

2003
O'REILLY AUTOMOTIVE
Annual Report

SEEING GREEN.
THE COLOR OF RESULTS.

*An in-depth look at the performance of our company and
the culture that brands it – O'Reilly Automotive.*

O'Reilly
AUTO PARTS





PICTURED ABOVE ARE THE ORIGINAL TEAM MEMBERS AND
FOUNDERS OF O'REILLY AUTOMOTIVE.

*L to R: Red Hale, Wayne Schuler, Paul Ankrom, Jewel Sechler, C.F. O'Reilly, Chub O'Reilly,
Ann Drennan, Bob Bach, Hubert Cox, Tony O'Reilly and Paul Branson. Not pictured are
Vic Semmelbeck and Chris Bridwell.*



WE SEE THE BEGINNINGS OF A LEGACY.

The year was 1957. Chevrolet launched their classic 1957 Bel Air, the Russians launched the Sputnik and a father-and-son duo launched O'Reilly Automotive, a family owned auto parts store that would become one of the nation's largest auto parts retailers.

C.F. and C.H. "Chub" O'Reilly, along with 11 other team members, approached their job with commitment and dedication to a common cause, a full day's work for a day's pay, honesty and integrity, and working together to provide the **best customer service in town.**

While all of those initial team members were not related, they did take care of business as a "family." Each one realized that every person on the team was relying on them to successfully perform their duties and responsibilities. Without exception, these team members put their nose to the grindstone and together worked hard to accomplish their goals. They treated each other and their customers with respect, and committed themselves to the common goal of "winning for the team" by being honest and professional in their daily activities.

**WE SEE THAT ORIGINAL LEGACY ALIVE IN A CULTURE
OF TEAM SPIRIT, IMPECCABLE CUSTOMER SERVICE
AND GRITTY DETERMINATION.**

The year is 2003 and the mission of our business remains the same ... be the dominant supplier of auto parts in our market areas. The standards set by the original team members in 1957 created the culture that our team members take pride in today. It's about doing whatever it takes to get the job done by offering our retail customers, professional installers and jobbers the best combination of inventory availability, price, quality and service.

We continue to build our business around a culture created by our founders that believes in honest and fair dealings with our customers, suppliers and team members, and treating people with respect. We believe our culture will continue to drive results.



Letter to Our Shareholders



WE SEE CONTINUED PERFORMANCE AND RESULTS.

This year has been another outstanding year for Team O'Reilly. As a result of our team members' dedication and hard work, we have had many successes in 2003. In January, we opened our 1,000th store in Chattanooga, Tennessee. We opened 128 new stores, expanding our footprint to 18 contiguous states including North Carolina and Virginia. We opened our 10th distribution center (DC) just outside of Mobile, Alabama, which allows us to further capitalize on the 2001 acquisition of Mid-State Automotive Distributors, Inc. We completed the remodel of our Knoxville, Tennessee DC and expect to complete the remodel of our Nashville, Tennessee DC in the spring of 2004. Both remodeling efforts will result in increased capacity and improved efficiency.

In 10 years as a public company, O'Reilly has been one of Wall Street's most consistent performers. This year was no exception. Our financial results for 2003 remained strong, with product sales increasing 15.2% to \$1.51 billion, net income up 22.1% to \$100.1 million, an operating margin of 10.9% and comparable store product sales up 7.8%. Our efforts to better manage our inventory and negotiate better terms with our vendors resulted in a 32% accounts payable to inventory ratio. Our net cash provided from operating activities significantly outpaced our purchases of property and equipment by \$36.3 million. Our performance did not go unnoticed as the stock market once again rewarded our performance with an increase of 53% in our stock price. An investment of \$100 in O'Reilly stock in April 1993 would be worth approximately \$981 today, an increase of 881%!

We continue to be extremely proud of the "Team O'Reilly Culture" that is the cornerstone of our customer service driven approach to business. Greater than 15,000 team members are working toward the common goal of being the dominant auto parts supplier in all of our markets. We are very confident in our ability to continue our growth and progress in all of our markets.

We are pleased to have John Murphy and Ronald Rashkow join Team O'Reilly as independent directors. Our board is now comprised of nine total directors, five of which are independent, giving us an independent majority as required by the listing standards of NASDAQ.

O'Reilly is well-positioned to capitalize on strong industry trends. Undone or underperformed maintenance is estimated at \$60 billion. The average age of automobiles continues to increase as consumers choose to maintain vehicles. The American passion for driving remains strong as the number of registered vehicles and the total miles driven continue to rise. All of these factors point to continued opportunity for our company.

We are looking forward to the opportunities that lie ahead in 2004 and beyond, and will continue to make decisions with a focus on the long-term health of our company, not just quarterly results. We remain confident in our business model, the demand for our products and our team's ability to sustain our growth. Thank you to our valued customers and team members for making 2003 another successful year. We also want to thank our loyal shareholders for your confidence and for partnering with us to take advantage of the opportunities that lie ahead.

A handwritten signature in black ink, appearing to read "David O'Reilly".

DAVID O'REILLY
Chief Executive Officer
& Co-Chairman of the Board

A handwritten signature in black ink, appearing to read "Ted F. Wise".

TED WISE
Co-President

A handwritten signature in black ink, appearing to read "Greg Henslee".

GREG HENSLEE
Co-President

A handwritten signature in black ink, appearing to read "Jim Batten".

JIM BATTEN
Executive Vice President of
Finance & Chief Financial Officer

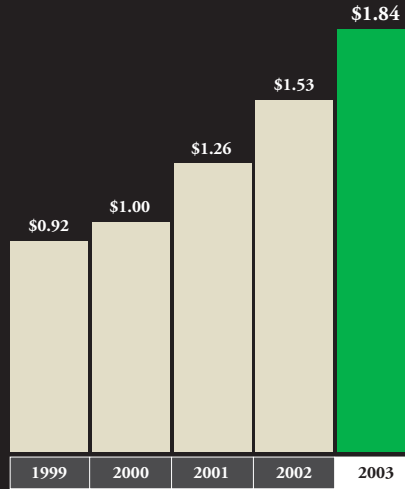
2003 FINANCIAL HIGHLIGHTS

In thousands, except earnings per share data and operating data

Year ended December 31	2003	2002	2001	2000	1999
Product Sales	\$ 1,511,816	\$ 1,312,490	\$ 1,092,112	\$ 890,421	\$ 754,122
Operating Income	165,275	138,301	113,831	90,029	76,920
Net Income	100,087	81,992	66,352	51,708	45,639
Working Capital	441,617	483,623	429,527	296,272	249,351
Total Assets	1,187,592	1,009,419	856,859	715,995	610,442
Long-Term Debt	120,977	190,470	165,618	90,463	90,704
Shareholders' Equity	784,285	650,524	556,291	463,731	403,044
Net Income Per Common Share (assuming dilution)	1.84	1.53	1.26	1.00	0.92
Weight-Average Common Share (assuming dilution)	54,530	53,692	52,786	51,728	49,715
Stores At Year-End	1,109	981	875	672	571
Same-Store Sales Gain	7.8%	3.7%	8.8%	5.0%	9.6%

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.

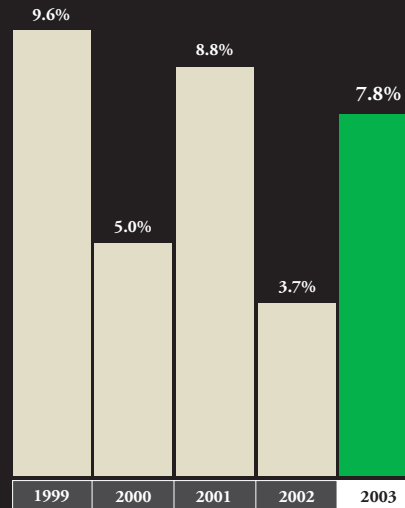
EARNINGS PER SHARE
(assuming dilution)



5-YEAR COMPOUND ANNUAL GROWTH RATE: 21.0%

Earnings per share (EPS) refers to net after-tax income of our company applicable to each share of common stock. Our goal is to increase EPS by 18-20% each year, reflecting our goals of growth in sales and expense control. Our team accepts the challenge of driving EPS growth and benefits from such growth as most of them are also shareholders.

COMPARABLE STORE SALES



5-YEAR AVERAGE: 7.0%

Comparable store sales percentage measures the sales increases or decreases of existing stores. We calculate comparable store sales data based on the change in product sales of stores open at least one year.

OPERATING INCOME

(dollars in millions)

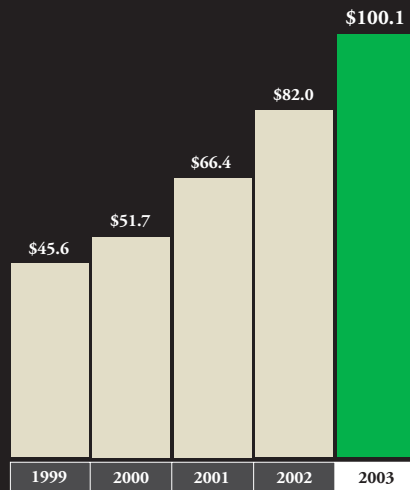


5-YEAR COMPOUND ANNUAL GROWTH RATE: 23.8%

Operating income refers to product sales, less cost of goods sold and operating expenses. Our goal is for operating income, as a percentage of sales, to be 11% or greater. Our team is committed to achieving this goal by offering excellent customer service to drive sales, coupled with relentless expense control.

NET INCOME

(dollars in millions)



5-YEAR COMPOUND ANNUAL GROWTH RATE: 26.6%

Net income represents more than sales less all expenses and adjustments. It's a critical metric of performance that is near and dear to all O'Reilly Team Members and the reward for a job well-done. Our team knows that taking care of our customers each day and watching our pennies drives net income.



The Team O'Reilly

CULTURE

**WE SEE A CULTURE GEARED FOR PERFORMANCE.
THAT'S WHAT SETS US APART FROM THE REST.**

Since 1957, we have adapted to many changes and have enjoyed many successes in the auto parts business. We have completed various acquisitions from single stores to large chains that nearly doubled our company's size. We have grown from operating one store in Springfield, Missouri to over 1,100 stores in 18 contiguous states. Through it all one thing remains the same, the O'Reilly Culture. The 10 values that make up our culture include respect, honesty, teamwork, expense control, hard work, professionalism, enthusiasm, excellent customer service, dedication and a win-win attitude. When considering a prospective team member, we seek individuals who will embrace our core values and dedicate themselves to the O'Reilly Culture. For new team members, a significant amount of their training focuses on our culture, to carry forward those values that have been critical to the success of the company. Our monthly publication, *Team Spirit*, and weekly team memo remind our veteran team members that our culture plays a significant role in the success of our company. It is both our goal and our challenge to continue promoting the values that make up our culture throughout our entire team, now more than 15,000 strong.

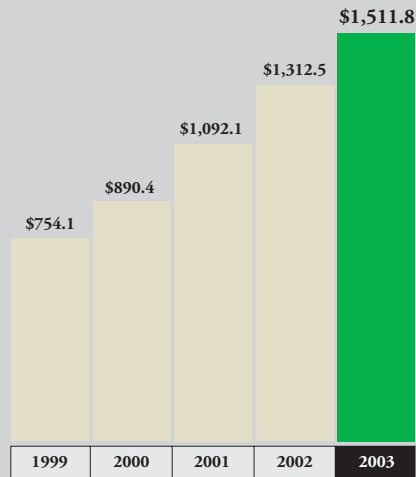
As we look to 2004 and the challenges we will face, we are confident that the time we have invested to develop the O'Reilly Culture will pay dividends for years to come and continue to guide our team members. Team O'Reilly takes pride in what we do, the values we have and the customers we serve.



WE SEE SATISFIED CUSTOMERS FUELING
OUR BOTTOM LINE EVERY DAY.

PRODUCT SALES

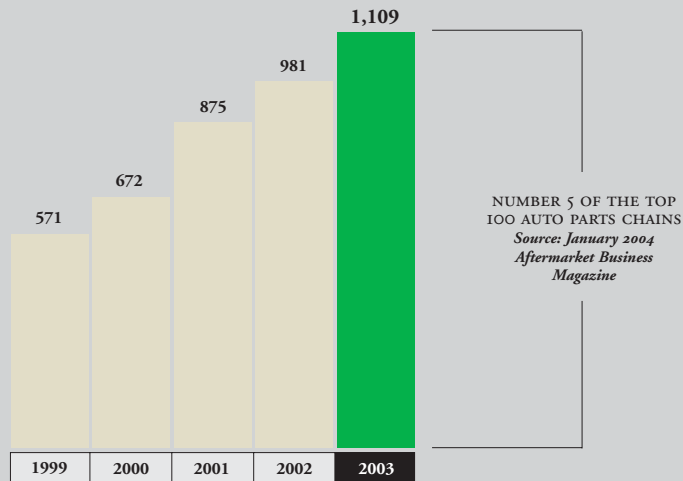
(dollars in millions)



5-YEAR COMPOUND ANNUAL GROWTH RATE: 19.7%

Our goal of 15-20% annual sales growth supports our "2-4-Your Future" initiative, obtaining \$2 billion in sales by December 31, 2005.

NUMBER OF STORES

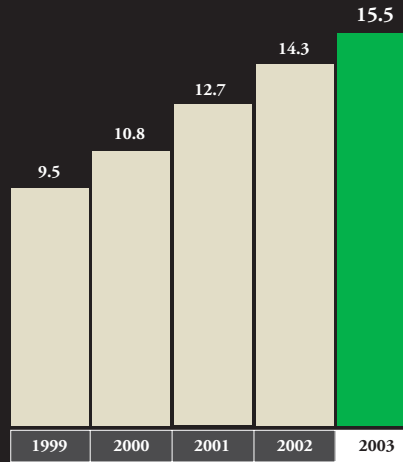


5-YEAR COMPOUND ANNUAL GROWTH RATE: 17.7%

Our growth plans for 2004 include the addition of approximately 140 new stores, an increase of 12.6%.

TEAM MEMBERS

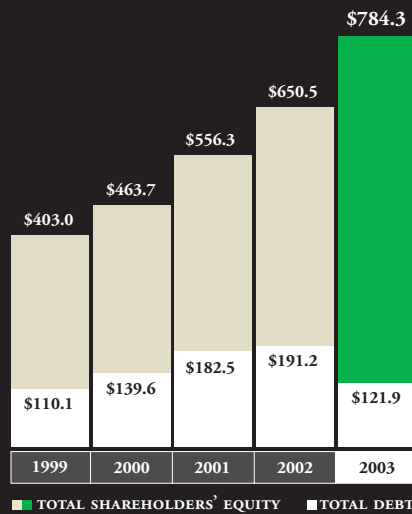
(in thousands)



The addition of team members is to support the expanded level of our operations. They are truly our best “part.”

CAPITAL STRUCTURE

(dollars in millions)



Our capital structure consists of debt and shareholders' equity. Our strong balance sheet supports our expansion plans and gives us the flexibility to capitalize on potential acquisitions.

10/26/03

Thomas Harrison
1516 Evergreen Avenue
Rogers, Arkansas

O'Reilly Home Office,

I am a recent customer to O'Reilly store in Rogers, AR. on Walnut Street. I moved into town 5 months ago and I am in the service industry myself. The reason for this e-mail is to inform you that you have the "best" team in place at this location! Being in the service industry (restaurant), most of the e-mails that come in our home office are negative and very rarely do you receive a positive one from a customer.

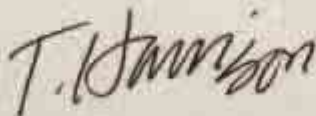
I will admit, I hate working on cars!! But, I look forward to the help and feedback that I receive from the guys at O'Reilly's. I walk in the door, they acknowledge my presence, then I ask my question on what their opinion is on the best brand name of the product I am looking for and they give me their honest opinion. Even 'til this day, I have never been disappointed with the products they have suggested.

For example, today I was looking for the rubber hangers for my wife's mini-van's exhaust system and I spoke with an employee named Corey, who said that they do not stock them, but will try to find the part for me! Not only did he call me back, but it seemed like his focus for the next 30 minutes was finding me the part I needed. In the interim, I called a Ford dealership and they said that I had to buy the whole muffler system. (The only reason I called them was in case Corey could not order the part or find it.) Well, guess what, Corey called me back, again, and matched the part with a Subaru part that is identical and will be in the store by noon tomorrow!

I actually met the store manager this evening and told him what a great job the store is doing and that I would be e-mailing this letter on their behalf.

Corey is just one example of great service, and every other employee I have dealt with at the Walnut Street store has exceeded my expectations for quality service. Keep up the great work and customer service! It is service like this, that keeps me and (I am sure) countless customers from going to the "low price leader."

Please forward this letter onto the people responsible for giving the recognition to your team in place in Rogers, AR. on Walnut Street, as they truly deserve it. Thanks!



Thomas Harrison



**WE SEE OPPORTUNITIES THAT
MAKE A DIFFERENCE.**

Our customers have become accustomed to the many advantages of shopping at O'Reilly Auto Parts. A friendly greeting within their first five steps in the store, unparalleled availability of parts and our knowledgeable parts professionals helping them find the right part for the job are just a few of the reasons our customers keep coming back.

Our professional installer customers rely on the frequent clinics we host, to educate them on the latest in automotive technology. We also have a dedicated sales force that caters to their special needs. This commitment coupled with an excellent track record of service has earned us a reputation of being the "First Call" for professional installers.







O'Reilly Automotive

STRATEGIC DISTRIBUTION SYSTEMS

**WE SEE OUR DELIVERY MODEL SETTING THE
STANDARD FOR THE FUTURE OF THE AUTOMOTIVE
AFTERMARKET INDUSTRY.**

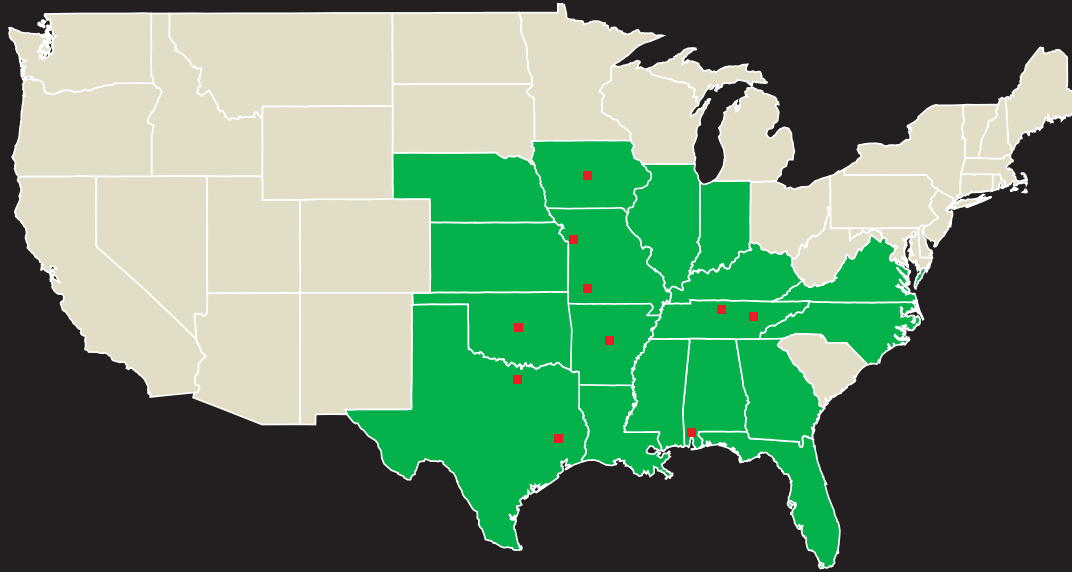
On average, we stock over 100,000 individual stock keeping units (SKUs) in our distribution centers. Customers have unparalleled access to hard-to-find parts, creating a competitive advantage for our company. They have become accustomed to our same-day or overnight delivery of any part in our distribution center, making any substitute unacceptable. We believe they deserve this level of service and will continue to reward our company with their loyalty.

We continue to evaluate the efficiencies and capacity of our distribution network. We have successfully completed expansions of our distribution centers in Little Rock, Arkansas and Houston, Texas. We completed the remodel of our distribution centers in Knoxville, Tennessee and Springfield, Missouri and expect to complete the remodel of our distribution center in Nashville, Tennessee in spring of 2004.

It's our commitment to extraordinary customer service that determines the number and location of our distribution centers. Our distribution centers are strategically located to pursue new, contiguous markets, allowing for growth, while sustaining overnight delivery to every store. In June 2003, we successfully opened our 10th distribution center near Mobile, Alabama, which will enable further penetration into the Southeast and further capitalize on the acquisition of Mid-State Automotive Distributors, Inc., completed in 2001.



**2003 O'REILLY AUTO PARTS STORES
AND DISTRIBUTION CENTERS**



O'REILLY AUTO PARTS STATES				■	DISTRIBUTION CENTERS
ALABAMA	43 Stores	LOUISIANA	50 Stores	■	DALLAS, TEXAS
ARKANSAS	72 Stores	MISSISSIPPI	32 Stores	■	DES MOINES, IOWA
FLORIDA	7 Stores	MISSOURI	132 Stores	■	HOUSTON, TEXAS
GEORGIA	8 Stores	NEBRASKA	24 Stores	■	KANSAS CITY, MISSOURI
ILLINOIS	19 Stores	NORTH CAROLINA	15 Stores	■	KNOXVILLE, TENNESSEE
INDIANA	6 Stores	OKLAHOMA	99 Stores	■	LITTLE ROCK, ARKANSAS
IOWA	64 Stores	TENNESSEE	78 Stores	■	MOBILE, ALABAMA
KANSAS	57 Stores	TEXAS	381 Stores	■	NASHVILLE, TENNESSEE
KENTUCKY	21 Stores	VIRGINIA	1 Store	■	OKLAHOMA CITY, OKLAHOMA
TOTAL NUMBER OF STORES: 1,109				■	SPRINGFIELD, MISSOURI

Customer service is the No. 1 priority in every aspect of our business. We will continue the successful O'Reilly strategy of expanding to new, contiguous markets, keeping all stores within a 150-mile to 200-mile radius of an O'Reilly distribution center ensuring overnight delivery to every store.

Send Now

To: @teamoreilly@oreillyauto.com
Cc:

Subject: Thank You

Attachments: none

Font Size

TO: Team O'Reilly
FROM: Robert
DATE: AUGUST 15, 2003
SUBJECT: Thanks for the Help

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Dear Mr. O'Reilly,
I could not find Bob Bealert's e-mail address but I wanted to e-mail someone and brag on the SpringfieldDC. He ordered a CV axle for a customer who had come to our area to visit family and their Ford Probe's CV axle broke down. He recommended a mechanic and ordered the part from LR DC. LR called at 6:00pm and said they were out of the axle. I just happened to be here (trying to get everything done) and called Springfield. I spoke to Jason in the shipping department and asked him if he could send this part to store 885 in Poplar Bluff tonight. He then can run over to Poplar Bluff tomorrow morning and still have it for our customer. He said he would, so now the customer can have their car repaired and be home tomorrow night. It's effort like this that proves what "TEAM" O'Reilly is all about.

Thanks,

Robert
Store 109

Re: 1876 Pennies
Thanks again

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O'Reilly Automotive

DUAL MARKET STRATEGY

WE SEE A COMPETITIVE ADVANTAGE IN SERVING TWO MARKETS.

Maintaining an approximate 50/50 balance between serving professional installer and do-it-yourself (DIY) customers is a challenging, but rewarding task. This blend of customers is very unique in our industry. Through 46 years of perseverance and dedication to our customers, we have successfully served these two, very different markets. This approach has enabled us to reach markets otherwise too small for traditional retail auto parts stores.

Both our professional installer and our DIY customers value the outstanding customer service provided by our professional parts people. Our DIY customers appreciate our attractive, conveniently located stores that are easy to shop with clearly labeled aisles and products. Our competitive prices and low-price guarantee compels our customers to continue rewarding us with their business. They rely on our professional parts people to ensure they have the right part and the right tool for the job.

Many programs and services are made available to our professional installer customers to further strengthen the relationship we share. Our customer support programs keep them up to date with new developments and changes in automotive technologies. Hot-shot delivery service allows them access to parts on demand. Our unmatched parts availability assures they can get hard-to-find parts and our knowledgeable parts professionals are an excellent resource for their business. All of our professional parts people receive ongoing training to provide this level of service, and many achieve ASE certification. These programs and services deliver an unbeatable combination for our professional installers.



July 25, 2003

Frank and Julie Winston

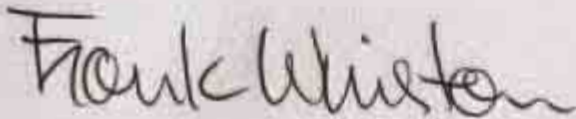
1635 Monroe Street

Brandon, MS

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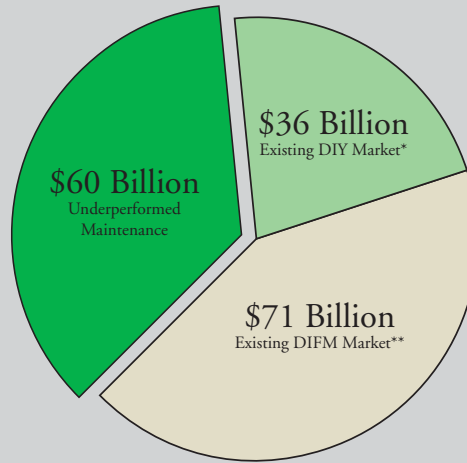
JUL 29 2003

Your new store in Brandon, MS has the greatest employees. This morning when I cranked my truck to go vote I had to go back into the house to fetch the cell phone. As I passed the front of the truck I heard a bushing noise I thought. Opened the hood and noticed the tensioner was almost apart. Called the store and asked if this part could be brought to me when the delivery truck came in this direction. The part was on my truck in less than an hour and I was on the road. Thank you for putting the store in my town. We needed a parts store that cared about the average joe who works on his own autos. Thank you for sponsoring the NASCAR race. That is where I first heard of your store. Thank the good folks of Brandon, MS. I could not go to them and they came to me.



Frank Winston

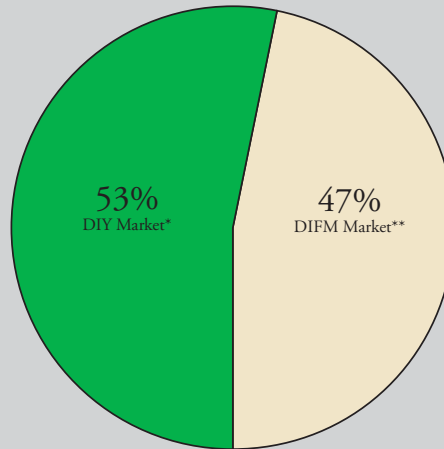
**AUTOMOTIVE AFTERMARKET INDUSTRY
UNDERPERFORMED MAINTENANCE**



Experts estimate automotive underperformed maintenance to be approximately \$60 billion. We continue to promote routine maintenance through our advertising efforts raising awareness to customers and driving additional sales. The “Be Car Care Aware™” campaign educates drivers in our markets about automotive underperformed maintenance and the benefits performing maintenance can have on their second largest investment, their automobile.



O'REILLY RETAIL VS. COMMERCIAL SALES



Our dual market strategy provides us a competitive advantage allowing penetration into smaller rural markets otherwise not suitable for traditional retail outlets.

*DIY – DO-IT-YOURSELF OR RETAIL MARKET

**DIFM – DO-IT-FOR-ME OR COMMERCIAL MARKET, ALSO KNOWN AS PROFESSIONAL INSTALLER MARKET



WE SEE A STRONG CULTURE COUPLED WITH
UNMATCHED PERFORMANCE THAT LEADS
TO A BRIGHT FUTURE.

2003 FINANCIAL RESULTS

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except per share data)

YEARS ENDED DECEMBER 31,	2003	2002	2001
INCOME STATEMENT DATA:			
Product sales	\$1,511,816	\$1,312,490	\$1,092,112
Cost of goods sold, including warehouse and distribution expenses	873,481	759,090	624,294
Gross profit	638,335	553,400	467,818
Operating, selling, general and administrative expenses	473,060	415,099	353,987
Operating income	165,275	138,301	113,831
Other income (expense), net	(5,233)	(7,319)	(7,104)
Provision for income taxes	59,955	48,990	40,375
Net income	\$ 100,087	\$ 81,992	\$ 66,352
BASIC EARNINGS PER COMMON SHARE:			
Net income per share	\$ 1.86	\$ 1.54	\$ 1.27
Weighted-average common shares outstanding	53,908	53,114	52,121
EARNINGS PER COMMON SHARE-ASSUMING DILUTION:			
Net income per share	\$ 1.84	\$ 1.53	\$ 1.26
Weighted-average common shares outstanding – adjusted	54,530	53,692	52,786
SELECTED OPERATING DATA:			
Number of stores at year-end ^(a)	1,109	981	875
Total store square footage at year-end (in 000's) ^{(a) (b)}	7,348	6,408	5,882
Weighted-average product sales per store (in 000's) ^{(a) (b)}	\$ 1,413	\$ 1,372	\$ 1,426
Weighted-average product sales per square foot ^{(b) (d)}	\$ 215	\$ 211	\$ 219
Percentage increase in same-store product sales ^(c)	7.8%	3.7%	8.8%
BALANCE DATA SHEET:			
Working capital	\$ 441,617	\$ 483,623	\$ 429,527
Total assets	1,187,592	1,009,419	856,859
Short-term debt	925	682	16,843
Long-term debt, less current portion	120,977	190,470	165,618
Shareholders' equity	784,285	650,524	556,291

(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 stores open at least one year. Prior to 2000, same-store product sales data were 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) 1998 does not include stores acquired from Hi/LO. Consolidated weighted average product sales per square foot were \$207.

2000	1999	1998	1997	1996	1995	1994
\$ 890,421	\$ 754,122	\$ 616,302	\$ 316,399	\$ 259,243	\$ 201,492	\$ 167,057
507,720	428,832	358,439	181,789	150,772	116,768	97,758
382,701	325,290	257,863	134,610	108,471	84,724	69,299
292,672	248,370	200,962	97,526	79,620	62,687	52,142
90,029	76,920	56,901	37,084	28,851	22,037	17,157
(6,870)	(3,896)	(6,958)	472	1,182	236	376
31,451	27,385	19,171	14,413	11,062	8,182	6,461
\$ 51,708	\$ 45,639	\$ 30,772	\$ 23,143	\$ 18,971	\$ 14,091	\$ 11,072
\$ 1.01	\$ 0.94	\$ 0.72	\$ 0.55	\$ 0.45	\$ 0.40	\$ 0.32
51,168	48,674	42,476	42,086	41,728	35,640	34,620
\$ 1.00	\$ 0.92	\$ 0.71	\$ 0.54	\$ 0.45	\$ 0.39	\$ 0.32
51,728	49,715	43,204	42,554	42,064	35,804	34,778
672	571	491	259	219	188	165
4,491	3,777	3,172	1,417	1,151	923	785
\$ 1,412	\$ 1,422	\$ 1,368	\$ 1,300	\$ 1,240	\$ 1,101	\$ 1,007
\$ 218	\$ 223	\$ 238	\$ 244	\$ 251	\$ 227	\$ 215
5.0%	9.6%	6.8%	6.8%	14.4%	8.9%	8.9%
\$ 296,272	\$ 249,351	\$ 208,363	\$ 93,763	\$ 74,403	\$ 80,471	\$ 41,416
715,995	610,442	493,288	247,617	183,623	153,604	87,327
49,121	19,358	13,691	130	3,154	231	311
90,463	90,704	170,166	22,641	237	358	461
463,731	403,044	218,394	182,039	155,782	133,870	70,224

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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.

We calculate same-store product sales based on the change in product sales for stores open at least one year. Prior to January 2000, we calculated 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 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 salaries and benefits for store and corporate team members, occupancy, advertising expenses, general and administrative expenses, data processing, professional expenses and other related expenses.

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 warehouse and distribution expenses 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 medical, worker’s compensation and other general liability obligations, which are partially based on estimates of certain claim costs and historical experience.

Accounts receivable – Allowance for doubtful accounts is estimated based on historical loss ratios and consistently has been within management’s expectations.

Revenue – Over-the-counter retail sales are recorded when the customer takes possession of merchandise. Sales to professional installers, also referred to as “commercial sales”, are recorded upon delivery of merchandise to the customer, generally at the customer’s place of business. Wholesale sales to other retailers, also referred to as “jobber sales” are recorded upon shipment of merchandise. All sales are recorded net of estimated allowances and discounts.

Vendor concessions – The Company receives concessions from its vendors through a variety of programs and arrangements, including co-operative advertising, devaluation programs, allowances for warranties and volume purchase rebates. Co-operative advertising allowances that are incremental to our advertising program, specific to a product or event and identifiable for accounting purposes are reported as a reduction of advertising expense in the period in which the advertising occurred. All other vendor concessions are recognized as a reduction of cost of sales when recognized in the consolidated statement of income.

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

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:

<i>(In thousands, except per share data)</i>	2003	2002	2001
Net income as reported	\$100,087	\$81,992	\$66,352
Stock-based compensation expense as reported	–	–	–
Stock-based compensation expense under fair value method	9,204	7,217	5,406
Pro forma net income	\$ 90,883	\$74,775	\$60,946
Pro forma basic net income per share	\$1.69	\$1.41	\$1.17
Pro forma net income per share - assuming dilution	\$1.67	\$1.39	\$1.15

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,	2003	2002	2001
Product sales	100.0%	100.0%	100.0%
Cost of goods sold, including warehouse and distribution expenses	57.8	57.8	57.2
Gross profit	42.2	42.2	42.8
Operating, selling, general and administrative expenses	31.3	31.6	32.4
Operating income	10.9	10.6	10.4
Other expense, net	(0.3)	(0.6)	(0.6)
Income before income taxes	10.6	10.0	9.8
Provision for income taxes	4.0	3.7	3.7
Net income	6.6%	6.3%	6.1%

2003 COMPARED TO 2002

Product sales increased \$199.3 million, or 15.2% from \$1.31 billion in 2002 to \$1.51 billion in 2003, primarily due to 128 net additional stores opened during 2003, and a 7.8% 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 product sales.

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

Gross profit increased 15.4% from \$553.4 million (42.2% of product sales) in 2002 to \$638.3 million (42.2% of product sales) in 2003. The increase in gross profit dollars is due to the increase in product sales.

Operating, selling, general and administrative expenses (OSG&A) increased \$58.0 million from \$415.1 million (31.6% of product sales) in 2002 to \$473.1 million (31.3% of product sales) in 2003. 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 achieving greater economies of scale resulting from increased product sales and through management's expense control initiatives.

Other expense, net, decreased by \$2.1 million from \$7.3 million in 2002 to \$5.2 million in 2003. The decrease was primarily due to a reduction in interest expense as a result of lower average borrowings under the Company's credit facility and to a lesser extent lower average interest rates.

Provision for income taxes increased from \$49.0 million in 2002 (37.4% effective tax rate) to \$60.0 million in 2003 (37.5% effective tax rate). The increase in the dollar amount was primarily due to the increase of income before income taxes.

Principally as a result of the foregoing, net income in 2003 was \$100.1 million (6.6% of product sales), an increase of \$18.1 million or 22.1%, from net income in 2002 of \$82.0 million (6.3% of product sales).

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 product sales.

Gross profit increased 18.3% from \$467.8 million (42.8% of product sales) in 2001 to \$553.4 million (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 product 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 (32.4% of product sales) in 2001 to \$415.1 million (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.

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

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

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was \$172.8 million in 2003, \$104.5 million in 2002 and \$50.0 million in 2001. The increase in cash provided by operating activities in 2003 compared to 2002 was primarily due to increases in net income, accounts payable, accrued payroll, accrued benefits and withholdings, partially offset by increases in receivables and inventory. The increase in accounts payable was primarily due to management's efforts with vendors to extend the terms of payment. The increases in accrued payroll, benefits and withholdings, accounts receivable and inventory primarily relate to the increased level of our operations.

The increase in cash provided by operating activities in 2002 compared to 2001 was 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. These increases relate primarily to the increased level of our operations.

Net cash used in investing activities was \$134.6 million in 2003, \$105.4 million in 2002 and \$77.8 million in 2001. The increase in cash used in investing activities in 2003 and 2002 was primarily due to increased purchases of property and equipment.

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, which generated \$52.3 million of additional cash. 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 contractual obligations under non-cancelable operating leases.

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 involved the sale and leaseback of nine O'Reilly Auto Parts stores and resulted in approximately \$5.6 million of additional cash to the Company. The transaction 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.

On June 26, 2003, we completed an amended and restated master agreement to our \$50 million Synthetic Operating Lease Facility (the Facility or the Synthetic Lease) with a group of financial institutions. The terms of the Facility provide for an initial lease period of five years, a residual value guarantee of approximately \$44.2 million at December 31, 2003, and purchase options on the properties. The Facility also contains a provision for an event of default whereby the lessor, among other things, may require us to purchase any or all of the properties. One additional renewal period of five years may be requested from the lessor, although the lessor is not obligated to grant such renewal. The Facility has been accounted for as an operating lease under the provisions of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 13 and related interpretations, including Financial Interpretation No. 46. Future minimum rental commitments under the Facility have been included in the table of contractual obligations below.

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

Capital expenditures were \$136.5 million in 2003, \$102.3 million in 2002 and \$68.5 million in 2001. 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 128, 106 and 203 net stores in 2003, 2002 and 2001, respectively. We remodeled or relocated 46 stores and two distribution centers in 2003, 27 stores in 2002 and 16 stores in 2001. Three new distribution centers were acquired; one in 2003, located near Mobile, Alabama and two in October 2001, located in Nashville, Tennessee and Knoxville, Tennessee.

Our continuing store expansion program requires significant capital expenditures and working capital principally for inventory requirements. Our 2004 growth plans call for approximately 140 new stores and capital expenditures of \$125 million to \$135 million. 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, the Company completed an unsecured, three-year syndicated credit facility (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 the availability of such additional credit from either existing banks within the Credit Facility or other banks. The Credit Facility bears interest at LIBOR plus a spread ranging from 0.875% to 1.375% (2.06% at December 31, 2003 and 2.26% at December 31, 2002) and expires in July 2005. At December 31, 2003 and 2002, \$20.0 million and \$90.0 million, respectively, of the Credit Facility was outstanding. Additionally, letters of credit totaling \$11.0 million and \$6.0 million were outstanding at December 31, 2003 and 2002, respectively. Accordingly, our aggregate availability for additional borrowings under the Credit Facility was \$119.0 million and \$54.0 million at December 31, 2003 and 2002, respectively. Prior to July 29, 2002, 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. The credit facility, which bore interest at LIBOR plus 0.50%, expired in January 2003. All borrowings outstanding under the old credit facility were fully repaid in July 2002.

OFF BALANCE SHEET ARRANGEMENTS

We have utilized various financial instruments from time to time as sources of cash when such instruments provided a cost effective alternative to our existing sources of cash. We do not believe, however, that we are dependent on the availability of these instruments to fund our working capital requirements or our growth plans.

We completed two sale-leaseback transactions in 2000 and 2001 and the Synthetic Lease in 2000, the terms of all which are described above under Liquidity and Capital Resources. The purpose of the sale-leaseback transactions was to reduce outstanding borrowings under our former revolving credit facility. The purpose of the Synthetic Lease was to fund a portion of our store growth, primarily in 2001 and 2002.

We issue stand-by letters of credit provided by a \$20 million sublimit under the Credit Facility that reduce our available borrowings. These letters of credit are issued primarily to satisfy the requirements of workers compensation, general liability and other insurance policies. Substantially all of the outstanding letters of credit have a one-year term from the date of issuance and have been issued to replace surety bonds that were previously issued. Letters of credit totaling \$11.0 million and \$6.0 million were outstanding at December 31, 2003 and 2002, respectively.

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

CONTRACTUAL OBLIGATIONS

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 5 and 6 to the consolidated financial statements.

<i>(In thousands)</i>	PAYMENTS DUE BY PERIOD				
TOTAL	LESS THAN 1 YEAR	2-3 YEARS	4-5 YEARS	AFTER 5 YEARS	
CONTRACTUAL OBLIGATIONS:					
Notes payable	\$ 17	\$ 12	\$ 5	\$ –	\$ –
Long-term debt	120,064	13	95,029	25,022	–
Capital lease obligations	1,821	900	921	–	–
Operating leases	321,282	32,671	58,200	48,191	182,220
Total contractual cash obligations	\$443,184	\$33,596	\$154,155	\$73,213	\$182,220

We believe that our existing cash and cash equivalents, 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 2003 and 2002. 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 therein.

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

(In thousands, except per share data)

	FISCAL 2003			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Product sales	\$339,475	\$393,112	\$412,182	\$367,047
Gross profit	140,946	165,713	175,653	156,023
Operating income	33,341	44,726	48,362	38,846
Net income	19,728	26,924	29,533	23,902
Basic net income per common share	0.37	0.50	0.55	0.44
Net income per common share – assuming dilution	0.37	0.50	0.54	0.43

(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

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 shareholders of record as of the close of business on May 31, 2002. Each right initially entitles shareholders to buy a unit representing one one-hundredth of a share of a new series of preferred stock of the Company for \$160 and expires 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 June 2002, the FASB issued SFAS 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 were effective for exit or disposal activities initiated after December 31, 2002. The adoption of the new rules did not have a significant impact on our consolidated financial position or results of operations.

In November 2002, the FASB issued Financial 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 such guarantee. Initial recognition and measurement provisions of the interpretation were applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements were effective for financial statements of interim or annual periods ending after December 15, 2002. As of December 31, 2003 and 2002, we did not have any outstanding guarantees other than subsidiary guarantees of parent debt and a residual value guarantee as disclosed in Notes 5 and 6, respectively, to the consolidated financial statements.

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

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, amending SFAS No. 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, SFAS No. 148 did not have any effect on our consolidated financial position or results of operations. See Note 9 to the consolidated financial statements for additional information regarding stock-based compensation.

In January 2003, the FASB issued Financial 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 applied immediately to variable interest entities created after January 31, 2003. The consolidation requirements applied to older entities in the first fiscal year or interim period beginning after December 15, 2003. On June 26, 2003, we signed an Amended and Restated Agreement relating to our properties leased from SunTrust Equity Funding, LLC. The agreement with SunTrust Equity Funding, LLC has been recorded and disclosed as an operating lease in the consolidated financial statements in accordance with SFAS No. 13 and Financial Interpretation 46.

In March 2003, the Emerging Issues Task Force (EITF) 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 was adopted by the Company on January 1, 2003. The Company's policies and practices for recording such vendor concessions as co-operative advertising and vendor allowances and discounts were aligned with the EITF's guidance both prior to and after the application date, therefore, the release did not have any effect 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 annual report 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 annual report on Form 10-K for the year ended December 31, 2003, for more details.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

DECEMBER 31,	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,094	\$ 29,333
Accounts receivable, less allowance for doubtful accounts of \$986 in 2003 and \$865 in 2002	52,235	45,421
Amounts receivable from vendors, net	50,695	42,918
Inventory	554,309	504,098
Deferred income taxes	4,753	5,040
Other current assets	4,399	4,235
Total current assets	687,485	631,045
Property and equipment, at cost:		
Land	58,571	52,362
Buildings	212,937	160,425
Leasehold improvements	79,994	57,376
Furniture, fixtures and equipment	220,123	177,293
Vehicles	54,517	44,067
Accumulated depreciation and amortization	626,142	491,523
Net property and equipment	177,084	137,922
Notes receivable, less current portion	449,058	353,601
Other assets, net	24,313	1,880
Total assets	26,736	22,893
Total assets	\$1,187,592	\$1,009,419
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Income taxes payable	\$ 6,872	\$ 9,798
Accounts payable	176,513	85,370
Accrued payroll	17,307	15,257
Accrued benefits and withholdings	27,368	19,165
Other current liabilities	16,883	17,150
Current portion of long-term debt	925	682
Total current liabilities	245,868	147,422
Long-term debt, less current portion	120,977	190,470
Deferred income taxes	29,448	15,939
Other liabilities	7,014	5,064
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 – 54,664,976 in 2003 and 53,371,242 in 2002	547	534
Additional paid-in capital	302,691	269,030
Retained earnings	481,047	380,960
Total shareholders' equity	784,285	650,524
Total liabilities and shareholders' equity	\$1,187,592	\$1,009,419

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

DECEMBER 31,	2003	2002	2001
Product sales	\$1,511,816	\$1,312,490	\$1,092,112
Cost of goods sold, including warehouse and distribution expenses	873,481	759,090	624,294
Operating, selling, general and administrative expenses	473,060	415,099	353,987
	1,346,541	1,174,189	978,281
Operating income	165,275	138,301	113,831
Other income (expense):			
Interest expense	(6,864)	(9,248)	(9,092)
Interest income	298	989	1,362
Other, net	1,333	940	626
	(5,233)	(7,319)	(7,104)
Income before income taxes	160,042	130,982	106,727
Provision for income taxes	59,955	48,990	40,375
Net income	\$ 100,087	\$ 81,992	\$ 66,352
Basic income per common share:			
Net income per common share	\$ 1.86	\$ 1.54	\$ 1.27
Weighted-average common shares outstanding	53,908	53,114	52,121
Income per common share – assuming dilution:			
Net income per common share – assuming dilution	\$ 1.84	\$ 1.53	\$ 1.26
Adjusted weighted-average common shares outstanding	54,530	53,692	52,786

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<i>(In thousands)</i>	COMMON STOCK SHARES	STOCK PAR VALUE	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	TOTAL
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
Issuance of common stock under employee benefit plans	242	2	6,746	–	6,748
Issuance of common stock under stock option plans	1,052	11	21,429	–	21,440
Tax benefit of stock options exercised	–	–	5,486	–	5,486
Net income	–	–	–	100,087	100,087
BALANCE AT DECEMBER 31, 2003	54,665	\$547	\$302,691	\$481,047	\$784,285

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In thousands)</i> DECEMBER 31,	2003	2002	2001
OPERATING ACTIVITIES			
Net income	\$ 100,087	\$ 81,992	\$ 66,352
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	41,216	35,923	28,963
Amortization	1,158	984	1,581
Provision for doubtful accounts and notes	2,461	1,873	2,635
Gain on sale of property and equipment	(264)	(58)	(158)
Deferred income taxes	13,796	5,666	6,371
Common stock contributed to employee benefit plans	4,026	3,512	2,690
Tax benefit of stock options exercised	5,486	1,464	6,415
Changes in operating assets and liabilities, net of the effects of the acquisition:			
Accounts receivable	(9,108)	(5,701)	(3,432)
Amounts receivable from vendors	(4,824)	(4,478)	(7,908)
Inventory	(50,211)	(56,305)	(35,115)
Refundable income taxes	-	168	(76)
Other current assets	(540)	(788)	1,244
Accounts payable	60,319	23,495	(16,891)
Income taxes payable	(2,926)	9,798	(1,011)
Accrued payroll	2,050	2,391	3,557
Accrued benefits and withholdings	8,203	5,127	4,678
Other current liabilities	(267)	(1,148)	(9,756)
Other liabilities	2,179	618	(110)
Net cash provided by operating activities	172,841	104,533	50,029
INVESTING ACTIVITIES			
Purchases of property and equipment	(136,497)	(102,257)	(68,521)
Proceeds from sale of property and equipment	1,273	2,278	8,534
Acquisition, net of cash acquired	-	-	(20,536)
Payments received on notes receivable	871	862	721
(Investment in) reduction of other assets	(212)	(6,268)	1,956
Net cash used in investing activities	(134,565)	(105,385)	(77,846)
FINANCING ACTIVITIES			
Borrowings on notes payable to bank	-	-	5,000
Payments on notes payable to bank	-	(5,000)	(35,000)
Proceeds from issuance of long-term debt	27,900	179,640	289,974
Principal payments on long-term debt	(98,577)	(166,761)	(243,422)
Net proceeds from issuance of common stock	24,162	7,265	17,102
Net cash provided by (used in) financing activities	(46,515)	15,144	33,654
Net increase (decrease) in cash and cash equivalents	(8,239)	14,292	5,837
Cash and cash equivalents at beginning of year	29,333	15,041	9,204
Cash and cash equivalents at end of year	\$ 21,094	\$ 29,333	\$ 15,041

See accompanying notes.

NOTE I—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 do-it-yourself (DIY) customer and the professional installer throughout Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Mississippi, Missouri, Nebraska, North Carolina, Oklahoma, Tennessee, Texas and Virginia.

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

Over-the-counter retail sales are recorded when the customer takes possession of merchandise. Sales to professional installers, also referred to as "commercial sales", are recorded upon delivery of merchandise to the customer, generally at the customer's place of business. Wholesale sales to other retailers, also referred to as "jobber sales" are recorded upon shipment of merchandise. All sales are recorded net of estimated allowances and discounts.

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 \$543,924,000 and \$499,501,000 as of December 31, 2003, and 2002, respectively. During 2003, the Company entered into various programs and arrangements with certain of its vendors that provide for extended dating and payment terms for inventory purchases, including pay-on-scan arrangements.

Amounts Receivable from Vendors

The Company receives concessions from its vendors through a variety of programs and arrangements, including co-operative advertising, devaluation programs, allowances for warranties and volume purchase rebates. Co-operative advertising allowances that are incremental to our advertising program, specific to a product or event and identifiable for accounting purposes are reported as a reduction of advertising expense in the period in which the advertising occurred. All other vendor concessions are recognized as a reduction of cost of sales when recognized in the consolidated income statement. Amounts receivable from vendors also include amounts due the Company for changeover merchandise and product returns. 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 lesser of the useful lives or the term of the respective underlying lease. 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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, 2003, 2002 and 2001, were \$1,808,000, \$369,000 and \$1,358,000, 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 \$19,533,000, \$14,442,000 and \$12,796,000 for the years ended December 31, 2003, 2002 and 2001, 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. SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, further established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. Under the intrinsic value 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.

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 year ended December 31, is as follows:

<i>(In thousands, except per share data)</i>	2003	2002	2001
Net income as reported	\$100,087	\$ 81,992	\$ 66,352
Stock-based compensation expense as reported	–	–	–
Stock-based compensation expense under fair value method	9,204	7,217	5,406
Pro forma net income	\$ 90,883	\$ 74,775	\$ 60,946
Pro forma basic net income per share	\$ 1.69	\$ 1.41	\$ 1.17
Pro forma net income per share-assuming dilution	\$ 1.67	\$ 1.39	\$ 1.15

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. Common stock equivalents that could potentially dilute basic earnings per share in the future that were not included in the fully diluted computation because they would have been antidilutive were 66,750, 816,250 and 28,000 for the years ended December 31, 2003, 2002 and 2001, respectively.

CASH EQUIVALENTS

Cash equivalents consist of investments with maturities of 90 days or less at the day of purchase.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and trade notes receivable.

The Company grants credit to certain customers who meet the Company's pre-established credit requirements. Concentrations of credit risk with respect to these trade receivables are limited because the Company's customer base consists of a large number of smaller customers, thus spreading the trade credit risk. The Company controls credit risk through credit approvals, credit limits and monitoring procedures and generally 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 carrying value of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and long-term debt, as reported in the accompanying consolidated balance sheets, approximates fair value.

NOTES RECEIVABLE

The Company had notes receivable from vendors and other third parties amounting to \$27,636,000 and \$2,362,000 at December 31, 2003 and 2002, respectively. The notes receivable, which bear interest at rates ranging from 0% to 6%, are due in varying amounts through August 2017.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2002, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 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 adoption of the new rules did not have a significant impact on our consolidated financial position or results of operations.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*, amending SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 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, SFAS No. 148 did not have any effect on the Company's consolidated financial position or results of operations. See Note 9 to the consolidated financial statements for additional information regarding stock-based compensation.

In November 2002, the FASB issued Financial 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 such guarantee. Initial recognition and measurement provisions of the interpretation were applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosure requirements were effective for financial statements of interim or annual periods ending after December 15, 2002. As of December 31, 2003 and 2002, the Company did not have any outstanding guarantees other than subsidiary guarantees of parent debt and a residual value guarantee as disclosed in Notes 5 and 6, respectively, to the consolidated financial statements.

In January 2003, the FASB issued Financial 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 applied immediately to variable interest entities created after January 31, 2003. The consolidation requirements applied to older entities in the first fiscal year and interim period beginning after December 15, 2003. On June 26, 2003, the Company signed an Amended and Restated Agreement relating to our properties leased from SunTrust Equity Funding, LLC. As a result, the agreement with SunTrust Equity Funding, LLC has been properly recorded and disclosed as an operating lease in the consolidated financial statements.

In March 2003, the Emerging Issues Task Force (EITF) 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 and identifiable cost incurred in selling the vendor's product, the cost should be characterized as a reduction of that cost incurred. The guidance was adopted by the Company on January 1, 2003. The Company's policies and practices for recording such vendor concessions as co-operative advertising and vendor allowances and discounts were aligned with the EITF's guidance both prior to and after the application date, therefore, the release did not have any effect on our consolidated financial position or results of operations.

NOTE 2 – ACQUISITION

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

NOTE 3 – RELATED PARTIES

The Company leases certain land and buildings related to nine of 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 and directors 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 nine of 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 6). Rent expense under these operating leases totaled \$3,238,000, \$3,222,000 and \$2,894,000 in 2003, 2002 and 2001, respectively.

NOTE 4 – 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 were fully repaid in 2002.

NOTE 5 – LONG-TERM DEBT

On July 29, 2002, the Company completed an unsecured, three-year syndicated credit facility (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 a spread ranging from 0.875% to 1.375% (2.06% at December 31, 2003 and 2.26% at December 31, 2002) and expires in July 2005. At December 31, 2003 and 2002, \$20.0 million and \$90.0 million, respectively, of the Credit Facility was outstanding. Additionally, letters of credit totaling \$11.0 million and \$6.0 million were outstanding at December 31, 2003 and 2002, respectively. Accordingly, our aggregate availability for additional borrowings under the Credit Facility was \$119.0 million and \$54.0 million at December 31, 2003 and 2002, respectively. Prior to July 29, 2002, the Company had available an unsecured credit facility providing for maximum borrowings of \$140 million. The former credit facility was comprised of a revolving credit facility of \$125 million, and a term loan of \$15 million. The credit facility, which bore interest at LIBOR plus 0.50%, expired in January 2003. All borrowings outstanding under the former credit facility were fully repaid in July 2002.

The Company issues stand-by letters of credit provided by a \$20 million sublimit under the Credit Facility that reduce available borrowings. These letters of credit are issued primarily to satisfy the requirements of workers compensation, general liability and other insurance policies. Substantially all of the outstanding letters of credit have a one-year term from the date of issuance and have been issued to replace surety bonds that were previously issued. Letters of credit totaling \$11.0 million and \$6.0 million were outstanding at December 31, 2003 and 2002, respectively.

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.

The Company leases certain computer equipment under capitalized leases. The lease agreements have terms ranging from 30 months to 36 months, expiring from 2004 to 2006. At December 31, 2003, the monthly installments under these agreements were approximately \$85,000. The present value of the future minimum lease payments under these agreements totaled \$882,000 and \$549,000 at December 31, 2003, and 2002, respectively, which has been classified as long-term debt in the accompanying consolidated financial statements. During 2003, 2002 and 2001, the Company purchased \$1,426,000, \$812,000 and \$467,000, respectively, of assets under capitalized leases.

Additionally, the Company has various unsecured notes payable to individuals and banks, amounting to \$81,000 and \$172,000, at December 31, 2003, and 2002, respectively. The weighted-average interest rate on these notes is 7.2% with monthly installments of approximately \$2,000 including interest.

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

(amounts in thousands)

2004	\$ 925
2005	20,650
2006	75,305
2007	17
2008	25,005
Thereafter	—
	\$121,902

Cash paid by the Company for interest during the years ended December 31, 2003, 2002, and 2001, amounted to \$6,864,000, \$9,248,000, and \$9,092,000, respectively.

NOTE 6 – COMMITMENTS

Lease Commitments

On June 26, 2003, we completed an amended and restated master agreement to our \$50 million Synthetic Operating Lease Facility (the Facility or the Synthetic Lease) with a group of financial institutions. The terms of the Facility provide for an initial lease period of five years, a residual value guarantee of approximately \$44.2 million at December 31, 2003, and purchase options on the properties. The Facility also contains a provision for an event of default whereby the lessor, among other things, may require us to purchase any or all of the properties. One additional renewal period of five years may be requested from the lessor, although the lessor is not obligated to grant such renewal. The amended and restated Facility has been accounted for as an operating lease under SFAS No. 13 and related interpretations, including Financial Interpretation No. 46. Future minimum rental commitments under the Facility have been included in the table of future minimum annual rental commitments below.

On December 29, 2000, the Company completed a sale-leaseback transaction. Under the terms of the transaction, the Company sold 90 properties, including land, buildings and improvements, which generated \$52.3 million of additional cash. 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 is approximately \$5.5 million annually and is included in the table of future minimum annual rental commitments below.

In August 2001, the Company completed a sale-leaseback with O'Reilly-Wooten 2000 LLC (an entity owned by certain shareholders of the Company). The transaction involved the sale and leaseback of nine O'Reilly Auto Parts stores and resulted in approximately \$5.6 million of additional cash to the Company. The transaction 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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, 2003, future minimum rental payments under all of the Company's operating leases for each of the next five years and in the aggregate are as follows:

<i>(amounts in thousands)</i>	RELATED PARTIES	NON-RELATED PARTIES	TOTAL
2004	\$ 3,255	\$ 29,416	\$ 32,671
2005	3,062	27,016	30,078
2006	2,882	25,240	28,122
2007	2,865	22,909	25,774
2008	2,790	19,627	22,417
Thereafter	52,732	129,488	182,220
	\$ 67,586	\$ 253,696	\$ 321,282

Rental expense amounted to \$31,865,000, \$29,652,000 and \$25,122,000 for the years ended December 31, 2003, 2002, and 2001, respectively.

Other Commitments

The Company had construction commitments, which totaled approximately \$52.8 million, at December 31, 2003.

NOTE 7 – LEGAL PROCEEDINGS

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 8 – 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. A total of 1,600,000 shares of common stock were reserved for issuance under the plan. 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 \$4,353,000 in 2003, \$3,438,000 in 2002 and \$3,207,000 in 2001. 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
2003	42,183	\$1,478,000
2002	38,354	1,136,000
2001	37,567	969,000

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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	MARKET SHARES	VALUE
2003	85,184	\$2,300,000
2002	77,876	2,200,000
2001	88,118	1,729,000

The Company also sponsors a non-funded non-contributory defined benefit health care 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, 2003, 2002, and 2001 amounted to \$12,000.

Additionally, the Company has adopted a stock purchase plan under which 1,300,000 shares of common stock were reserved for 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 participants annual salary. Purchases of common stock under the plan during the years ended December 31 were as follows:

YEAR	SHARES	WEIGHTED AVERAGE PRICE	MARKET VALUE
2003	103,457	\$27.52	\$2,723,000
2002	102,662	25.18	2,585,000
2001	97,991	22.13	2,168,000

The Company has in effect a performance incentive plan for the Company's senior management under which 400,000 shares of stock were reserved for issuance. Shares awarded under the plan vest equally over a three-year period and are held in escrow until such vesting has occurred. Shares are forfeited when an employee ceases employment. Shares, net of forfeitures, issued under the plan during the years ended December 31 were as follows:

YEAR FUNDED	SHARES	MARKET VALUE
2003	10,530	\$ 248,000
2002	4,779	175,000
2001	(536)	(9,000)

NOTE 9 – SHAREHOLDERS’ EQUITY

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.

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 12,000,000 shares of common stock were reserved for 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. 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, 2000	\$ 8.00 - 26.75	3,295,830
Granted	18.25 - 37.62	1,214,750
Exercised	8.15 - 26.37	(1,012,695)
Canceled	8.00 - 37.38	(220,750)
Outstanding at December 31, 2001	\$ 8.69 - 37.62	3,277,135
Granted	24.96 - 35.48	712,500
Exercised	8.69 - 30.23	(296,858)
Canceled	8.75 - 38.00	(202,075)
Outstanding at December 31, 2002	\$ 8.94 - 37.62	3,490,702
Granted	23.01 - 44.81	1,035,750
Exercised	8.94 - 37.62	(1,051,940)
Canceled	8.94 - 38.98	(222,413)
Outstanding at December 31, 2003	\$10.56 - 44.81	3,252,099

Options to purchase 1,223,409, 1,566,104 and 1,250,261 shares of common stock were exercisable at December 31, 2003, 2002, and 2001, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The Company also maintains a stock option plan for non-employee directors of the Company under which 500,000 shares of common stock were reserved for 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, 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
Granted	29.20	30,000
Outstanding at December 31, 2003	\$12.44-29.20	110,000

All options under this plan were exercisable at December 31, 2003, 2002, and 2001.

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 2003, 2002, and 2001, respectively: risk-free interest rates of 3.61%, 4.01% and 5.16%; volatility factors of the expected market price of the Company's common stock of .458, .481, and .475; and weighted-average expected life of the options of 9.4, 9.0 and 9.0 years. The Company assumed a 0% dividend yield over the expected life of the options. The weighted-average fair values of options granted during the years ended December 31, 2003, 2002, and 2001 were \$20.56, \$17.75 and \$16.52, respectively. The weighted-average remaining contractual life at December 31, 2003, for all outstanding options under the Company's stock option plans is 7.5 years. The weighted-average exercise price for all outstanding options under the Company's stock option plans was \$26.11, \$22.78 and \$20.63 at December 31, 2003, 2002 and 2001, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

NOTE IO – 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,	2003	2002	2001
Numerator (basic and diluted):			
Net income	\$100,087	\$ 81,992	\$ 66,352
Denominator:			
Denominator for basic income per common share-weighted-average shares	53,908	53,114	52,121
Effect of stock options (Note 9)	622	578	665
Denominator for diluted income per common share-adjusted weighted-average shares and assumed conversion	54,530	53,692	52,786
Basic net income per common share	\$ 1.86	\$ 1.54	\$ 1.27
Net income per common share-assuming dilution	\$ 1.84	\$ 1.53	\$ 1.26

NOTE II – 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)

	2003	2002
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	\$ 373	\$ 327
Inventory carrying value	–	967
Other accruals	6,973	3,746
Total deferred tax assets	7,346	5,040
Deferred tax liabilities:		
Current:		
Inventory carrying value	2,593	–
Noncurrent:		
Property and equipment	29,171	15,685
Other	277	254
Total deferred tax liabilities	32,041	15,939
Net deferred tax liabilities	\$ (24,695)	\$ (10,899)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

The provision for income taxes consists of the following:

<i>(In thousands)</i>	CURRENT	DEFERRED	TOTAL
2003:			
Federal	\$ 41,465	\$ 12,362	\$ 53,827
State	4,694	1,434	6,128
	\$ 46,159	\$ 13,796	\$ 59,955
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

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

<i>(In thousands)</i>	2003	2002	2001
Federal income taxes at statutory rate	\$ 56,015	\$ 45,844	\$ 37,354
State income taxes, net of federal tax benefit	3,935	3,140	2,775
Other items, net	5	6	246
	\$ 59,955	\$ 48,990	\$ 40,375

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, 2003, 2002, and 2001, cash paid by the Company for income taxes amounted to \$43,007,000, \$31,119,000 and \$28,676,000, respectively.

REPORT OF INDEPENDENT AUDITORS

THE BOARD OF DIRECTORS AND SHAREHOLDERS O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of O'Reilly Automotive, Inc. and Subsidiaries as of December 31, 2003, and 2002, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2003. 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, 2003, and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Kansas City, Missouri
February 19, 2004

DIRECTORS AND EXECUTIVE COMMITTEE

Chub O'Reilly
Chairman of the Board
Emeritus

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 Director

Rosalie O'Reilly-Wooten
Director

Jay Burchfield
Director since 1997
Compensation Committee –
Chairman
Corporate Governance/
Nominating Committee

Joe C. Greene
Director since 1993
Corporate Governance/
Nominating Committee –
Chairman

Paul Lederer
Director 1993-July 1997;
Feb. 2001
Audit Committee
Compensation Committee

John Murphy
Director since December 2003
Audit Committee – Chairman
Corporate Governance/
Nominating Committee

Ronald Rashkow
Director since December 2003
Audit Committee
Compensation Committee

Ted Wise
Co-President

Greg Henslee
Co-President

Jim Batten
Executive Vice President
of Finance
Chief Financial Officer

Jeff Shaw
Senior Vice President of
Store Operations and Sales

Mike Swarengin
Senior Vice President of
Merchandise

Tricia Headley
Vice President of
Corporate Services and
Corporate Secretary

Tony Bartholomew
Vice President of Sales

Ron Byerly
Vice President of Marketing,
Advertising and Training

Charlie Downs
Vice President of Real Estate

Alan Fears
Vice President of
Store Expansion and
Acquisitions

Jaime Hinojosa
Vice President of Southern
Division

Steve Jasinski
Vice President of Information
Systems

Randy Johnson
Vice President of Store
Inventories

David McCready
Vice President of Distribution
Operations

Steve Pope
Vice President of Human
Resources

Wayne Price
Vice President of Risk
Management

Barry Sabor
Vice President of Loss
Prevention

Mike Williams
Vice President of Advanced
Technology

OPERATIONS MANAGEMENT

SENIOR MANAGEMENT

Allen Alexander
Director of Iowa/Nebraska
Region

Buddy Ball
Director of Kansas City
Region

Mike Ballard
Director of Internet
Development
and Networking

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

Mike Chapman
Director of West Texas Region

Keith Childers
Director of Little Rock Region

Tom Connor
Regional DC Director

Ken Cope
Director of Nashville Region

Joe Edwards
Director of Store Installations

Phyllis Evans
Director of Store
Administration

John Grassham
Director of Dallas Region

Joe Hankins
Director of Store Design

Brett Heintz
Director of Retail Systems

Jack House
Director of Customer Service

Greg Johnson
Director of Distribution

Michelle Kimrey
Director of Internal Audit

Brad Knight
Director of Pricing

Richard Mann
Regional DC Director

Kenny Martin
Director of Gulf States Region

Jim Maynard
Director of Employment and
Team Member Relations

Kim Mesenbrink
Director of Accounting

Brad Oplotnik
Director of Systems
Management

Shari Reaves
Director of Compensation
and Benefits

Steve Rice
Director of Credit and
Collections

Art Rodriguez
Director of Southern
Division Sales

Tom Seboldt
Director of Merchandise

Denny Smith
Director of Springfield Region

Dick Smith
Director of Construction
and Maintenance

Charlie Stallcup
Director of Training

David Strom
Director of Houston Region

Mark Van Hoecke
Director of Knoxville Region

Wes Wise
Director of Marketing

Danny Woods
Director of Installer Marketing

**CORPORATE
MANAGEMENT**

Ray Aguirre
Regional Field Sales Manager

Tom Allen
Computer Operations
Manager

Dan Altis
Distribution Center Manager

Keith Asby
Sales Manager of Special
Markets

Jeanene Asher
Telecommunications Manager

Gary Baker
Technical Assistance Manager

Carl Barina
Regional Field Sales Manager

Doug Bennett
O'Reilly Sales Department
Manager

Ron Biegay
Southern Division Training
and Recruiting Manager

Larry Blundell
Regional Field Sales Manager

Tom Bollinger
Regional Field Sales Manager

Marcus Boyer
Distribution Center Manager

Kent Brewer
Distribution Center
Transportation Manager

Yvonne Cannon
Payroll Manager

Garry Curbow
Replenishment Manager

Cecil Davis
Distribution Center Inbound
Manager

Mark Decker
Distribution Center Manager

Randy Decoit
Regional Field Sales Manager

Jim Deshotel
Regional Field Sales Manager

Jay Enloe
Property and Liability Risk
Manager

Paula Eymann
Accounting Special Projects
Manager

Carl Falke
Regional Field Sales Manager

Becky Fincher
Advertising Manager

Kevin Ford
Distribution Center Projects
and Procedures Manager

Randy Freund
Regional Field Sales Manager

David Furr
Service Equipment Sales
Manager

Lori Fuzzell
Customer Service Manager

Art Glidewell
Distribution Center Manager

David Glore
Jobber 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

Bridget Harmon
PC Support Manager

Mike Hauk
Division Training Manager

Doy Hensley
Help Support Manager

Julie Hibler
Corporate Services Manager

Diana Hicks
Internal Communications
Manager

Brad Hilker
Safety Manager

Mark Hoehne
Regional Field Sales Manager

Chris Holder
Jobber Regional Field Sales
Manager

Joe Hook
Regional Field Sales Manager

Doug Hopkins
Distribution Systems Manager

Doug Hutchison
Inventory Project Manager

Karen James
Marketing Production
Manager

Curtis Johnson
Distribution Center Manager

Dave Jordan
Distribution Center Manager

Al Kasishke
Product Manager

Les Keeth
Supplier Credit Manager

Jennifer Kent
Store Design Manager

Dave Leonhart
Distribution Center Manager

Steve Lines
Sales Training Manager

Jim Litchford
Jobber Regional Field Sales
Manager

Jeff Main Jobber Systems Sales Manager	Ed Randall Property Manager	Darren Shaw Product Manager	Tamra Waitman Assistant Controller
Ed Martinez Distribution Center Manager	Lyn Robertson Accounts Receivable Manager	Tim Smith Credit Manager	Patton Walden MidState Division Training Manager
Jeff McKinney Customer Satisfaction Manager	Chuck Rogers Installer Systems Manager	Tom Smith Training Manager	Jeff Watts Regional Field Sales Manager
Bryan Mescher Regional Field Sales Manager	Mary Sabor Distribution Center Administrative Services Manager	Dwayne Snow Regional Field Sales Manager	Larry Wiles Audio Visual Communications Manager
Chapman Norman Inventory Maintenance Manager	Rick Samsel Inventory Control Manager	Paul Stinson Regional Field Sales Manager	Sandra Wilkinson Store Support Manager
Steve Peterie Construction Design Manager	Tim Scholl Distribution Center Field Projects Manager	Mary Stratton Human Resources Records Manager	Joe Winterberg Product Manager
Tony Phelps Distribution Center Manager	Joyce Schultz Houston Office Manager	Bert Tamez Regional Manager in Training	Terry Yates Regional Field Sales Manager
Jana Phillips Corporate Counsel	Bill Seiber Distribution Center Manager	Tom Tunnell Financial Reporting and Budgeting Manager	
Steve Phillips Southern Division Loss Prevention Manager		Rob Verch Product Manager	

DISTRICT CORP. MGMT.	Jimmy Carter	Kyle Gorzik	Mark Mach	Will Reger	Randy Swaim
Abel Abila	David Chavis	James Harris	John Martinez	Tommy Rhoads	Jeff Tagert
Gary Addison	Dirk Chester	Jon Haught	Rodger McClary	Alan Riddle	Randy Tanner
Eddie Allen	Jim Dickens	Rick Hedges	Marc McGehee	Larry Roof	Mike Tatum
Henry Armington	Robert Doss	Gerry Hendrix	Travis McPherson	Juan Salinas	Rick Tearney
Chuck Avis	Bruce Dowell	Perry Hess	Chris Meade	Jim Scott	Dallas Thompson
Emmitt Barina	Dan Dowell	Mike Hollis	Curt Miles	Brad Seaborn	Justin Tracy
Brince Beasley	Tommy Dunn	Jeff Howard	Randy Morris	Cliff Sedtal	Bo Waldrop
Brad Beckham	Paul Engaldo	Jeff Jennings	Ciro Moya	Steve Severe	Brett Warstler
Steve Beil	Ron England	Chad Keel	Ramon Odems	Garry Shelby	Steven Watkins
Aaron Biggs	Tony Fagan	Butch Kelton	Kenny Omland	Kevin Shockey	John Weatherly
Kirk Bilski	Bill Fellows	Todd Kemper	Kevin Overmon	Eric Sims	Rob Weiskirch
Tim Brakebill	Kirk Frazier	Scott Kraus	Ron Papay	Mark Smith	John Wells
Patrick Brown	Mark Frazier	John Krebs	Jude Patterson	Bob Snodgrass	Allen Wise
David Byers	Jason Frizzell	Scott Leonhart	Mike Payne	Robert Spencer	Dexter Woods
Mark Cannon	Scott Garrett	Chris Lewis	Pernell Peters	Scott Strayhorn	Mike Yates
Fred Carrington	Samuel Garza	Kirk Locklin	David Pilat	Jeff Stutzman	Jason York
	Dennis Gonzales	Oliverio Lopez	Mike Platt	Marvin Swaim	Cody Zimmerman

SHAREHOLDER INFORMATION

CORPORATE ADDRESS

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

REGISTRAR AND TRANSFER AGENT

UMB Bank
928 Grand Boulevard
Kansas City, Missouri 64141-0064
Inquiries regarding stock transfers, lost certificates or address changes should be directed to UMB Bank at the above address.

INDEPENDENT AUDITORS

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

LEGAL COUNSEL

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

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

ANNUAL MEETING

The annual meeting of shareholders of O'Reilly Automotive, Inc. will be held at 10:00 a.m. local time on May 4, 2004, at the University Plaza Convention Center, 333 John Q. Hammons Parkway in Springfield, Missouri. Shareholders of record as of February 27, 2004, 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, Executive 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 27, 2004, O'Reilly Automotive, Inc. had approximately 26,299 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.:

Advest, Inc. – Derrick Irwin
AG Edwards & Sons – Brian Postol
Lehman Brothers Equities Research – Alan Rifkin
Raymond James & Associates – Gerald Marks
Sidoti & Company – Scott Stember
Smith Barney – Bill Sims
SunTrust Robinson Humphrey Capital Markets – Frank Brown
Wells Fargo Securities, LLC – Christopher Svezia
Whitaker Securities LLC – Cid Wilson
William Blair & Company – Sharon Zackfia
UBS Equities – Gary Balter
Piper Jaffray – Reed Anderson

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.

	2003		2002	
	HIGH	LOW	HIGH	LOW
First Quarter	\$27.86	\$22.91	\$37.25	\$28.61
Second Quarter	35.39	26.76	34.42	27.05
Third Quarter	39.96	33.23	32.47	24.10
Fourth Quarter	44.90	36.54	31.40	24.28
For the Year	44.90	22.91	37.25	24.10

SUBSIDIARIES OF THE COMPANY

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

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.”

Certain statements contained in this annual report are forward-looking statements. These statements discuss, among other things, expected growth, store development and expansion strategy, business strategies, future revenues and future performance. These forward-looking statements are 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, 2003, for more details.



 **O'Reilly** AUTO PARTS

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