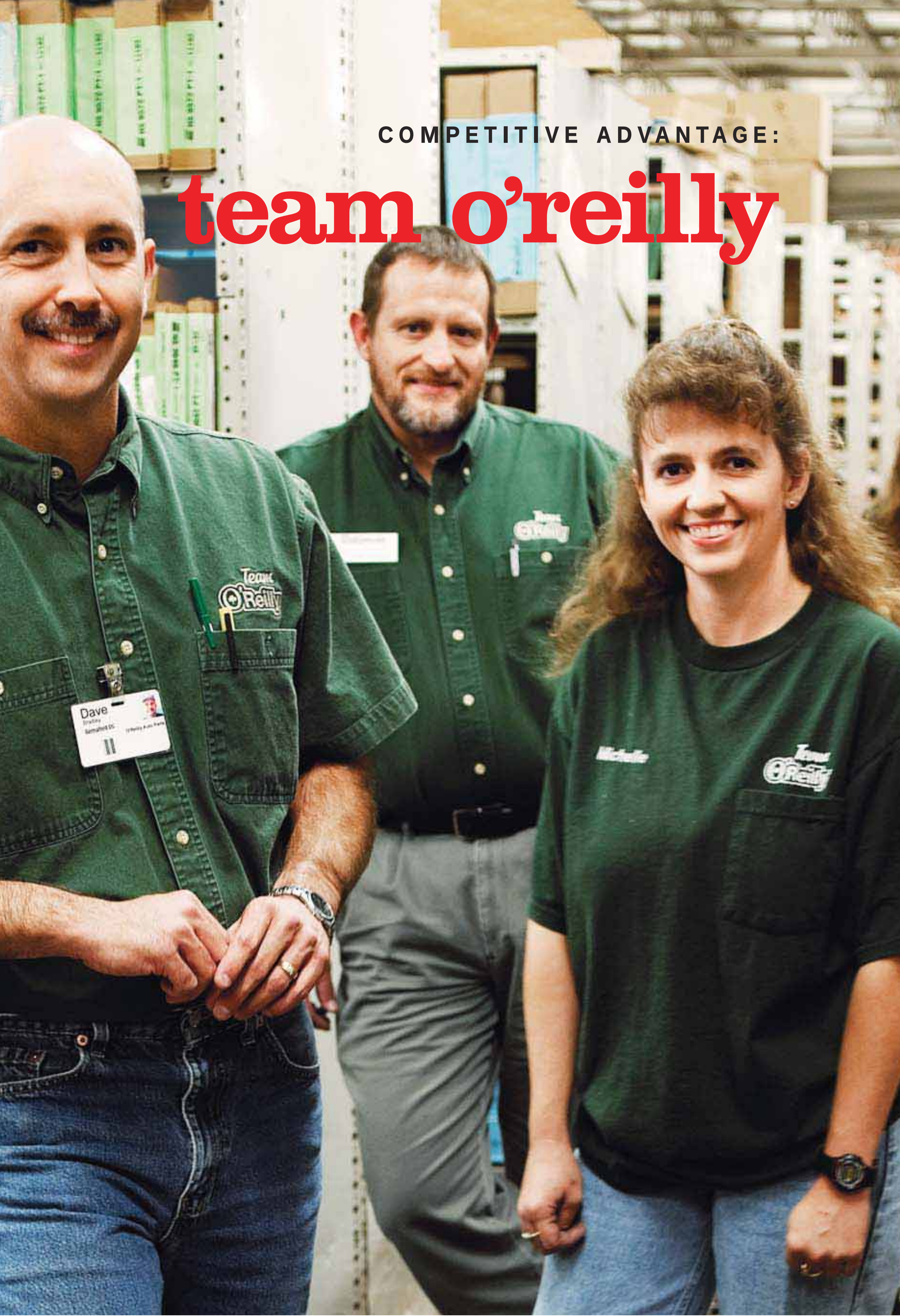
COMPETITIVE ADVANTAGE:

dual market strategy

O'Reilly successfully balances serving both professional installers and do-it-yourself customers. This strategy allows for greater market penetration in the areas that we serve and provides unparalleled access to a broad range of parts.

COMPETITIVE ADVANTAGE:

team o'reilly



O'Reilly team members are among the most dedicated in the industry, continually focusing on customer service and taking pride in a job well done.

driven by service

A MOTIVATED, CUSTOMER-FOCUSED TEAM

Customer service is more than just meeting the basic needs of our customers, it's about going the extra mile. This is why our team strives for perfection in every area: competitive prices, fully stocked shelves, friendly team members, broad inventory availability, and a clean and conveniently located store. Our commitment to service goes beyond the store walls and day-to-day business into the community, building lasting personal relationships as well. We are ordinary people doing extraordinary things.

To Whom It May Concern: March 13, 2002

I felt compelled to write a short letter to let you know that three of your employees went above and beyond what I expected of them to help me out of a bad situation. Recently my son locked up the engine in his 1984 Chevrolet pickup. Having been an auto mechanic for a Chevrolet dealership for 13 years before moving back to Ponca City 15 years ago, I felt that it would be good for my son and me to overhaul his engine together. His truck came with a 305 V-8 and he wanted to put a 350 V-8 in it and I can't blame him for that, I would have done the same if it were my truck. As I am sure you know that if you decide to change something out for a different size you will have some minor problems with the swap. This turned out to be no different in this matter. Only everything that could go wrong did go wrong.

Of course you should know that I had to deal with more than just O'Reilly's to accomplish the engine swap. There is a salvage yard that supplied the initial 350 V-8 that we had to start with. Now that meant that we needed to get parts for that particular model (which was not a 1984) and still get parts for the 84 model. While we are doing the engine swap is the time to put some of the performance stuff he wanted done to his truck on, so when O'Reilly's did not have what I needed, the fine counter help did not hesitate to send me next door or down the street. Even when we got a wrong part, they were very courteous and prompt about helping me out of a bad situation. The fine counter help at the store on Grand Avenue did not try to push something on me that I did not need or want; when I asked questions, they did everything they could to come up with an answer for me. Not only did they wait on me every day for a week they also just gave me a smile and hello when I walked in the door each day even though they knew that I didn't look forward to dropping another two hundred dollars that day. For their fine help at the counter and the smile and hello each day I would like to thank Mike, Miles and Pam for being more than just someone taking my money.

Robert Brankamp
Ponca City, Oklahoma

RECEIVED
3-19-02

July 17, 2002

O'Reilly Auto Parts
P.O. Box 1156
Springfield, MO 65801

To whom it may concern:

I would like to let you know of an employee that I think needs to be noticed for going that extra mile for a customer. My name is Sheila McCallum. I was on vacation with my family going to Norfork Lake for the July Fourth holiday weekend when we had R.V. problems. We are from the northeast corner of Ark. (Osceola). We had to go through Ashflat on our way. My brother was driving our borrowed R.V. when he realized the alternator was going out. At this time it was right at 7:00 p.m. on July 3rd. We were passing through Ashflat when I saw an O'Reilly Auto Parts (Store #270) that looked to still be open. We turned around and went back. An employee was closing up the store when she (Tamara Runion) noticed us out front with the hood of our vehicle up. She opened the door and asked if we were having automobile trouble, we said "yes." She proceeded to help us with our problem. We did determine it was the alternator. Mrs. Runion quickly looked up the number off of the old alternator, to see if she had one on hand. She did not have one that matched perfectly so she had to go about "clocking" the one that was real close to matching. This was very impressive to my brother and me because she had to use some parts off of the old one to get the new one to work. (This lady really knew her job!!) After about one hour and 20 minutes, we were finally putting the new alternator on that she had "clocked" for us. This individual went out of her way on a holiday weekend just so that we could have a nice trip. I know she wanted to get home to her family too, but instead, she chose to stay with us. I just feel I cannot say enough about your employee and the extra effort she put out to make our vacation successful. I just hope you will let her know that her efforts did not go unnoticed.

Thanks a Bunch,

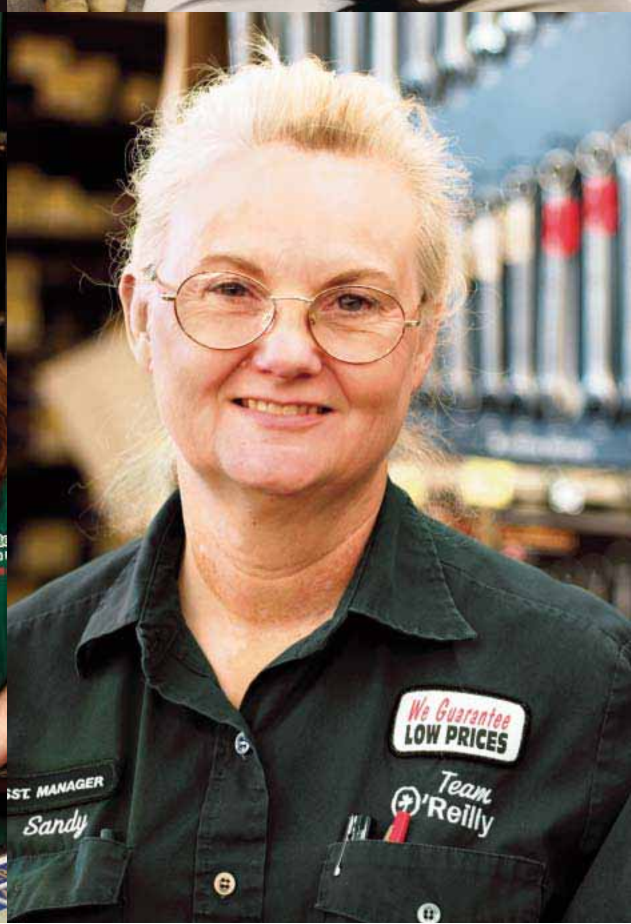
Shelia McCallum

Sheila McCallum
Osceola, Arkansas

RECEIVED
JUL 25 2002


Team


We Guarantee
LOW PRICES
Team
'Reilly


We Guarantee
LOW PRICES
SST. MANAGER
Sandy
Team
'Reilly

September 12, 2002

O'Reilly Automotive, Inc.
233 South Patterson Avenue
Springfield, Missouri 65802

RECEIVED
9-16 #160

To Whom It May Concern:

About a month ago, we took a trip to Kansas City to take in a game and go to Worlds of Fun. As we were leaving the game, we heard a noise, and the blower to the AC went out. When we got to the hotel, we opened the hood and confirmed a broken serpentine belt.

The next morning, we asked the local 7-11 for directions to the nearest auto parts store. O'Reilly was less than a mile away. We arrived at the store, purchased the belt, and thought we would be on our way in a matter of minutes. This was not the case. It turned out to be more of a challenge than we had expected; the belt was being quite stubborn. Thankfully, Tim, the store manager, was there to help.

He went in to get a tool to try and help, and when that one wouldn't work, he would go back and get another one. He kept going back into the store to get different tools, and when we were still unable to get the belt on, he went in for the manual. A few moments later, and out of sheer determination and manpower, the belt was on. We were all very relieved, covered in engine grease, but relieved.

We asked Tim what we owed him, and his response was "Just come back and see us again."

We are very impressed with the level of customer service we received. Tim went out of his way to help us out, and we certainly do appreciate it. We went on to Worlds of Fun and enjoyed the rest of our trip.

We wanted to send this letter of appreciation, to thank both Tim and O'Reilly for the help. Tim's actions that day are definitely in need of recognition.

Thank you for your time,

JD McKinney
Aileen McKinney

J.D. & Aileen McKinney
Denton, Nebraska

February 17, 2002

Charlie O'Reilly
Vice Chairman of the Board and
David O'Reilly
Co-Chairman of the Board and CEO
O'Reilly Auto Parts
233 South Patterson
Springfield, Missouri 65801

Dear Sirs,

It is necessary for me to write this letter directly to you in recognition of one of your employees working in the Raytown, Missouri store. I entered the store with minimal expectations of finding what I truly needed. However, the sales associate went way beyond the call to help me with my dilemma. Unfortunately, I was only able to get his first name -- "Bruce." Below is an explanation of what happened.

My 14-year-old son has had breathing problems all his life but had improved within the past year so that he no longer needed the use of a nebulizer. We had packed it away until Tuesday, when he had difficulty breathing. The nebulizer he uses is portable, battery operated, rechargeable and can be used with regular household current or the lighter in the car. Upon opening the machine, en route to the doctor's office so John could use it, we found the lighter adapter had been smashed and was unusable. The battery was very low but he was able to do a treatment by the time we reached the doctor's office.

The doctor is requiring John to use the nebulizer a minimum of 4 to 6 times per day and any other time as needed. I took him back to school and set out to find a car adapter. I had to find one that day because we had to have it with us wherever we went. Many of the medical supply places I contacted would have to order it and would take some time to get. So my search widened. I bought one at a Radio Shack thinking my problem was solved. After I told my husband about my purchase, he informed me that the wire was not heavy enough to carry the required current. I was near the Raytown O'Reilly Store and decided to try it.

The first sales associate I spoke to could not quite figure out what I needed and passed me to "Bruce." I explained my dilemma. I could see the wheels turning and him trying to figure out how he could help me. He spent at least 45 minutes with me trying several things and taking possible items to my car to test to make sure it would work. What impressed me the most about Bruce – when I apologized for taking up so much of his time – was his response: "Getting this machine to work for your son is most important, a car can be fixed at anytime."

I left the store with what I needed and a heavy burden off my shoulder. Bruce is an asset to your business.

Sincerely,

Patricia Simpson

RECEIVED 2/20/02

Patricia Simpson
Kansas City, MO


Cheryl
FIRST CALL


O'Reilly
A
2
O'Reilly
AUTO PARTS
WIX
Motorcraft
FL-1A
Oil Filter
Filtre à huile
Filtro de aceite

2002

financial results

POSITIONED FOR GROWTH

O'Reilly is well-positioned to capitalize on strong industry trends. Our store expansion plans call for 130 new new stores in 2003, located primarily within the new markets relating to the Mid-State acquisition in 2001. These expansion plans are supported by a strong balance sheet and very dedicated team members. We also continue to focus on operating improvements and are relentless about expense control.
WHERE THERE IS DEMAND, TEAM O'REILLY WILL BE THERE!

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except per share data and selected operating data)

YEARS ENDED DECEMBER 31,	2002	2001	2000
INCOME STATEMENT DATA:			
Product sales	**$1,312,490**	$1,092,112	$ 890,421
Cost of goods sold, including warehouse and distribution expenses	**759,090**	624,294	507,720
Gross profit	**553,400**	467,818	382,701
Operating, selling, general and administrative expenses	**415,099**	353,987	292,672
Operating income	**138,301**	113,831	90,029
Other income (expense), net	**(7,319)**	(7,104)	(6,870)
Provision for income taxes	**48,990**	40,375	31,451
Income from continuing operations	**81,992**	66,352	51,708
Income from discontinued operations	**—**	—	—
Net income	**$ 81,992**	$ 66,352	$ 51,708
BASIC EARNINGS PER COMMON SHARE:			
Income per share from continuing operations	**$ 1.54**	$ 1.27	$ 1.01
Income per share from discontinued operations	**—**	—	—
Net income per share	**$ 1.54**	$ 1.27	$ 1.01
Weighted-average common shares outstanding	**53,114**	52,121	51,168
EARNINGS PER COMMON SHARE – ASSUMING DILUTION:			
Income per share from continuing operations	**$ 1.53**	$ 1.26	$ 1.00
Income per share from discontinued operations	**—**	—	—
Net income per share	**$ 1.53**	$ 1.26	$ 1.00
Weighted-average common shares outstanding – adjusted	**53,692**	52,786	51,728
SELECTED OPERATING DATA:			
Number of stores at year-end[(a)]	**981**	875	672
Total store square footage at year-end (in 000's)[(a)(b)]	**6,617**	5,882	4,491
Weighted-average product sales per store (in 000's)[(a)(b)]	**$ 1,415**	$ 1,425	$ 1,412
Weighted-average product sales per square foot[(b)(e)]	**$ 210.70**	$ 213.00	$ 212.60
Percentage increase in same-store product sales open two full periods[(c)]	**3.1%**	8.2%	4.0%
Percentage increase in same-store product sales open one year[(b)]	**3.7%**	8.8%	5.0%
BALANCE SHEET DATA:			
Working capital	**$ 483,623**	$ 429,527	$ 296,272
Total assets	**1,009,419**	856,859	715,995
Short-term debt	**682**	16,843	49,121
Long-term debt, less current portion	**190,470**	165,618	90,463
Shareholders' equity	**650,524**	556,291	463,731

(a) Store count for 2002 does not include 27 stores acquired from Dick Smith Enterprises and Davie Automotive, Inc. in December 2002.

(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) 1998 does not include stores acquired from Hi/LO. Consolidated weighted-average product sales per square foot were $207.30.

1999	1998	1997	1996	1995	1994	1993
$ 754,122	$ 616,302	$ 316,399	$ 259,243	$ 201,492	$ 167,057	$ 137,164
428,832	358,439	181,789	150,772	116,768	97,758	82,102
325,290	257,863	134,610	108,471	84,724	69,299	55,062
248,370	200,962	97,526	79,620	62,687	52,142	42,492
76,920	56,901	37,084	28,851	22,037	17,157	12,570
(3,896)	(6,958)	472	1,182	236	376	216
27,385	19,171	14,413	11,062	8,182	6,461	4,556
45,639	30,772	23,143	18,971	14,091	11,072	8,230
—	—	—	—	—	—	48
$ 45,639	$ 30,772	$ 23,143	$ 18,971	$ 14,091	$ 11,072	$ 8,278
$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25
—	—	—	—	—	—	—
$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40	$ 0.32	$ 0.25
48,674	42,476	42,086	41,728	35,640	34,620	32,940
$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25
—	—	—	—	—	—	—
$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39	$ 0.32	$ 0.25
49,715	43,204	42,554	42,064	35,804	34,778	33,046
571	491	259	219	188	165	145
3,777	3,172	1,454	1,155	923	785	671
$ 1,423	$ 1,368	$ 1,306	$ 1,239	$ 1,101	$ 1,007	$ 949
$ 216.50	$ 238.00	$ 235.80	$ 242.20	$ 227.30	$ 215.40	$ 208.70
9.6%	6.8%	6.8%	14.4%	8.9%	8.9%	14.9%
$ 249,351	$ 208,363	$ 93,763	$ 74,403	$ 80,471	$ 41,416	$ 41,193
610,442	493,288	247,617	183,623	153,604	87,327	73,112
19,358	13,691	130	3,154	231	311	495
90,704	170,166	22,641	237	358	461	732
403,044	218,394	182,039	155,782	133,870	70,224	57,805

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 auto body paint and related materials, automotive tools and professional service equipment.

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

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

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

DISCLOSURE AND INTERNAL CONTROL

Our chief executive officer and chief financial officer have reviewed and evaluated the Company's disclosure controls and procedures as of December 31, 2002. Based on such review and evaluation, the officers believe that the disclosure controls and procedures are designed effectively to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, (i) is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms and that the information required to be discussed by the Company in the reports that it files and submits under the Securities Exchange Act of 1934, as amended, and (ii) is documented and communicated to the Company's management, including the officers, as appropriate to allow timely decisions regarding required disclosure. There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

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 ("OSG&A") – 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.

Stock-based Compensation – We have elected to use the intrinsic value method of accounting for stock options issued under our stock option plans and accordingly do not record an expense for such stock options. For purposes of pro forma disclosures under the fair value method, the estimated fair value of the options is amortized to expense over the options' vesting period.

Our pro forma information for the years ended December 31, is as follows:

(in thousands, except per share data)	2002	2001	2000
Net income as reported	**$81,992**	$66,352	$51,708
Stock-based compensation expense as reported	**—**	—	—
Stock-based compensation expense under fair value method	**7,217**	5,406	3,531
Pro forma net income	**$74,775**	$60,946	$48,177
Pro forma basic net income per share	**$ 1.41**	$ 1.17	$ 0.94
Pro forma net income per share – assuming dilution	**$ 1.39**	$ 1.15	$ 0.93

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,	2002	2001	2000
Product sales	**100.0%**	100.0%	100.0%
Cost of goods sold, including warehouse and distribution expenses	**57.8**	57.2	57.0
Gross profit	**42.2**	42.8	43.0
Operating, selling, general and administrative expenses	**31.6**	32.4	32.9
Operating income	**10.6**	10.4	10.1
Other expense, net	**(0.6)**	(0.6)	(0.8)
Income before income taxes	**10.0**	9.8	9.3
Provision for income taxes	**3.7**	3.7	3.5
Net income	**6.3%**	6.1%	5.8%

2002 COMPARED TO 2001

Product sales increased $220.4 million, or 20.2% from $1.09 billion in 2001 to $1.31 billion in 2002, due to 106 net additional stores opened during 2002 and a 3.7% increase in same-store product sales for stores open at least one year. 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 18.3% from $467.8 million (or 42.8% of product sales) in 2001 to $553.4 million (or 42.2% of product sales) in 2002. The increase in gross profit dollars is primarily due to increases in sales. The decrease in gross profit as a percent of product sales is primarily due to increased sales to independent jobbers, which are at a lower gross margin, and increased distribution costs at the distribution centers acquired from Mid-State Automotive Distributors, Inc.

Operating, selling, general and administrative expenses increased $61.1 million from $354.0 million (or 32.4% of product sales) in 2001 to $415.1 million (or 31.6% of product sales) in 2002. 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. The decrease in OSG&A expenses as a percent of product sales was primarily due to reductions in payroll, benefits and other OSG&A expenses through management's expense control initiatives.

Other expense, net, increased by $215,000 from $7.1 million in 2001 to $7.3 million in 2002. The increase was primarily due to interest expense on increased borrowings under our credit facility and a decrease in interest income.

Provision for income taxes increased from $40.4 million in 2001 (37.8% effective tax rate) to $49.0 million in 2002 (37.4% effective tax rate). The increase in the dollar amount was primarily due to the increase of income before income taxes. The decrease in the effective rate was primarily due to changes in the mix of business between the states in which we operate.

Principally as a result of the foregoing, net income in 2002 was $82.0 million (or 6.3% of product sales), an increase of $15.6 million (or 23.6% of product sales) from net income in 2001 of $66.4 million (or 6.1% of product sales).

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 and an 8.8% increase in same-store product sales for stores open at least one year. 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 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% of product sales) from net income in 2000 of $51.7 million (or 5.8% of product sales).

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $104.5 million in 2002, $50.0 million in 2001 and $5.8 million in 2000. The increase in cash provided by operating activities in 2002 compared to 2001 is primarily due to increases in net income, accounts payable, income taxes payable, accrued payroll and accrued benefits and withholdings, partially offset by increases in receivables and inventory. 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.

Net cash used in investing activities was $105.4 million in 2002, $77.8 million in 2001 and $40.5 million in 2000. The increase in cash used in investing activities in 2002 was primarily due to increased purchases of property and equipment. 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.

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 generally 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. We subsequently leases the property from the Lessor for an initial term through December 15, 2005, and has an option to request two additional successive renewal periods of five years each. The Facility provides for a residual value guarantee of $41.7 million at December 31, 2002, and purchase options on the properties. It also contains provisions 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 its store growth. Funding under the Facility at December 31, 2002, and 2001, totaled $49.0 million and $43.0 million, respectively. Future minimum rental commitments under the Facility have been included in the table of future minimum annual rental commitments below. Our lessor under the Facility acts as lessor to numerous other lessees under similar synthetic lease arrangements and has no other operations. Our maximum loss under its Facility is limited to its $41.7 million residual value guarantee and none of our assets have been pledged as collateral for the Lessor's obligations.

On December 29, 2000, we completed a sale-leaseback transaction. Under the terms of the transaction, we sold 90 properties, including land, buildings and improvements, for $52.3 million. The lease, which is being accounted for as an operating lease, provides for an initial lease term of 21 years and may be extended for one initial 10-year period and two additional successive periods of five years each. The resulting gain of $4.5 million has been deferred and is being amortized over the initial lease term. Net rent expense during the initial term will be approximately $5.5 million annually and is included in the table of future minimum annual rental commitments under non-cancelable operating leases. Proceeds from the transaction were used to reduce outstanding borrowings under our former revolving credit facility.

On May 16, 2001, we 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 and is guaranteed by all of our subsidiaries. Proceeds from the transaction were used to reduce outstanding borrowings under our former revolving credit facility.

In August, 2001, we 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 $102.3 million in 2002, $68.5 million in 2001 and $82.0 million in 2000. These expenditures were primarily related to the opening of new stores, as well as the relocation or remodeling of existing stores. We either opened or acquired 106, 203 and 101 net stores in 2002, 2001 and 2000, respectively. Eighteen net, additional stores were acquired in December 2002, and will be included in 2003 as new stores. We remodeled or relocated 27 stores in 2002, 16 stores in 2001 and 8 stores in 2000. Three new distribution centers were acquired; two in October 2001, located in Nashville, Tennessee and Knoxville, Tennessee, and one in October 2000, located in Little Rock, Arkansas.

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 July 29, 2002, we completed an unsecured, three-year syndicated credit facility (the "Credit Facility") in the amount of $150 million led by Wells Fargo Bank as the Administrative Agent replacing a five-year syndicated credit facility. The Credit Facility is guaranteed by all of our subsidiaries and may be increased to a total of $200 million, subject to availability of such additional credit from either existing banks within the Credit Facility or other banks. The Credit Facility bears interest at LIBOR plus .875% (2.26% at December 31, 2002) and expires in July 2005. At December 31, 2002, $90,000,000 of the Credit Facility was outstanding. At December 31, 2001, we had available an unsecured credit facility providing for maximum borrowings of $140 million. The facility was comprised of a revolving credit facility of $125 million, and a term loan of $15 million. At December 31, 2001, $61,350,000 of the revolving credit facility and $15 million of the term loan was outstanding. The credit facility, which bore interest at LIBOR plus 0.50%, expired in January 2003. All borrowings outstanding under the old credit facility at December 31, 2001, were fully repaid in 2002.

Our contractual obligations, 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 6 and 7 to the Consolidated Financial Statements.

(in thousands) PAYMENTS DUE BY PERIOD	TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS
Contractual Obligations:					
Notes payable	$ 95	$ 78	$ 17	$ —	$ —
Long-term debt	190,076	12	90,027	75,033	25,004
Capital lease obligations	981	592	389	—	—
Operating leases	252,301	29,882	51,346	39,004	132,069
Unconditional purchase commitments	41,094	41,094	—	—	—
Total contractual cash obligations	$484,547	$ 71,658	$141,779	$114,037	$157,073

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

INFLATION AND SEASONALITY

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

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

QUARTERLY RESULTS

The following table sets forth certain quarterly unaudited operating data for fiscal 2002 and 2001. The unaudited quarterly information includes all adjustments which management considers necessary for a fair presentation of the information shown.

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

(in thousands, except per share data)	FISCAL 2002			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Product sales	**$295,489**	**$343,181**	**$359,579**	**$314,241**
Gross profit	**126,028**	**144,186**	**152,196**	**130,990**
Operating income	**28,638**	**37,769**	**40,723**	**31,171**
Net income	**$ 16,642**	**$ 22,547**	**$ 24,096**	**$ 18,707**
Basic net income per common share	**$ 0.31**	**$ 0.42**	**$ 0.45**	**$ 0.35**
Net income per common share – assuming dilution	**$ 0.31**	**$ 0.42**	**$ 0.45**	**$ 0.35**

(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

SHAREHOLDER RIGHTS PLAN

On May 17, 2002, the Board of Directors adopted a Shareholder Rights Plan. One Right was distributed for each share of common stock, par value $.01 per share, of the Company held by stockholders of record as of the close of business on May 31, 2002. The Rights initially entitle stockholders to buy a unit representing one one-hundredth of a share of a new series of preferred stock of the Company for $160 and expire on May 30, 2012. The Rights generally will be exercisable only if a person or group acquires beneficial ownership of 15% or more of the Company's common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 15% or more of the Company's common stock. If a person or group acquires beneficial ownership of 15% or more of the Company's common stock, each Right (other than Rights held by the acquiror) will, unless the Rights are redeemed by the Company, become exercisable upon payment of the exercise price of $160 for common stock of the Company having a market value of twice the exercise price of the Right. A copy of the Stockholder Rights Plan was filed on May 28, 2002, with the Securities and Exchange Commission, as Exhibit 99.1 to our report on Form 8-K.

NEW ACCOUNTING STANDARDS

In August 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Asset,* superseding Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.* SFAS 144 applies to all long-lived assets, including discontinued operations. SFAS 144 requires that those long-lived assets classified as held for sale be measured at the lower of carrying amount (cost less accumulated depreciation) or fair value less costs to sell. Discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. We do not expect the adoption of the new statement to have a significant financial impact on our consolidated financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* Under the new rules, a liability for the costs associated with an exit or disposal activity will be recognized when the liability is incurred as opposed to the date of an entity's commitment to an exit plan. The new rules are effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of new rules to have a significant impact on our consolidated financial position or results of operations.

In December 2002, the Financial Accounting Standards Board issued Statement No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure,* amending SFAS 123, *Accounting for Stock-Based Compensation.* SFAS 148 gives companies electing to expense employee stock options three methods to do so. In addition, the statement amends the disclosure requirements to require more prominent disclosure about the method of accounting for stock-based employee compensation and the effect of the method used on reported results in both annual and interim financial statements. We have elected to continue using the intrinsic value method of accounting for stock-based compensation. Therefore, the new statement will not have any effect on our consolidated financial position or results of operations. See Note 10 to the Consolidated Financial Statements for additional information regarding stock-based compensation.

In November 2002, the Financial Accounting Standards Board issued Interpretation 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees.* The interpretation elaborates on the disclosures to be made in interim and annual financial statements of a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing a guarantee. Initial recognition and measurement provisions of the Interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. As of December 31, 2002, we did not have any outstanding guarantees other than subsidiary guarantees of parent debt as disclosed in Note 6 to the Consolidated Financial Statements.

In January 2003, the Financial Accounting Standards Board issued Interpretation 46, *Consolidation of Variable Interest Entities.* The interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. A variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. The interpretation requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. We have determined that our Lessor under the Synthetic Lease Facility is a variable interest entity under Interpretation No. 46 and that we are the primary beneficiary. We are evaluating the various options and their related impact on our consolidated financial position and results of operations.

During 2002, the Emerging Issues Task Force reached a consensus on Issue No. 02-16, Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor." Under the new guidance, cash consideration received from a vendor should be classified as a reduction of cost of sales. If the consideration received represents a payment for assets delivered to the vendor, it should be classified as revenue. If the consideration is a reimbursement of a specific, incremental, identifiable cost incurred in selling the vendor's product, the cost should be characterized as a reduction of that cost incurred. The guidance is effective for fiscal periods beginning after December 15, 2002. We do not expect the adoption of this guidance to have a significant impact on our consolidated financial position or results of operations.

FORWARD-LOOKING STATEMENTS

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained within this document discuss, among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such 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, risks associated with the integration of acquired businesses, 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, 2002, for more details.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

DECEMBER 31,	2002	2001
Assets		
Current assets:		
Cash	**$ 29,333**	$ 15,041
Accounts receivable, less allowance for doubtful accounts of $865 in 2002 and $1,760 in 2001	**45,421**	41,486
Amounts receivable from vendors, net	**42,918**	38,440
Inventory	**504,098**	447,793
Refundable income taxes	**—**	168
Deferred income taxes	**5,040**	3,908
Other current assets	**4,235**	3,827
Total current assets	**631,045**	550,663
Property and equipment, at cost:		
Land	**52,362**	48,096
Buildings	**160,425**	121,250
Leasehold improvements	**57,376**	45,456
Furniture, fixtures and equipment	**177,293**	143,046
Vehicles	**44,067**	34,517
	491,523	392,365
Accumulated depreciation and amortization	**137,922**	103,361
Net property and equipment	**353,601**	289,004
Notes receivable	**1,880**	2,557
Other assets, net	**22,893**	14,635
Total assets	**$1,009,419**	$ 856,859
Liabilities and shareholders' equity		
Current liabilities:		
Notes payable to bank	**$ —**	$ 5,000
Income taxes payable	**9,798**	—
Accounts payable	**85,370**	61,875
Accrued payroll	**15,257**	12,866
Accrued benefits and withholdings	**19,165**	14,038
Other current liabilities	**17,150**	15,514
Current portion of long-term debt	**682**	11,843
Total current liabilities	**147,422**	121,136
Long-term debt, less current portion	**190,470**	165,618
Deferred income taxes	**15,939**	9,141
Other liabilities	**5,064**	4,673
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 – 53,371,242 in 2002 and 52,850,713 in 2001	**534**	528
Additional paid-in capital	**269,030**	256,795
Retained earnings	**380,960**	298,968
Total shareholders' equity	**650,524**	556,291
Total liabilities and shareholders' equity	**$1,009,419**	$ 856,859

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

YEARS ENDED DECEMBER 31,	2002	2001	2000
Product sales	**$1,312,490**	$1,092,112	$ 890,421
Cost of goods sold, including warehouse and distribution expenses	**759,090**	624,294	507,720
Operating, selling, general and administrative expenses	**415,099**	353,987	292,672
	1,174,189	978,281	800,392
Operating income	**138,301**	113,831	90,029
Other income (expense):			
Interest expense	**(9,248)**	(9,092)	(8,362)
Interest income	**989**	1,362	439
Other, net	**940**	626	1,053
	(7,319)	(7,104)	(6,870)
Income before income taxes	**130,982**	106,727	83,159
Provision for income taxes	**48,990**	40,375	31,451
Net income	**$ 81,992**	$ 66,352	$ 51,708
Basic income per common share:			
Net income per common share	**$ 1.54**	$ 1.27	$ 1.01
Weighted-average common shares outstanding	**53,114**	52,121	51,168
Income per common share – assuming dilution:			
Net income per common share – assuming dilution	**$ 1.53**	$ 1.26	$ 1.00
Adjusted weighted-average common shares outstanding	**53,692**	52,786	51,728

See accompanying notes.

CONSOLIDATED STATEMENTS SHAREHOLDERS' EQUITY

(in thousands)	COMMON STOCK SHARES	COMMON STOCK PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
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
Issuance of common stock under employee benefit plans	223	3	6,094	—	6,097
Issuance of common stock under stock option plans	297	3	4,677	—	4,680
Tax benefit of stock options exercised	—	—	1,464	—	1,464
Net income	—	—	—	81,992	81,992
Balance at December 31, 2002	**53,371**	**$534**	**$269,030**	**$380,960**	**$650,524**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

YEARS ENDED DECEMBER 31,	2002	2001	2000
Operating activities			
Net income	**$ 81,992**	$ 66,352	$ 51,708
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**35,923**	28,963	23,846
Amortization	**984**	1,581	966
Provision for doubtful accounts	**1,873**	2,635	1,235
Loss (Gain) on sale of property and equipment	**(58)**	(158)	220
Deferred income taxes	**5,666**	6,371	3,245
Common stock contributed to employee benefit plans	**3,512**	2,690	2,648
Tax benefit of stock options exercised	**1,464**	6,415	977
Changes in operating assets and liabilities, net of the effects of the acquisition:			
Accounts receivable	**(5,701)**	(3,432)	(7,446)
Amounts receivable from vendors	**(4,478)**	(7,908)	(3,191)
Inventory	**(56,305)**	(35,115)	(78,145)
Refundable income taxes	**168**	(76)	2,241
Other current assets	**(788)**	1,244	(444)
Accounts payable	**23,495**	(16,891)	4,062
Income taxes payable	**9,798**	(1,011)	1,011
Accrued payroll	**2,391**	3,557	3,031
Accrued benefits and withholdings	**5,127**	4,678	(1,022)
Other current liabilities	**(1,148)**	(9,756)	870
Other liabilities	**618**	(110)	20
Net cash provided by operating activities	**104,533**	50,029	5,832
Investing activities			
Purchases of property and equipment	**(102,257)**	(68,521)	(81,987)
Proceeds from sale of property and equipment	**2,278**	8,534	52,861
Acquisition, net of cash acquired	**—**	(20,536)	—
Payments received on notes receivable	**862**	721	604
Investment in other assets	**(6,268)**	1,956	(11,995)
Net cash used in investing activities	**(105,385)**	(77,846)	(40,517)
Financing activities			
Borrowings on notes payable to bank	**—**	5,000	30,000
Payments on notes payable to bank	**(5,000)**	(35,000)	—
Proceeds from issuance of long-term debt	**179,640**	289,974	431,159
Principal payments on long-term debt	**(166,761)**	(243,422)	(432,415)
Net proceeds from issuance of common stock	**7,265**	17,102	5,354
Net cash provided by financing activities	**15,144**	33,654	34,098
Net increase (decrease) in cash	**14,292**	5,837	(587)
Cash at beginning of year	**15,041**	9,204	9,791
Cash at end of year	**$ 29,333**	$ 15,041	$ 9,204

See accompanying notes.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

O'Reilly Automotive, Inc. ("the Company") is a specialty retailer and supplier of automotive aftermarket parts, tools, supplies and accessories to both the "DIY" customer and the professional installer throughout Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, North Carolina, 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 $499,501,000 and $442,989,000 as of December 31, 2002, and 2001, 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 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, 2002, 2001 and 2000, were $369,000, $324,000 and $1,354,000, 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 the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense charged to operations amounted to $14,442,000, $12,796,000 and $12,150,000 for the years ended December 31, 2002, 2001 and 2000, 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 10, 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 the intrinsic method in accordance with 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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Stock equivalents that could potentially dilute basic EPS in the future that were not included in the fully diluted computation because they would have been antidilutive were 577,551 and 664,650 for the years ended December 31, 2002, and 2001, respectively.

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 $1,911,000 and $1,991,000 at December 31, 2002, and 2001, respectively, bears interest at 6% and is due in August 2017. These amounts are included in other current assets in the accompanying consolidated balance sheet.

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 2001 and 2000 consolidated financial statements in order to conform to the 2002 presentation.

New Accounting Pronouncements

In August 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Asset,* superseding Statement No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.* SFAS 144 applies to all long-lived assets, including discontinued operations. SFAS 144 requires that those long-lived assets classified as held for sale be measured at the lower of carrying amount (cost less accumulated depreciation) or fair value less costs to sell. Discontinued operations will no longer be measured at net realizable value or include amounts for operating losses that have not yet occurred. SFAS 144 also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. The Company does not expect the adoption of the new statement to have a significant financial impact on our consolidated financial position or results of operations.

In June 2002, the Financial Accounting Standards Board issued Statement No. 146, *Accounting for Costs Associated with Exit or Disposal Activities.* Under the new rules, a liability for the costs associated with an exit or disposal activity will be recognized when the liability is incurred, as opposed to the date of an entity's commitment to an exit plan. The new rules are effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of new rules to have a significant impact on our consolidated financial position or results of operations.

In December 2002, the Financial Accounting Standards Board issued Statement No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure,* amending SFAS 123, *Accounting for Stock-Based Compensation.* SFAS 148 gives companies electing to expense employee stock options three methods to do so. In addition, the statement amends the disclosure requirements to require more prominent disclosure about the method of accounting for stock-based employee compensation and the effect of the method used on reported results in both annual and interim financial statements. The Company has elected to continue using the intrinsic value method of accounting for stock-based compensation. Therefore, the new statement will not have any effect on the Company's consolidated financial position or results of operations. See Note 10 to the Consolidated Financial Statements for additional information regarding stock-based compensation.

In November 2002, the Financial Accounting Standards Board issued Interpretation 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees.* The interpretation elaborates on the disclosures to be made in interim and annual financial statements of a guarantor about its obligations under certain guarantees that it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing a guarantee. Initial recognition and measurement provisions of the interpretation are applicable on a prospective basis to guarantees issued or motified after December 31, 2002. The disclosure requirements are effective for financial statements of interim or annual periods ending after December 15, 2002. As of December 31, 2002, the Company does not have an outstanding guarantees other than subsidiary guarantees of parent debt as disclosed in Note 6 to the Consolidated Financial Statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In January 2003, the Financial Accounting Standards Board issued Interpretation 46, *Consolidation of Variable Interest Entities.* The interpretation expands upon and strengthens existing accounting guidance that addresses when a company should include in its financial statements the assets, liabilities and activities of another entity. A variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. The interpretation requires a variable interest entity to be consolidated by a company if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns or both. The consolidation requirements of the interpretation apply immediately to variable interest entities created after January 31, 2003. The consolidation requirements apply to older entities in the first fiscal year or interim period beginning after June 15, 2003. The Company has determined that its Lessor under the Synthetic Lease Facility is a variable interest entity under Interpretation No. 46 and that the Company is the primary beneficiary.

During 2002, the Emerging Issues Task Force reached a consensus on Issue No. 02-16, Accounting by a Customer (including a Reseller) for Certain Consideration Received from a Vendor." Under the new guidance, cash consideration received from a vendor should be classified as a reduction of cost of sales. If the consideration received represents a payment for assets delivered to the vendor, it should be classified as revenue. If the consideration is a reimbursement of a specific, incremental, identifiable cost incurred in selling the vendor's product, the cost should be characterized as a reduction of that cost incurred. The guidance is effective for fiscal periods beginning after December 15, 2002. The Company does not expect the adoption of this guidance to have a significant impact on our consolidated financial position or results of operations.

Shareholder Rights Plan

On May 17, 2002, the Board of Directors adopted a Shareholder Rights Plan. One Right was distributed for each share of common stock, par value $.01 per share, of the Company held by stockholders of record as of the close of business on May 31, 2002. The Rights initially entitle stockholders to buy a unit representing one one-hundredth of a share of a new series of preferred stock of the Company for $160 and expire on May 30, 2012. The Rights generally will be exercisable only if a person or group acquires beneficial ownership of 15% or more of the Company's common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 15% or more of the Company's common stock. If a person or group acquires beneficial ownership of 15% or more of the Company's common stock, each Right (other than Rights held by the acquiror) will, unless the Rights are redeemed by the Company, become exercisable upon payment of the exercise price of $160 for common stock of the Company having a market value of twice the exercise price of the Right. A copy of the Stockholder Rights Plan was filed on May 28, 2002, with the Securities and Exchange Commission, as Exhibit 99.1 to our report on Form 8-K.

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 was not material.

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, 2002, and 2001, 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 $3,222,000, $2,894,000 and $2,671,000 in 2002, 2001 and 2000, 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. The lines of credit, which expired in 2002, bore interest at LIBOR plus 0.50% and were fully repaid in 2002. Additionally, at December 31, 2001, the Company had available a short-term line of credit in the amount of $25 million, none of which was outstanding at December 31, 2001. The line of credit bore interest at LIBOR plus 0.75%. Neither line of credit was renewed during 2002.

NOTE 6—LONG-TERM DEBT

On July 29, 2002, the Company completed an unsecured, three-year syndicated credit facility (the "Credit Facility") in the amount of $150 million led by Wells Fargo Bank as the Administrative Agent replacing a five-year syndicated credit facility. The Credit Facility is guaranteed by all of our subsidiaries and may be increased to a total of $200 million, subject to availability of such additional credit from either existing banks within the Credit Facility or other banks. The Credit Facility bears interest at LIBOR plus .875% (2.26% at December 31, 2002) and expires in July 2005. At December 31, 2002, $90,000,000 of the Credit Facility was outstanding. At December 31, 2001, the Company had available an unsecured credit facility providing for maximum borrowings of $140 million. The facility was comprised of a revolving credit facility of $125 million, and a term loan of $15 million. At December 31, 2001, $61,350,000 of the revolving credit facility and $15 million of the term loan was outstanding. The credit facility, which bore interest at LIBOR plus 0.50%, expired in January 2003. All borrowings outstanding under the old credit facility at December 31, 2001, were fully repaid in 2002.

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 former revolving credit facility.

During 2002 and 2001, the Company leased certain computer equipment under capitalized leases. The lease agreements have three-year terms expiring from 2003 to 2005. At December 31, 2002, the monthly installments under these agreements were approximately $53,000. The present value of the future minimum lease payments under these agreements totaled $549,000 and $427,000 at December 31, 2002, and 2001, respectively, which has been classified as long-term debt in the accompanying consolidated financial statements. During 2002, 2001 and 2000, the Company purchased $812,000, $467,000 and $800,000, respectively, of assets under capitalized leases.

Additionally, the Company has various unsecured notes payable to individuals and banks, amounting to $172,000 and $251,000, at December 31, 2002, and 2001, respectively. The average interest rate on these notes is 5.25% with monthly installments approximate $7,000 including interest.

Indirect borrowings under letters of credit provided by a $20,000,000 sublimit of the Credit Facility totaled $6,028,000 and $210,650 at December 31, 2002, and 2001, respectively. These letters of credit reduced availability of borrowings at December 31, 2002, and 2001.

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

(amounts in thousands)

2003	$ 682
2004	332
2005	90,102
2006	75,015
2007	17
Thereafter	25,004
	$ 191,152

Cash paid by the Company for interest during the years ended December 31, 2002, 2001 and 2000, amounted to $9,248,000, $9,092,000 and $8,240,000, respectively.

NOTE 7—COMMITMENTS

Lease Commitments

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 generally 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 through December 15, 2005, and has an option to request two additional successive renewal periods of five years each. The Facility provides for a residual value guarantee of $41.7 million at December 31, 2002, and purchase options on the properties. It also contains provisions 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, 2002, and 2001, totaled $49.0 million and $43.0 million, respectively. Future minimum rental commitments under the Facility have been included in the table of future minimum annual rental commitments below. The Company's lessor under the Facility acts as lessor to numerous other lessees under similar synthetic lease arrangements and has no other operations. The Company's maximum loss under its Facility is limited to its $41.7 million residual value guarantee and none of the Company's assets have been pledged as collateral for the Lessor's obligations.

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

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 former 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.

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, 2002, future minimum rental payments for each of the next five years and in the aggregate are as follows:

(amounts in thousands)	RELATED PARTIES	NON-RELATED PARTIES	TOTAL
2003	$ 2,240	$ 27,642	$ 29,882
2004	1,855	25,211	27,066
2005	1,626	22,654	24,280
2006	1,398	19,318	20,716
2007	1,332	16,956	18,288
Thereafter	8,700	123,369	132,069
	$ 17,151	$235,150	$252,301

Rental expense amounted to $29,652,000, $25,122,000 and $16,219,000 for the years ended December 31, 2002, 2001 and 2000, respectively.

Other Commitments

The Company had construction commitments, which totaled approximately $41.1 million, at December 31, 2002.

NOTE 8—LEGAL PROCEEDINGS

The Company was a defendant in a lawsuit entitled "Coalition for 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 suit had been brought by a group of automotive aftermarket warehouse distributors and jobbers, who alleged that the defendants, including the Company, were in violation of the Robinson-Patman Act. The Company settled the case for an undisclosed amount that did not have a material impact on the consolidated financial position or results of operations.

The Company is involved in various 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 100% 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 two years of service, Company contributions and earnings thereon vest at the rate of 20% per year. Company contributions charged to operations amounted to $3,438,000 in 2002, $3,207,000 in 2001 and $2,454,000 in 2000. 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
2002	**41,332**	**$1,202,000**
2001	37,567	969,000
2000	49,891	724,000

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

YEAR FUNDED	SHARES	MARKET VALUE
2002	**77,876**	**$2,200,000**
2001	88,118	1,729,000
2000	132,890	1,919,000

The Company also sponsors a non-funded non-contributory defined benefit healthcare plan, which provides certain health benefits to qualified 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, 2002, 2001 and 2000 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 not to exceed 5% of the participant's annual salary. Purchases of common stock under the plan during the years ended December 31 were as follows:

YEAR	SHARES	WEIGHTED-AVERAGE PRICE
2002	**102,662**	**$25.18**
2001	97,991	22.13
2000	147,315	12.83

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, 5,881 shares were issued during 2002, no shares were issued during 2001, and 12,164 shares were issued during 2000.

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 8,000,000 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. 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. All grants under the plan since its inception have been non-qualified stock option grants. A summary of outstanding stock options under this plan is as follows:

	PRICE PER SHARE	NUMBER OF SHARES
Outstanding at December 31, 1999	$ 6.07 - 26.75	3,346,480
Granted	10.56 - 24.38	581,250
Exercised	6.07 - 22.75	(362,125)
Canceled	10.00 - 25.88	(206,625)
Outstanding at December 31, 2000	$ 8.00 - 26.75	3,358,980
Granted	14.37 - 37.62	1,279,000
Exercised	7.88 - 35.21	(1,012,695)
Canceled	8.00 - 34.30	(220,787)
Outstanding at December 31, 2001	$ 8.69 - 37.62	3,404,498
Granted	24.96 - 37.25	630,750
Exercised	8.69 - 26.75	(294,693)
Canceled	8.75 - 38.00	(206,075)
Outstanding at December 31, 2002	**$ 8.94 - 37.62**	**3,532,565**

Options to purchase 1,566,104, 1,250,261 and 1,729,033 shares of common stock were exercisable at December 31, 2002, 2001 and 2000, respectively.

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

	PRICE PER SHARE	NUMBER OF SHARES
Outstanding at December 31, 1999	$ 6.56 - 23.91	90,000
Granted	12.44	20,000
Exercised	6.56 - 6.75	(20,000)
Outstanding at December 31, 2000	$ 9.09 - 23.91	90,000
Granted	20.65	30,000
Exercised	9.09 - 23.91	(70,000)
Outstanding at December 31, 2001	$12.44 - 23.91	50,000
Granted	29.02	30,000
Outstanding at December 31, 2002	**$12.44 - 29.02**	**80,000**

All options under this plan were exercisable at December 31, 2002, 2001 and 2000.

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.

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 2002, 2001 and 2000, respectively: risk-free interest rates of 4.01%, 5.16% and 5.02%; volatility factors of the expected market price of the Company's common stock of .481, .475 and .442; and weighted-average expected life of the options of 9, 9 and 8.9 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, 2002, 2001 and 2000 were $17.75, $16.52 and $9.24, respectively. The weighted-average remaining contractual life at December 31, 2002, for all outstanding options under the Company's stock option plans

NOTE 10—STOCK OPTION PLANS (continued)

is 7.058 years. The weighted-average exercise price for all outstanding options under the Company's stock option plans was $22.78, $20.63 and $16.12 at December 31, 2002, 2001 and 2000, 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 for the years ended December 31, is as follows:

(In thousands, except per share data)

	2002	2001	2000
Net income as reported	**$81,992**	$66,352	$51,708
Stock-based compensation expense as reported	**$ —**	$ —	$ —
Stock-based compensation expense under fair value method	**$ 7,217**	$ 5,406	$ 3,531
Pro forma net income	**$74,775**	$60,946	$48,177
Pro forma basic net income per share	**$ 1.41**	$ 1.17	$ 0.94
Pro forma net income per share – assuming dilution	**$ 1.39**	$ 1.15	$ 0.93

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,	2002	2001	2000
Numerator (basic and diluted):			
Net income	**$81,992**	$66,352	$51,708
Denominator:			
Denominator for basic income per common share – weighted-average shares	**53,114**	52,121	51,168
Effect of stock options (Note 10)	**578**	665	560
Denominator for diluted income per common share – adjusted weighted-average shares and assumed conversion	**53,692**	52,786	51,728
Basic net income per common share	**$ 1.54**	$ 1.27	$ 1.01
Net income per common share – assuming dilution	**$ 1.53**	$ 1.26	$ 1.00

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)

	2002	2001
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	**$ 327**	$ 665
Inventory carrying value	**967**	—
Other accruals	**3,746**	4,284
	5,040	4,949
Deferred tax liabilities:		
Current:		
Inventory carrying value	**—**	1,041
Noncurrent:		
Property and equipment	**15,685**	8,333
Other	**254**	808
Total deferred tax liabilities	**15,939**	10,182
Net deferred tax liabilities	**$(10,899)**	$ (5,233)

The provision for income taxes consists of the following:

(In thousands)

	CURRENT	DEFERRED	TOTAL
2002:			
Federal	**$39,038**	$ 5,113	$44,151
State	**4,286**	553	4,839
	$43,324	$ 5,666	$48,990
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

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

(In thousands)

	2002	2001	2000
Federal income taxes at statutory rate	**$45,844**	$37,354	$29,106
State income taxes, net of federal tax benefit	**3,140**	2,775	2,200
Other items, net	**6**	246	145
	$48,990	$40,375	$31,451

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, 2002, 2001 and 2000, cash paid by the Company for income taxes amounted to $31,119,000, $28,676,000 and $24,244,000, respectively.

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, 2002, and 2001, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2002. 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, 2002, and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Kansas City, Missouri
February 21, 2003

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of O'Reilly Automotive, Inc. and Subsidiaries of our report dated February 21, 2003, included in the 2002 Annual Report to Shareholders of O'Reilly Automotive, Inc. and Subsidiaries.

Our audits also included the consolidated financial statements schedule of O'Reilly Automotive, Inc. and Subsidiaries listed in Item 14(a). These schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statements (Form S-8 No. 33-61632, Form S-8 No. 33-73892 and Form S-8 No. 33-91022) of O'Reilly Automotive, Inc. of our report dated February 21, 2003, with respect to the consolidated financial statements incorporated herein by reference, and our report included in the preceding paragraph with respect to the consolidated financial statement schedules included in this Annual Report (Form 10-K) of O'Reilly Automotive, Inc. for the year ended December 31, 2002.

Ernst & Young LLP

Kansas City, Missouri
March 24, 2003

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
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
Director

Ted Wise
Co-President

Greg Henslee
Co-President

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

Joe C. Greene(1)(2)
Director since 1993
Attorney, Husch & Eppenberger, LLC
Managing Partner, Greene & Curtis, LLP
Director, Bass Pro, Inc.
Director, Ozarks Coca-Cola Bottling Co.
Chairman, Missouri Sports Hall of Fame
Executive Secretary, Missouri Golf Association
Director, Commerce Bank

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

Jim Batten
Vice President of Finance
Chief Financial Officer

Ron Byerly
Vice President of Marketing, Advertising and Training

Alan Fears
Vice President of Store Expansion and Acquisitions

Tricia Headley
Vice President of Corporate Services and Corporate Secretary

David McCready
Vice President of Distribution Operations

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

Rob Bodenhamer
Director of Technology Development

Larry Boevers
Regional DC Director

Doug Bragg
Director of Oklahoma Region

Mary Brown
Director of Human Resources

Mike Chapman
Director of Dallas/Fort Worth Region

Keith Childers
Director of Little Rock Region

Ken Cope
Director of Nashville Region

Charlie Downs
Director of Store Expansion

Joe Edwards
Director of Store Installation

Phyllis Evans
Director of Store Administration

John Grassham
Director of Dallas Region

Joe Hankins
Director of Store Design

Brett Heintz
Director of Retail Systems

Jaime Hinojosa
Director of Valley Region

Jack House
Director of Customer Service

Greg Johnson
Director of Distribution

Randy Johnson
Director of Inventory Control

Michelle Kimrey
Director of Finance

Brad Knight
Director of Pricing

Kenny Martin
Director of Gulf States Region

Jim Maynard
Director of Employment and Team Member Relations

Kim Mesenbrink
Director of Accounting

Wayne Price
Director of Risk Management

Steve Rice
Director of Credit and Collections

Barry Sabor
Director of Loss Prevention

Denny Smith
Director of Springfield Region

Dick Smith
Director of Real Estate and Construction

Charlie Stallcup
Director of Training

David Strom
Director of Houston Region

Danny Woods
Director of Installer Marketing

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

Gary Baker
Technical Service Manager

Mike Ballard
Internet Development Manager

Carl Barina
West Texas Regional Sales Manager

Doug Bennett
Sales Department Manager

Steve Berger
Safety Manager

Ron Biegay
Southern Division Training Manager

Larry Blundell
Regional Field Sales Manager

Tom Bollinger
Regional Field Sales Manager

Bridget Brashears
PC Support Manager

Kent Brewer
Distribution Center Transportation Manager

Yvonne Cannon
Payroll Manager

Julie Carroll
Des Moines Distribution Center Manager

Tom Connor
Springfield Distribution Center Manager

Garry Curbow
Replenishment Manager

Cecil Davis
Distribution Center Inbound Manager

Randy Decoito
Des Moines Regional Sales Manager

Jim Deshotel
Houston Regional Sales Manager

Jay Enloe
Property and Liability Risk Manager

Paula Eyman
Accounting Special Projects Manager

Carl Falke
Oklahoma Regional Sales Manager

Becky Fincher
Advertising Manager

Kevin Ford
Regional Distribution Center Manager

Randy Freund
Springfield Regional Sales Manager

David Furr
Service Equipment Sales Manager

Lori Fuzzell
Customer Service Manager

Art Glidewell
Dallas Distribution Center Manager

David Glore
Ozark Sales Manager

Garry Glossip
Store Accounting Manager

Ron Greenway
Tax Manager

Larry Gregory
Real Estate Store Maintenance Manager

Kevin Greven
Retail Marketing and Promotions Manager

Mike Hauk
Central Division Training Manager

Doy Hensley
Help Support Manager

Julie Hibler
Corporate Services Manager

Diana Hicks
Internal Communications Manager

Mark Hoehne
Regional Sales Manager

Chris Holder
Regional Sales 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

Dave Jordan
Kansas City Distribution Center Manager

Les Keeth
Supplier Credit Manager

Dave Leonhart
Oklahoma City Distribution Center Manager

Steve Lines
Sales Training Manager

Jim Litchford
Regional Sales Manager

Jeff Main
Jobber Systems Sales Manager

Ed Martinez
Houston Distribution Center Manager

Jeff McKinney
Customer Satisfaction Manager

Bob McNabb
Payroll Systems Manager

Bryan Mescher
Regional Sales Manager

Chapman Norman
Inventory Maintenance Manager

Brad Oplotnik
Systems and Network Manager

Steve Peterie
Construction Design Manager

Tony Phelps
Little Rock Distribution Center Manager

Jana Phillips
Real Estate Contract Administrator Manager

Steve Phillips
Southern Division Loss Prevention Manager

Ed Randall
Real Estate Site Acquisition Manager

Shari Reaves
Benefits 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

Tom Smith
Training Department 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
Audio Visual Communications Manager

Saundra Wilkinson
Store Support Manager

Joe Winterberg
Product Manager

Wes Wise
Installer Marketing Manager

Terry Yates
Regional Sales Manager

DISTRICT CORPORATE MANAGEMENT

Eddie Allen
Chuck Avis
Emmitt Barina
Brince Beasley
Brad Beckham
Steve Beil
Aaron Biggs
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
Jason Frizzell
Kyle Gorzik
Terry Grimmett
Jon Haught
Rick Hedges
Gerry Hendrix
Perry Hess
Brad Hilker
Mike Hollis
Jeff Howard
Jeff Jennings
Chad Keel
Butch Kelton
Todd Kemper
Jim Koehn
Scott Kraus
John Krebs
Scott Leonhart
Chris Lewis
Rodger McClary
Kevin McCurry
Marc McGehee
Travis McPherson
Chris Meade
Curt Miles
Randy Morris
Ciro Moya
Ramon Odems
Kenny Omland
Kevin Overmon
Ron Papay
Jude Patterson
Pernell Peters
David Pilat
Mike Platt
Will Reger
Tommy Rhoads
Alan Riddle
Larry Roof
Juan Salinas
Jim Scott
Brad Seaborn
Cliff Sedtal
Steve Severe
Garry Shelby
Mark Smith
Bob Snodgrass
Brian Stecklein
Scott Strayhorn
Marvin Swaim
Bert Tamez
Randy Tanner
Mike Tatum
Rick Tearney
Greg Thomas
Dallas Thompson
Justin Tracy
Mark Van Hoecke
Brett Warstler
John Weatherly
Rob Weiskirch
John Wells
Allen Wise
Dexter Woods
Mike Yates
Jason York
Cody Zimmerman

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 6, 2003, at the University Plaza Convention Center, 333 John Q. Hammons Parkway in Springfield, Missouri. Shareholders of record as of February 28, 2003, 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, 2003, O'Reilly Automotive, Inc. had approximately 23,876 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
U.S. Bancorp Piper Jaffray – Reed Anderson
Salomon Smith Barney – Bill Julian
Credit Suisse First Boston – Gary Balter
Sidoti & Co. – Scott Stember

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.

	2002		**2001**	
	HIGH	LOW	**HIGH**	**LOW**
First Quarter	**$37.25**	**$28.61**	$27.19	$15.50
Second Quarter	**34.42**	**27.05**	29.45	18.75
Third Quarter	**32.47**	**24.10**	35.54	22.60
Fourth Quarter	**31.40**	**24.28**	38.44	27.00
For the Year	**37.25**	**24.10**	38.44	15.50

SUBSIDIARIES OF THE COMPANY

SUBSIDIARY	STATE OF INCORPORATION
Ozark Automotive Distributors, Inc.	Missouri
Greene County Realty Co.	Missouri
O'Reilly II Aviation, Inc.	Missouri
Hi-Lo Automotive, Inc.	Delaware
Mid-State Automotive Distributors, Inc.	Tennessee

One hundred percent of the capital stock of each of the above listed subsidiaries is directly owned by O'Reilly Automotive, Inc.

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."

FORWARD-LOOKING STATEMENTS

We claim the protection of the safe-harbor for forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements contained within this document discuss, among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are based on estimates, projections, beliefs and assumptions and are not guarantees of future events and results. Such 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, risks associated with the integration of acquired businesses, 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, 2002, for more details.

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