O'Reilly Automotive

2004 *Annual Report*

2004

HORSEPOWER

ANOTHER YEAR *of*

FIRING ON ALL CYLINDERS

O'Reilly AUTO PARTS®

FUELED WITH HORSEPOWER, O'REILLY IS FIRING ON ALL CYLINDERS *and* GEARED UP FOR HIGH-OCTANE GROWTH. SUPERCHARGED BY 12 YEARS *of* RECORD SALES *and* EARNINGS, WE CONTINUE ACCELERATING TOWARD $2 BILLION IN 2005. TO REACH THAT GOAL, WE'RE TUNING UP THE COMPETITIVE ADVANTAGES THAT DRIVE OUR PERFORMANCE – UNBEATABLE CUSTOMER SERVICE, SUPERIOR DISTRIBUTION SYSTEMS *and* A UNIQUE DUAL MARKET STRATEGY.

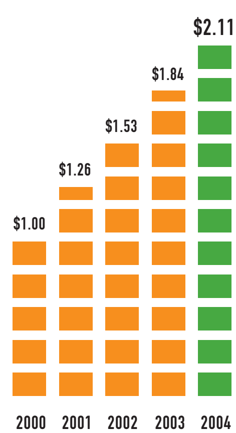
2004 FINANCIAL HIGHLIGHTS

In thousands, except earnings per share data and operating data (a)

Year ended December 31	2004	2003	2002	2001	2000
Product Sales	$1,721,241	$1,511,816	$1,312,490	$1,092,112	$890,421
Operating Income	190,458	165,275	138,301	113,831	90,029
Net Income	117,674	100,087	81,992	66,352	51,708
Working Capital	479,662	441,617	483,623	429,527	296,272
Total Assets	1,432,357	1,157,033	1,009,419	856,859	715,995
Long-Term Debt	100,322	120,977	190,470	165,618	90,463
Shareholders' Equity	947,817	784,285	650,524	556,291	463,731
Net Income Per Common Share (assuming dilution)	2.11	1.84	1.53	1.26	1.00
Weighted-Average Common Share (assuming dilution)	55,711	54,530	53,692	52,786	51,728
Stores At Year-End	1,249	1,109	981	875	672
Same-Store Sales Gain	6.8%	7.8%	3.7%	8.8%	5.0%

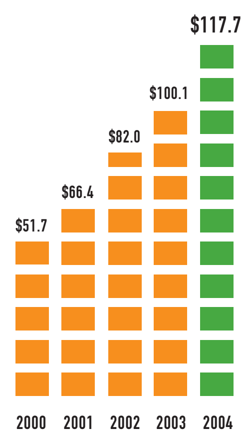
In 2001, we set our 2-4-Your Future goal of reaching $2 billion in sales by December 31, 2005. In 2005, Team O'Reilly is revved up and geared toward providing outstanding customer service, driving us to reach our goal of $2 billion in sales, this year.

Earnings Per Share *(a)*
(assuming dilution)



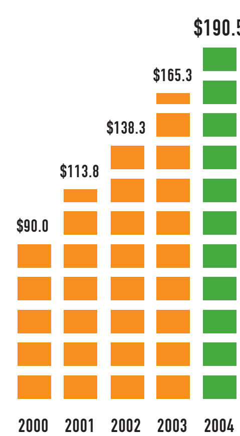
Earnings per share, assuming dilution, increased 14.7% over 2003.

Net Income *(a)*
(in millions)



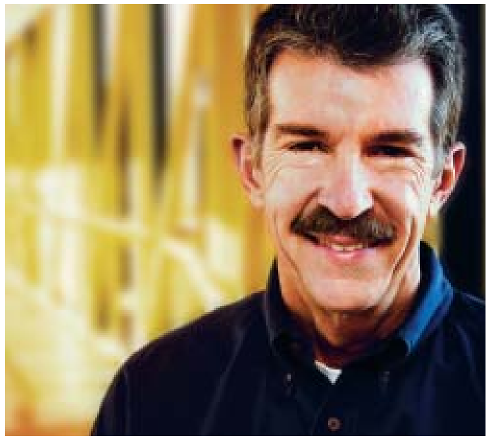
Continued focus on driving sales and taking market share along with our relentless watch over expenses, gave us a 17.6% increase in net income in 2004 over 2003.

Operating Income *(a)*
(in millions)



As a result of our excellent customer service, which drives sales and our continued efforts in controlling expenses, our operating margin for 2004 was 11.1%.

(a) 2004 figures are based on income before cumulative effect of accounting change.



David O'Reilly
Chairman of the Board

2004 HORSEPOWER

Letter to Shareholders

While we faced many challenges during 2004, we are very pleased at how Team O'Reilly pulled together once again for a successful year. After a very strong first quarter, sales began to soften in the second quarter as a result of unseasonably cool and wet weather. The third quarter remained challenging with below normal temperatures and four hurricanes that tore across the southeast. We were very fortunate that none of our team members suffered severe injuries. We came back strong in the fourth quarter and are very pleased with how we finished the year.

Product sales increased 13.9% for the year to $1.72 billion, another milestone on the road to our 2-4-Your Future goal of $2 billion in sales. Net income was up 17.6% over 2003, to $117.7 million and we achieved an operating margin of 11.1%. Comparable store sales increased 6.8%, a tremendous feat considering the 7.8% increase of 2003, along with the difficult weather and high fuel prices we have faced in 2004.

We opened 140 new stores in 2004, making us the fourth largest automotive aftermarket retailer in the United States. As part of this expansion, we moved into South Carolina, giving us a presence in 19 contiguous states. For 2005, we are targeting 160 new stores, with a majority in the southeast, to capitalize on the distribution center we will be opening in Atlanta, Georgia in the spring. This represents a continuation of our expansion philosophy to grow into new, contiguous markets while filling in existing markets, as well.

We have a number of very exciting projects underway that will ensure our continued leadership in utilizing technology to achieve extremely high levels of customer service and team member productivity. We're very excited about our diverse advertising and marketing program, with great exposure to our targeted demographics through motor sports, college and professional athletics and a variety of cable television programming and print media.

We continue to emphasize that everything we do as O'Reilly team members should be to live by the values of our Company's culture. The same values that the 11 original team members approached their jobs with everyday, the same values that have made us the successful company that we are today.

We are confident in our aggressive approach to the market and feel that despite swings on a short-term basis, the fundamentals in the industry continue to be very strong. The number and average age of cars on the road and miles driven continue to increase. As the population of vehicles entering prime repair age continues to grow, these factors will continue to support the strength of the automotive aftermarket over time. Team O'Reilly continues to be intensely focused on merchandising and operational improvements to ensure exceptional customer service, which is our number one priority. As our advertising and promotional programs continue driving stronger store traffic, our professional, well trained team members will deliver strong sales. Our stores have never looked better and our commitment to provide great customer service is as strong as ever. On all fronts, our sales team has never been more focused on growing market share.

We look back on 2004 pleased with our accomplishments and look forward to 2005 with excitement. We will continue to live the O'Reilly Culture and do the things that have made us one of the top companies in the automotive aftermarket. We would like to thank our shareholders and customers for your continued confidence and support and we would like to thank our team members for your hard work everyday. Together we will continue to succeed in our mission of making O'Reilly Automotive the dominant supplier of auto parts in our market areas.

David O'Reilly
Chairman of the Board

AT O'REILLY, WE HAVE TURNED DISTRIBUTION FROM
CAREFULLY MANAGING OUR GROWING FOOTPRINT SO
WITH NIGHTLY DELIVERIES FROM OUR DISTRIBUTION

A LOGISTICAL PROCESS INTO A STRATEGIC ADVANTAGE — THAT EVERY ONE *of* OUR 1,249 STORES IS RESTOCKED CENTERS.

Greg Henslee
Chief Executive Officer
and Co-President

ELAPSED TIME

Strategic Distribution Systems

2005 will be a very exciting year for us in the area of distribution. In early spring, we will be opening our eleventh distribution center in Atlanta, Georgia. This new distribution center will be a state-of-the-art facility, using all of the best practices and systems developed in our other distribution centers. This facility will be approximately 350,000 square feet and have the capacity to serve 250 stores. The opening of our distribution center in the Atlanta market will enable us to continue expansion efforts in the southeast market area, while being consistent in our contiguous growth philosophy with capability of same day or nightly delivery to every store.

In 2004 we began to utilize slotting software that we will fully employ throughout all distribution centers in 2005. This software allows us to determine the flow of products in and out of our distribution centers, while also evaluating the various dimensions of these products. Once that information is determined, we take into account product size to ensure that we are maximizing our shelf space. We are also able to stock inventory in the distribution centers based on product demand. Products with the highest demand are placed in locations that are most accessible to team members who are picking those orders in the distribution centers.

We are also in the process of implementing a “hands free/eyes free” voice directed picking system that will allow our distribution center team members to be more productive. Team members that pick orders will begin wearing headsets connected to a device on their belt that communicates with our existing distribution systems. Verbal pick instructions are given thereby eliminating the need for paper picking documents. By eliminating the picking documents, team members can work more accurately and productively. This enhancement to distribution will result in continued reductions in distribution and transportation expenses.



In 2005, we will continue to focus intently on ensuring that we have the right inventory for each of our individual store locations by leveraging the systems we have built over the last several years. Each store stocks an average of 23,000 SKU's and has overnight access to more than 100,000 SKU's from one of our ten, soon to be eleven, distribution centers. With our advanced distribution strategy and unmatched SKU availability, we will continue making O'Reilly Auto Parts the First Call our customers make. It's the many facets of our business, working together and firing on all cylinders that make us the industry leader in customer service.

IN EARLY SPRING, WE WILL BE OPENING OUR 11TH DISTRIBUTION CENTER IN ATLANTA, GEORGIA.

THIS FACILITY WILL BE APPROXIMATELY

350,000

SQUARE FEET AND

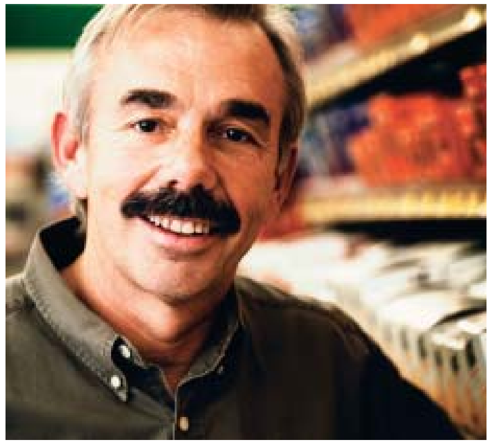
HAVE THE CAPACITY TO SERVICE UP TO

250

STORES.

IN TODAY'S TOUGH SALES ENVIRONMENT, WE MOMENTUM WITH OUR PROVEN DUAL MARKET NEEDS *of* PROFESSIONAL INSTALLERS *and* DO-IT-

CONTINUE TO PENETRATE NEW MARKETS *and* BUILD
STRATEGY — SUCCESSFULLY SERVING THE DISTINCT
YOURSELF CUSTOMERS.



Ted Wise
Chief Operating Officer
and Co-President

TWIN CARBS

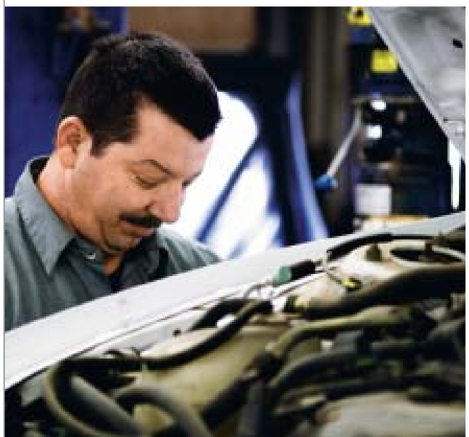
O'Reilly Dual Market Strategy *and* Our Expanding Footprint

We maintained our strong growth in 2004 by adding 140 new stores to close the year with 1,249 stores in 19 contiguous states. Each O'Reilly Auto Parts store receives nightly delivery from one of our ten distribution centers, allowing them daily access to over 100,000 stock keeping units (SKU's). To achieve this high level of service, each distribution center and store location is carefully planned. Along with the opening of 140 new stores, we also relocated 26 existing stores. Repositioning existing stores into better locations to maximize sales, continues to be a priority. We are committed to finding the best possible location for each O'Reilly Auto Parts store in every community.

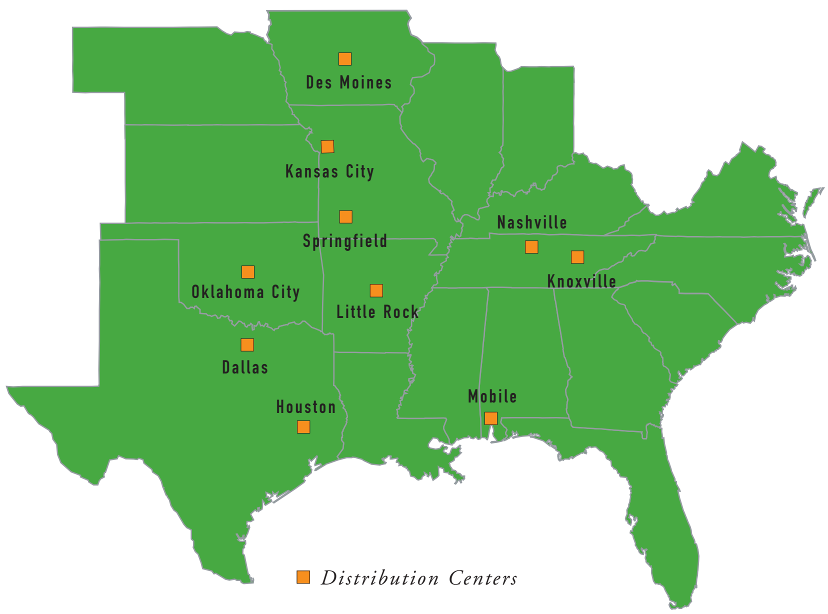
With years of strategic planning and hard work, we have continued to be successful with our unmatched dual market strategy, with an approximate 50/50 mix of professional and do-it-yourself (DIY) customers. Our commercial sales team has continued to work very hard throughout the year, further understanding the needs of and building relationships with our professional installer customers. Our store team members have provided the knowledgeable, outstanding level of service that our DIY customers have come to rely on.

With the opening of our Atlanta distribution center in early spring, we will be able to reach several new expansion markets. With our unique dual market strategy, we are able to successfully penetrate markets that many of our competitors cannot. In smaller communities where some of our competitors might struggle, we are able to succeed as we reach out to both local commercial and retail customers. Through these efforts, we believe we have continued to grow market share in a challenging sales environment.

Our proven growth plan will remain the same for 2005. We will continue our expansion efforts by opening 160 new stores, with a majority of those stores in the southeast to capitalize on our new distribution center in Georgia and further utilize the distribution center we opened in Mobile, Alabama in the summer of 2003.



2004 O'Reilly Auto Parts Stores *and* Distribution Centers



O'REILLY AUTO PARTS STATES

ALABAMA	73 *stores*	MISSISSIPPI	47 *stores*
ARKANSAS	74 *stores*	MISSOURI	142 *stores*
FLORIDA	10 *stores*	NEBRASKA	24 *stores*
GEORGIA	22 *stores*	NORTH CAROLINA	21 *stores*
ILLINOIS	32 *stores*	OKLAHOMA	100 *stores*
INDIANA	8 *stores*	SOUTH CAROLINA	1 *store*
IOWA	65 *stores*	TENNESSEE	93 *stores*
KANSAS	58 *stores*	TEXAS	387 *stores*
KENTUCKY	35 *stores*	VIRGINIA	1 *store*
LOUISIANA	56 *stores*		

TOTAL NUMBER OF STORES: 1,249

WE HAVE GAINED THE TRUST *and* LOYALTY *of* BOTH
DISTINCTIVE O'REILLY BRAND *of* OUTSTANDING
CUSTOMER SERVICE INTO A CLEAR COMPETITIVE

RETAIL *and* COMMERCIAL CUSTOMERS WITH OUR FRIENDLY, KNOWLEDGEABLE SERVICE – *and* ELEVATED EDGE IN THE MARKETPLACE.

Jim Batten
Executive Vice President of Finance
and Chief Financial Officer

THE PIT CREW

O'Reilly Culture *and* Superior Customer Service

Our approximate 50/50 mix of retail versus commercial sales, overnight delivery to every store and our unique growth model are a few of the factors that make us stand out from competition. But it's the 17,000 team members living by the O'Reilly Culture and providing excellent customer service that make us the number one supplier of auto parts in our markets.

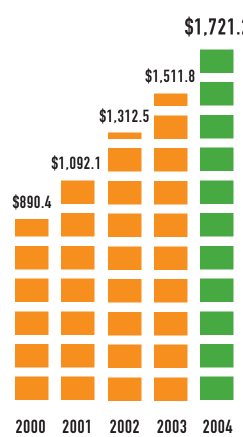
Our team members demonstrate the O'Reilly Culture everyday, to build customer loyalty and keep them coming back into our stores. Professional installer customers know that they can count on us to have the quality parts they need, when they need them, and retail customers trust our knowledgeable and friendly service that they receive with each visit to O'Reilly Auto Parts.

Our crew of professional parts people is among the best. New team members complete training programs specialized to their position, while experienced team members receive ongoing training on the latest technological developments, management and customer service skills. These factors, coupled with our parts availability, make us the First Call for our customers. We have overnight delivery to every O'Reilly Auto Parts store, which is unique in our industry. So, if our store doesn't have the hard to find part our customer needs, we will have it there the next morning. This is very important to our professional installer customers who are trying to give their customers excellent service and to our retail customers who are trying to get their cars back on the road. This level of customer service is the foundation of our culture.

Eleven key values are incorporated into our O'Reilly Culture slogan. *"We are enthusiastic, hard-working professionals that are dedicated to teamwork, safety and excellent customer service. We will practice expense control while setting an example of respect, honesty and a win-win attitude in everything we do!"* These are the values our company was founded upon forty-eight years ago, and established by our original team members. These are the values that have made us the successful company we are today. Firing on all cylinders means living ALL of the values that make up our culture.

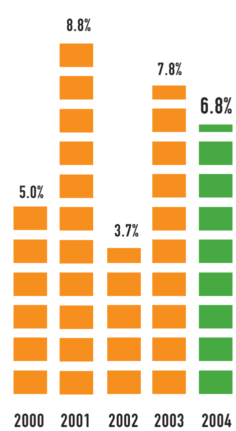
We focus on finding only the best team members who will embrace our values and commit to work together to help our customers. All new team members are given extensive training on the O'Reilly Culture and the importance of those eleven values to the success of our company. Our culture is reinforced to veteran team members through internal posters, publications, meetings and promotions. We dedicate a great deal of time and resources to reinforce the values of the O'Reilly Culture and our sense of unity as One Team committed to One Goal. We believe that there is nothing more important than investing in our team members, as they are our biggest asset. Our team members have brought us success and will continue to drive us forward in the years ahead.

Product Sales
(in millions)



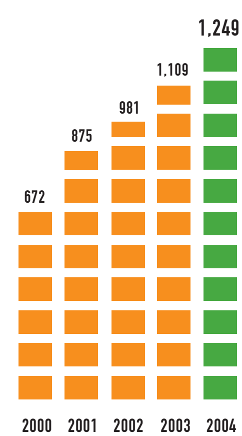
Product sales increased 13.9% in 2004 and we are geared up to reach our 2-4-Your Future goal of $2 billion in sales by December 31, 2005.

Comparable Store Sales



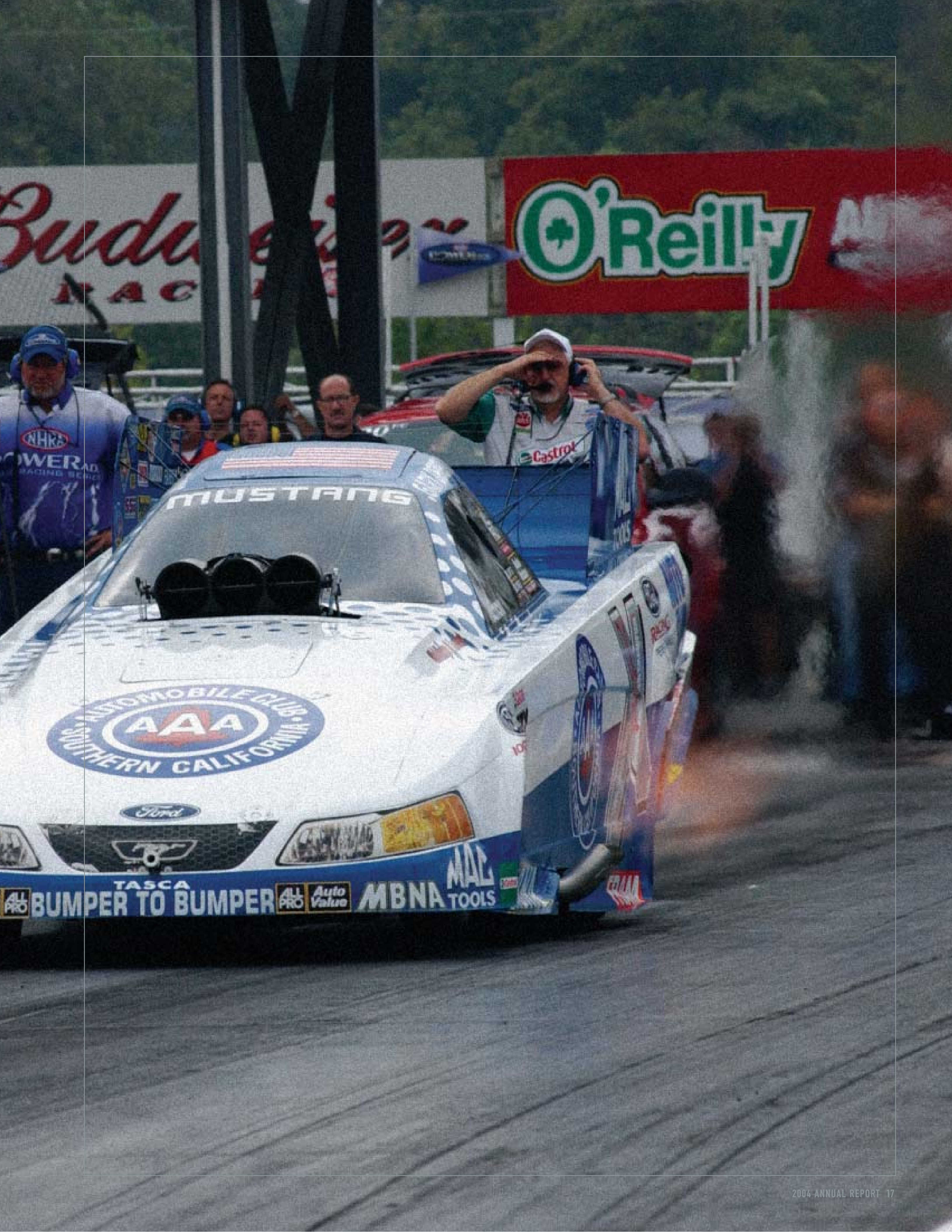
Comparable store product sales measures increases in sales of existing stores open at least one year.

Numbers of Stores



In 2005, we plan to open 160 new stores, located primarily in the southeast to further capitalize on our distribution centers in Alabama and Georgia.

IN THE HIGHLY COMPETITIVE WORLD *of* AUTO RACING, WINNING COMES DOWN TO HORSEPOWER, THE DETERMINATION *of* THE DRIVER *and* SKILL *of* THE CREW, *and* THE SUPERIORITY *and* PREPARATION *of* THE RACECAR. IN THE EQUALLY COMPETITIVE AUTO PARTS BUSINESS, WE LOOK TO THESE SAME STRENGTHS TO FUEL OUR CONTINUED GROWTH *and* SUCCESS. TODAY, WE'RE DRIVING INCREASED PROFITABILITY *and* ACCELERATING INTO KEY NEW MARKETS AS WE SPEED TOWARD $2 BILLION IN SALES ...


O'Reilly
MUSTANG
AUTOMOBILE CLUB
AAA
SOUTHERN CALIFORNIA
Ford
TASCA
BUMPER TO BUMPER
Auto Value
MBNA
MAC TOOLS
NHRA
Castrol


O'Reilly AUTO PART
PROFESSIONAL PARTS PEOP
AFE


Budweiser
CRAFTSMAN
Budweiser
O'Reilly


O'Reilly AUTO PARTS
PROFESSIONAL PARTS PEOPLE
PENNZOIL
PRE-STAGE
STAGE
NHRA
TORSPORTS PA
O'Reilly


O'Reilly
AUTO PARTS
LINCOLN
WELDER
POWER SPORTS
UNLIMITED
PROSTATIC DESIGN
VORTEX
resented by
PENNZOIL
NHRA
POWERADE
DRAG RACING SERIES


O'Reilly
AUTO PARTS


O'Reilly
AUTO PARTS
CAVALIER
PRO
5
Ron Krisher
Valvoline
Holley
CAVALIER
CSI
NHRA
POWER
DRAG RACING


NHRA
O'Reilly
AUTO PARTS
LINCOLN
WELDERS
Snap-on

... FIRING ON ALL CYLINDERS.

2004 FINANCIAL RESULTS

O'Reilly AUTO PARTS

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except per share data)

Years ended December 31,	2004	2003	2002
INCOME STATEMENT DATA:			
Product sales	$1,721,241	$1,511,816	$1,312,490
Cost of goods sold, including warehouse and distribution expenses	978,076	873,481	759,090
Gross profit	743,165	638,335	553,400
Operating, selling, general and administrative expenses	552,707	473,060	415,099
Operating income	190,458	165,275	138,301
Other income (expense), net	(2,721)	(5,233)	(7,319)
Income before income taxes and cumulative effect of accounting change	187,737	160,042	130,982
Provision for income taxes	70,063	59,955	48,990
Income before cumulative effect of accounting change	117,674	100,087	81,992
Cumulative effect of accounting change, net of tax *(a)*	21,892	-	-
Net income	$ 139,566	$ 100,087	$ 81,992
BASIC EARNINGS PER COMMON SHARE:			
Income before cumulative effect of accounting change	$ 2.14	$ 1.86	$ 1.54
Cumulative effect of accounting change *(a)*	0.40	-	-
Net income per share	$ 2.54	$ 1.86	$ 1.54
Weighted-average common shares outstanding	55,010	53,908	53,114
EARNINGS PER COMMON SHARE-ASSUMING DILUTION:			
Income before cumulative effect of accounting change	$ 2.11	$1.84	$ 1.53
Cumulative effect of accounting change *(a)*	0.40	-	-
Net income per share	$ 2.51	$ 1.84	$ 1.53
Weighted-average common shares outstanding – adjusted	55,711	54,530	53,692
PRO FORMA INCOME STATEMENT DATA:			
Product sales	N/A	$1,511,816	$1,312,490
Cost of goods sold, including warehouse and distribution expenses	N/A	872,658	754,844
Gross profit	N/A	639,158	557,646
Operating, selling, general and administrative expenses	N/A	473,060	415,099
Operating income	N/A	166,098	142,547
Other income (expense), net	N/A	(5,233)	(7,319)
Income before income taxes	N/A	160,865	135,228
Provision for income taxes	N/A	60,266	50,595
Net income	N/A	$ 100,599	$ 84,633
Net income per share	N/A	$ 1.87	$ 1.59
Net income per share – assuming dilution	N/A	$ 1.84	$ 1.58

(a) See Management's Discussion and Analysis of Financial Condition and Results of Operations, 2004 Compared to 2003 for cumulative effect of accounting change.

2001	2000	1999	1998	1997	1996	1995
$1,092,112	$ 890,421	$ 754,122	$ 616,302	$ 316,399	$ 259,243	$ 201,492
624,294	507,720	428,832	358,439	181,789	150,772	116,768
467,818	382,701	325,290	257,863	134,610	108,471	84,724
353,987	292,672	248,370	200,962	97,526	79,620	62,687
113,831	90,029	76,920	56,901	37,084	28,851	22,037
(7,104)	(6,870)	(3,896)	(6,958)	472	1,182	236
106,727	83,159	73,024	49,943	37,556	30,033	22,273
40,375	31,451	27,385	19,171	14,413	11,062	8,182
66,352	51,708	45,639	30,772	23,143	18,971	14,091
-	-	-	-	-	-	-
$ 66,352	$ 51,708	$ 45,639	$ 30,772	$ 23,143	$ 18,971	$ 14,091
$ 1.27	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40
-	-	-	-	-	-	-
$ 1.27	$ 1.01	$ 0.94	$ 0.72	$ 0.55	$ 0.45	$ 0.40
52,121	51,168	48,674	42,476	42,086	41,728	35,640
$ 1.26	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39
-	-	-	-	-	-	-
$ 1.26	$ 1.00	$ 0.92	$ 0.71	$ 0.54	$ 0.45	$ 0.39
52,786	51,728	49,715	43,204	42,554	42,064	35,804
$1,092,112	$ 890,421	$ 754,122	$ 616,302	$ 316,399	$ 259,243	$ 201,492
618,217	501,567	425,229	350,581	180,170	149,248	115,730
473,895	388,854	328,893	265,721	136,229	109,995	85,762
353,987	292,672	248,370	200,962	97,526	79,620	62,687
119,908	96,182	80,523	64,759	38,703	30,375	23,075
(7,104)	(6,870)	(3,896)	(6,958)	472	1,182	236
112,804	89,312	76,627	57,801	39,175	31,557	23,311
42,672	33,776	28,747	22,141	15,025	11,638	8,574
$ 70,132	$ 55,536	$ 47,880	$ 35,660	$ 24,150	$ 19,919	$ 14,737
$ 1.35	$ 1.09	$ 0.98	$ 0.84	$ 0.57	$ 0.48	$ 0.41
$ 1.33	$ 1.07	$ 0.96	$ 0.83	$ 0.57	$ 0.47	$ 0.41

SELECTED CONSOLIDATED FINANCIAL DATA *(continued)*

(In thousands, except selected operating data)

Years ended December 31,	2004	2003	2002
SELECTED OPERATING DATA:			
Number of stores at year-end *(a)*	1,249	1,109	981
Total store square footage at year-end (in 000's) *(a) (b)*	8,318	7,348	6,408
Weighted-average product sales per store (in 000's) *(a) (b)*	$ 1,443	$ 1,413	$ 1,372
Weighted-average product sales per square foot *(b) (d)*	$ 217	$ 215	$ 211
Percentage increase in same-store product sales *(c)*	6.8%	7.8%	3.7%
BALANCE SHEET DATA:			
Working capital	$ 479,662	$ 441,617	$ 483,623
Total assets	1,432,357	1,157,033	1,009,419
Current portion of long-term debt and short-term debt	592	925	682
Long-term debt, less current portion	100,322	120,977	190,470
Shareholders' equity	947,817	784,285	650,524

(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 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.

2001	2000	1999	1998	1997	1996	1995
875	672	571	491	259	219	188
5,882	4,491	3,777	3,172	1,417	1,151	923
$ 1,426	$ 1,412	$ 1,422	$ 1,368	$ 1,300	$ 1,240	$ 1,101
$ 219	$ 218	$ 223	$ 238	$ 244	$ 251	$ 227
8.8%	5.0%	9.6%	6.8%	6.8%	14.4%	8.9%
$ 429,527	$ 296,272	$ 249,351	$ 208,363	$ 93,763	$ 74,403	$ 80,471
856,859	715,995	610,442	493,288	247,617	183,623	153,604
16,843	49,121	19,358	13,691	130	3,154	231
165,618	90,463	90,704	170,166	22,641	237	358
556,291	463,731	403,044	218,394	182,039	155,782	133,870

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 team members.

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, workers' compensation and other general liability insurance 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, 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.

- 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. During the fourth quarter of 2004, the Company changed its method of applying its LIFO accounting policy for inventory costs (see Note 2 - Accounting Changes). Our stock compensation pro forma information for the years ended December 31, is as follows, both excluding and including the effects of the inventory accounting change:

(In thousands, except per share data)	2004	2003	2002
Excluding inventory accounting change			
Net income, as reported	$139,566	$100,087	$81,992
Stock-based compensation expense, net of tax, as reported	-	-	-
Stock-based compensation expense, net of tax, under fair value method	7,468	9,204	7,217
Pro forma net income	$132,098	$ 90,883	$74,775
Pro forma basic net income per share	$ 2.40	$ 1.69	$ 1.41
Pro forma net income per share-assuming dilution	$ 2.37	$ 1.67	$ 1.39
Net income per share, as reported			
Basic	$ 2.54	$ 1.86	$ 1.54
Assuming dilution	$ 2.51	$ 1.84	$ 1.53
Including inventory accounting change			
Net income	N/A	$100,599	$84,633
Stock based compensation expense, net of tax, as reported	N/A	-	-
Stock based compensation expense, net of tax, under fair value method	N/A	9,204	7,217
Pro forma net income	N/A	$ 91,395	$77,416
Pro forma basic net income per share	N/A	$ 1.70	$ 1.46
Pro forma net income per share-assuming dilution	N/A	$ 1.68	$ 1.44

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,	2004	2003	2002
Product sales	100.0%	100.0%	100.0%
Cost of goods sold, including warehouse and distribution expenses	56.8	57.8	57.8
Gross profit	43.2	42.2	42.2
Operating, selling, general and administrative expenses	32.1	31.3	31.6
Operating income	11.1	10.9	10.6
Other expense, net	(0.2)	(0.3)	(0.6)
Income before income taxes and cumulative effect of accounting change	10.9	10.6	10.0
Provision for income taxes	4.1	4.0	3.7
Income before cumulative effect of accounting change	6.8	6.6	6.3
Cumulative effect of accounting change, net of tax	1.3	-	-
Net income	8.1%	6.6%	6.3%

See Management's Discussion and Analysis of Financial Condition and Results of Operations, 2004 Compared to 2003, for detailed information on cumulative effect of accounting change.

2004 COMPARED TO 2003

Product sales increased $209.4 million, or 13.9% from $1.51 billion in 2003 to $1.72 billion in 2004, primarily due to 140 net additional stores opened during 2004, and a 6.8% 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.

Gross profit increased 16.4% from $638.3 million (42.2% of product sales) in 2003 to $743.2 million (43.2% of product sales) in 2004. Gross profit dollars rose $100.4 million due to the increase in product sales and $4.4 million due to a change in accounting method. The increase in gross profit as a percent of product sales is related to improvements in our distribution cost and improved product margin related to product acquisition cost.

OSG&A increased $79.6 million from $473.1 million (31.3% of product sales) in 2003 to $552.7 million (32.1% of product sales) in 2004. The increase in these expenses 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.

Corrections of errors related to lease accounting represented $10.4 million ($3.5 million related to 2004) of the increase. Rent expense increased $4.4 million ($0.9 million related to 2004), as a result of corrections in the Company's method of calculating straight-line rent expense. Depreciation increased $6.0 million ($2.6 million related to 2004), as a result of corrections in the Company's method of calculating amortization of leasehold improvements. The Company's policy is to amortize leasehold improvements over the lesser of the lease term or the estimated economic life of those assets. Generally, for stores the lease term is the base lease term and for distribution centers the lease term includes the base lease term plus certain renewal option periods for which renewal is reasonably assured and failure to exercise the renewal option would result in an economic penalty. The calculation for straight-line rent expense is based on the same lease term. Previously, leasehold improvements were amortized over a period of time which included both the base lease term and the first renewal option period of the lease and rent expense was recorded as paid.

Other expense, net, decreased by $2.5 million from $5.2 million in 2003 to $2.7 million in 2004. The decrease was primarily due to a reduction in interest expense as a result of lower average borrowings under our credit facility.

Provision for income taxes increased from $60.0 million in 2003 (37.5% effective tax rate) to $70.1 million in 2004 (37.3% effective tax rate). The increase in the dollar amount was primarily due to the increase of income before income taxes.

The cumulative change in accounting method, effective January 1, 2004, changed the method of applying our LIFO accounting policy for certain inventory costs. Under the new method, we inventoried certain procurement, warehousing and distribution center costs. The previous method was to recognize those costs as incurred, reported as a component of costs of goods sold. We believe the new method is preferable, since it better matches revenues and expenses and is the prevalent method used by other entities within the automotive aftermarket industry.

Net income in 2004 was $139.6 million (8.1% of product sales), an increase of $39.5 million or 39.4%, from net income in 2003 of $100.1 million (6.6% of product sales).

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.

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.

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 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 our 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.

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).

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $226.5 million in 2004, $168.8 million in 2003 and $104.5 million in 2002. The increase in cash provided by operating activities in 2004 compared to 2003 was primarily due to increases in net income and accounts payable, 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 accounts receivable and inventory primarily relate to the increased level of our operations.

The increase in cash provided by operating activities in 2003 compared to 2002 was primarily due to increases in net income and accounts payable and a smaller increase in inventory than the prior year. The increase in accounts payable was primarily due to management's efforts with vendors to extend the terms of payment. Inventory growth was reduced by transition of certain product lines to vendor consignment programs.

Net cash used in investing activities was $172.0 million in 2004, $130.6 million in 2003 and $105.4 million in 2002. The increase in cash used in investing activities in 2004 and 2003 was primarily due to increased purchases of property and equipment.

Capital expenditures were $173.5 million in 2004, $136.5 million in 2003 and $102.3 million in 2002. 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 140, 128 and 106 net stores in 2004, 2003 and 2002, respectively. We remodeled or relocated 30 stores and remodeled one distribution center in 2004, remodeled or relocated 46 stores and two distribution centers in 2003 and 27 stores in 2002. One new distribution center was acquired in 2003, located near Mobile, Alabama.

Our continuing store expansion program requires significant capital expenditures and working capital principally for inventory requirements. Our 2005 growth plans call for approximately 160 new stores and capital expenditures of $175 million to $185 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, we 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. At December 31, 2004 we had no outstanding balance with the Credit Facility. The Credit Facility bears interest at LIBOR plus a spread ranging from 0.875% to 1.375% (2.06% at December 31, 2003) and expires in July 2005. At December 31, 2003, $20.0 million of the Credit Facility was outstanding. Additionally, letters of credit totaling $21.3 million and $11.0 million were outstanding at December 31, 2004 and 2003, respectively. Accordingly, our aggregate availability for additional borrowings under the Credit Facility was $128.7 million and $119.0 million at December 31, 2004 and 2003, respectively.

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.

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.

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 $43.2 million at December 31, 2004, 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 FASB Interpretation No. 46. Future minimum rental commitments under the Facility have been included in the table of contractual obligations below.

We issue stand-by letters of credit provided by a $30 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 $21.3 million and $11.0 million were outstanding at December 31, 2004 and 2003, respectively.

CONTRACTUAL OBLIGATIONS

We have other liabilities reflected in our balance sheet, including deferred income taxes and self-insurance accruals. The payment obligations associated with these liabilities are not reflected in the financial commitments table due to the absence of scheduled maturities. Therefore, the timing of these payments cannot be determined, except for amounts estimated to be payable in 2005 that are included in current liabilities.

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 4 and 5 to the consolidated financial statements.

Payments Due By Period

(In thousands)	Total	Before 1 Year	1-3 Years	4-5 Years	Over 5 Years
CONTRACTUAL OBLIGATIONS:					
Long-term debt	$100,914	$ 592	$ 75,317	$ 25,005	$ -
Operating leases	315,043	36,341	66,108	52,576	160,018
Total contractual cash obligations	$415,957	$36,933	$141,425	$ 77,581	$160,018

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-term and long-term capital needs for the foreseeable future.

INFLATION AND SEASONALITY

We attempt to mitigate 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.

RESTATEMENT OF QUARTERLY RESULTS

The following table sets forth certain quarterly unaudited operating data for fiscal 2004 and 2003. The unaudited quarterly information includes all adjustments which management considers necessary for a fair presentation of the information shown. We have restated our quarterly financial information for each of the first three quarters of 2004. Effective January 1, 2004, the Company changed its method of applying its LIFO accounting policy for inventory costs. Under the new method, the Company has inventoried certain warehousing and distribution center costs. The Company's previous method recorded these expenses directly into cost of goods sold. The Company believes the change in application of accounting method is preferable as it more accurately matches revenues and expenses and is the prevelant method used by other entities within the Company's industry. The cumulative effect of this change in application of accounting method is $21,892,000 as of January 1, 2004, net of the related deferred tax effect of $13,303,000.

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.

(In thousands, except per share data) Fiscal 2004

	First Quarter		Second Quarter		Third Quarter		
	Previously Reported	Restated	Previously Reported	Restated	Previously Reported	Restated	Fourth Quarter*(a)*
Product sales	$403,294	$403,294	$435,167	$435,167	$455,162	$455,162	$427,618
Gross profit	169,338	169,593	187,758	189,435	195,848	198,169	185,968
Operating income	43,772	44,027	52,565	54,242	53,809	56,130	36,059
Income before cumulative effect of accounting change	27,126	27,285	32,652	33,695	33,243	34,687	22,007
Cumulative effect of accounting change, net of tax	-	21,892	-	-	-	-	-
Net income	27,126	49,177	32,652	33,695	33,243	34,687	22,007
Basic net income per common share before cumulative effect of accounting change	0.50	0.50	0.59	0.61	0.60	0.63	0.40
Cumulative effect of accounting change, net of tax	-	0.40	-	-	-	-	-
Basic net income per common share	0.50	0.90	0.59	0.61	0.60	0.63	0.40
Diluted net income per common share before cumulative effect of accounting change	0.49	0.49	0.59	0.61	0.60	0.62	0.39
Cumulative effect of accounting change, net of tax	-	0.39	-	-	-	-	-
Net income per common share-assuming dilution	0.49	0.88	0.59	0.61	0.60	0.62	0.39

(a) During the fourth quarter 2004, the Company recorded a correction of an error of $10.4 million ($3.5 million related to 2004) $6.5 million, net of tax. See Note 1 to our consolidated financial statements.

(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

NEW ACCOUNTING STANDARDS

In November 2004, the FASB issued SFAS 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4*. The standard requires that abnormal amounts of idle capacity and spoilage costs should be excluded from the cost of inventory and expensed when incurred. The provision is effective for fiscal periods beginning after June 15, 2005. We do not expect the adoption of this standard to have a material effect on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS 153, *Exchanges of Nonmonetary Assets, an amendment of APB No. 29, Accounting for Nonmonetary Transactions.* SFAS 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. We do not expect the adoption of this standard to have a material effect on our financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment.* SFAS No. 123R is a revision of SFAS No. 123, *Accounting for Stock Based Compensation,* and supersedes APB 25. Among other items, SFAS 123R eliminates the use of APB 25 and the intrinsic value method of accounting, and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. The effective date of SFAS 123R is the first reporting period beginning after June 15, 2005, which is third quarter 2005 for calendar year companies, such as ourselves, although early adoption is allowed. SFAS 123R permits companies to adopt its requirements using either a "modified prospective" method, or a "modified retrospective" method. Under the "modified prospective" method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS 123R for all share-based payments granted after that date, and based on the requirements of SFAS 123 for all unvested awards granted prior to the effective date of SFAS 123R. Under the "modified retrospective" method, the requirements are the same as under the "modified prospective" method, but also permits entities to restate financial statements of previous periods based on pro forma disclosures made in accordance with SFAS 123. We currently utilize a standard option pricing model (i.e., Black-Scholes) to measure the fair value of stock options granted to employees. While SFAS 123R permits entities to continue to use such a model, the standard also permits the use of a "lattice" model. We have not yet determined which model we will use to measure the fair value of employee stock options upon the adoption of SFAS 123R. SFAS 123R also requires that the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. These future amounts cannot be estimated, because they depend on, among other things, when employees exercise stock options. However, the amount of operating cash flows recognized in prior periods for such excess tax deductions, as shown in our Consolidated Statement of Cash Flows, were $4.5 million, $5.5 million, and $1.5 million, for the years ended December 31, 2004, 2003, and 2002, respectively. We currently expect to adopt SFAS 123R effective July 1, 2005; however, we have not yet determined which of the aforementioned adoption methods we will use and are still evaluating the standard. See Note 8 for further information on our stock-based compensation plans.

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. You can identify these statements by forward-looking words such as "expect," "believe," "anticipate," "good," "plan," "intend," "estimate," "project," "will" or similar words. In addition, statements contained within this annual report that are not historical facts are forward-looking statements, such as statements discussing 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 or implied in these forward-looking statements. Please refer to the Risk Factors sections of the annual report on Form 10-K for the year ended December 31, 2004, for additional factors that could materially affect our financial performance.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of O'Reilly Automotive, Inc. and Subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Internal control over financial reporting includes all policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

Under the supervision and with the participation of our management, including our principal Executive Officer and our principal Financial Officer, we assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control – Integrated Framework*. Based on our assessment, we believe that as of December 31, 2004, the Company's internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, Independent Registered Public Accounting Firm, that audited the Company's consolidated financial statements has issued an attestation report on management's assessment of the Company's internal control over financial reporting, as stated in their report which is included herein.

Greg Henslee
Chief Executive Officer &
Co-President

Jim Batten
Executive Vice President of Finance &
Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that O'Reilly Automotive, Inc. and Subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). O'Reilly Automotive, Inc. and Subsidiaries' management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that O'Reilly Automotive, Inc. and Subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, O'Reilly Automotive, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of O'Reilly Automotive, Inc. and Subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004 of O'Reilly Automotive, Inc. and Subsidiaries and our report dated March 7, 2005 expressed an unqualified opinion thereon.

Ernst + Young LLP

Kansas City, Missouri
March 7, 2005

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

December 31,	2004	2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 69,028	$ 21,094
Accounts receivable, less allowance for doubtful accounts of $3,417 in 2004 and $986 in 2003	60,928	52,235
Amounts receivable from vendors, net	52,976	50,695
Inventory	625,320	523,750
Deferred income taxes	-	4,753
Other current assets	5,225	4,399
Total current assets	813,477	656,926
Property and equipment, at cost:		
Land	82,781	58,571
Buildings	278,752	212,937
Leasehold improvements	108,144	79,994
Furniture, fixtures and equipment	257,890	220,123
Vehicles	64,227	54,517
	791,794	626,142
Accumulated depreciation and amortization	224,301	177,084
Net property and equipment	567,493	449,058
Notes receivable, less current portion	21,690	24,313
Other assets, net	29,697	26,736
Total assets	$1,432,357	$1,157,033
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Income taxes payable	$ 9,736	$ 6,872
Accounts payable	240,548	145,954
Self insurance reserve	25,174	18,847
Accrued payroll	15,130	17,307
Accrued benefits and withholdings	10,620	8,521
Deferred income taxes	7,198	-
Other current liabilities	24,817	16,883
Current portion of long-term debt	592	925
Total current liabilities	333,815	215,309
Long-term debt, less current portion	100,322	120,977
Deferred income taxes	38,440	29,448
Other liabilities	11,963	7,014
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—55,377,130 in 2004 and 54,664,976 in 2003	554	547
Additional paid-in capital	326,650	302,691
Retained earnings	620,613	481,047
Total shareholders' equity	947,817	784,285
Total liabilities and shareholders' equity	$1,432,357	$1,157,033

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

Years ended December 31,	2004	2003	2002
Product sales	$1,721,241	$1,511,816	$1,312,490
Cost of goods sold, including warehouse and distribution expenses	978,076	873,481	759,090
Gross profit	743,165	638,335	553,400
Operating, selling, general and administrative expenses	552,707	473,060	415,099
Operating income	190,458	165,275	138,301
Other income (expense):			
Interest expense	(4,700)	(6,864)	(9,248)
Interest income	901	298	989
Other, net	1,078	1,333	940
	(2,721)	(5,233)	(7,319)
Income before income taxes and cumulative effect of accounting change	187,737	160,042	130,982
Provision for income taxes	70,063	59,955	48,990
Income before cumulative effect of accounting change	117,674	100,087	81,992
Cumulative effect of accounting change, net of tax $13,303	21,892	-	-
Net income	$ 139,566	$ 100,087	$ 81,992
Basic income per common share:			
Income before cumulative effect of accounting change	$ 2.14	$ 1.86	$ 1.54
Cumulative effect of accounting change	0.40	-	-
Net income per common share	$ 2.54	$ 1.86	$ 1.54
Weighted-average common shares outstanding	55,010	53,908	53,114
Income per common share—assuming dilution:			
Income before cumulative effect of accounting change	$ 2.11	$ 1.84	$ 1.53
Cumulative effect of accounting change	0.40	-	-
Net income per common share—assuming dilution	$ 2.51	$ 1.84	$ 1.53
Adjusted weighted-average common shares outstanding	55,711	54,530	53,692

See accompanying notes.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	common stock shares	common stock par value	additional paid-in capital	retained earnings	total
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
Issuance of common stock under employee benefit plans	221	2	8,358	-	8,360
Issuance of common stock under stock option plans	491	5	11,075	-	11,080
Tax benefit of stock options exercised	-	-	4,526	-	4,526
Net income	-	-	-	139,566	139,566
BALANCE AT DECEMBER 31, 2004	55,377	$554	$326,650	$620,613	$947,817

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Years ended December 31,	2004	2003	2002
OPERATING ACTIVITIES			
Net income	$139,566	$100,087	$ 81,992
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change	(21,892)	-	-
Depreciation	53,126	41,216	35,923
Amortization	1,199	1,158	984
Provision for doubtful accounts and notes	2,942	2,461	1,873
Loss (gain) on sale of property and equipment	46	(264)	(58)
Deferred income taxes	7,640	13,796	5,666
Common stock contributed to employee benefit plans	5,067	4,026	3,512
Tax benefit of stock options exercised	4,526	5,486	1,464
Changes in operating assets and liabilities:			
Accounts receivable	(11,636)	(9,108)	(5,701)
Amounts receivable from vendors	(3,606)	(4,824)	(4,478)
Inventory	(66,375)	(19,652)	(56,305)
Refundable income taxes	-	-	168
Other current assets	(835)	(540)	(788)
Other assets	(50)	(4,005)	-
Accounts payable	94,594	29,760	23,495
Income taxes payable	2,865	(2,926)	9,798
Accrued payroll	(2,177)	2,050	2,391
Accrued benefits and withholdings	8,427	8,203	5,127
Other current liabilities	7,934	(267)	(1,148)
Other liabilities	5,175	2,179	618
Net cash provided by operating activities	226,536	168,836	104,533
INVESTING ACTIVITIES			
Purchases of property and equipment	(173,486)	(136,497)	(102,257)
Proceeds from sale of property and equipment	1,653	1,273	2,278
Payments received on notes receivable	2,634	871	862
(Investment in) reduction of other assets	(2,787)	3,793	(6,268)
Net cash used in investing activities	(171,986)	(130,560)	(105,385)
FINANCING ACTIVITIES			
Payments on notes payable to bank	-	-	(5,000)
Proceeds from issuance of long-term debt	-	27,900	179,640
Principal payments on long-term debt	(20,989)	(98,577)	(166,761)
Net proceeds from issuance of common stock	14,373	24,162	7,265
Net cash (used in) provided by financing activities	(6,616)	(46,515)	15,144
Net increase (decrease) in cash and cash equivalents	47,934	(8,239)	14,292
Cash and cash equivalents at beginning of year	21,094	29,333	15,041
Cash and cash equivalents at end of year	$ 69,028	$ 21,094	$ 29,333

See accompanying notes.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

O'Reilly Automotive, Inc. (the Company) is a specialty retailer and supplier of automotive aftermarket parts, tools, supplies and accessories to both the 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, South Carolina, 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. Inventory also includes related procurement, warehousing and distribution center costs. 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 $628,309,000 and $513,365,000 as of December 31, 2004 and 2003, respectively. Please refer to Note 2 for cumulative effect of accounting change.

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 includes amounts due to 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 a straight-line method 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 lease term or the estimated economic life of the assets. The lease term includes renewal options determined by management at lease inception for which failure to renew options would result in a substantial economic penalty to the Company. Maintenance and repairs are charged to expense as incurred. Upon retirement or sale, the cost and accumulated depreciation are eliminated and the gain or loss, if any, is included in the determination of net income as a component of other income (expense). The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable.

The Company capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowings. Total interest costs capitalized for the years ended December 31, 2004, 2003 and 2002, were $2,579,000, $1,808,000 and $369,000, 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 $22,999,000, $19,533,000 and $14,442,000 for the years ended December 31, 2004, 2003 and 2002, 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 8, 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. During the fourth quarter of 2004, the Company changed its method of applying its LIFO accounting policy for inventory costs (see Note 2 - Accounting Changes). Our stock compensation pro forma information for the years ended December 31, is as follows, both excluding and including the effects of the inventory accounting change:

(In thousands, except per share data)	2004	2003	2002
Excluding inventory accounting change			
Net income, as reported	$139,566	$100,087	$81,992
Stock-based compensation expense, net of tax, as reported	-	-	-
Stock-based compensation expense, net of tax, under fair value method	7,468	9,204	7,217
Pro forma net income	$132,098	$ 90,883	$74,775
Pro forma basic net income per share	$ 2.40	$ 1.69	$ 1.41
Pro forma net income per share-assuming dilution	$ 2.37	$ 1.67	$ 1.39
Net income per share, as reported			
Basic	$ 2.54	$ 1.86	$ 1.54
Assuming dilution	$ 2.51	$ 1.84	$ 1.53
Including inventory accounting change			
Net income	N/A	$100,599	$84,633
Stock based compensation expense, net of tax, as reported	N/A	-	-
Stock based compensation expense, net of tax, under fair value method	N/A	9,204	7,217
Pro forma net income	N/A	$ 91,395	$77,416
Pro forma basic net income per share	N/A	$ 1.70	$ 1.46
Pro forma net income per share-assuming dilution	N/A	$ 1.68	$ 1.44

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 272,000, 66,750 and 816,250 for the years ended December 31, 2004, 2003 and 2002, 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, cash equivalents, accounts receivable and 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 receivables are limited because the Company's customer base consists of a large number of smaller customers, thus spreading the credit risk. The Company controls credit risk through credit approvals, credit limits and monitoring procedures. Generally, the Company does not require security when 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 $25,108,000 and $27,742,000 at December 31, 2004 and 2003, respectively. The notes receivable, which bear interest at rates ranging from 0% to 10%, are due in varying amounts through August 2017.

New Accounting Pronouncements

In November 2004, the FASB issued SFAS 151, *Inventory Costs, an amendment of ARB No. 43, Chapter 4*. The standard requires that abnormal amounts of idle capacity and spoilage costs should be excluded from the cost of inventory and expensed when incurred. The provision is effective for fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of this standard to have a material effect on its financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS 153, *Exchanges of Nonmonetary Assets, an amendment of APB No. 29, Accounting for Nonmonetary Transactions*. SFAS 153 requires exchanges of productive assets to be accounted for at fair value, rather than at carryover basis, unless (1) neither the asset received nor the asset surrendered has a fair value that is determinable within reasonable limits or (2) the transactions lack commercial substance. SFAS 153 is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not expect the adoption of this standard to have a material effect on its financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment*. SFAS No. 123R is a revision of SFAS No. 123, *Accounting for Stock Based Compensation*, and supersedes APB 25. Among other items, SFAS 123R eliminates the use of APB 25 and the intrinsic value method of accounting, and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. The effective date of SFAS 123R is the first reporting period beginning after June 15, 2005, which is third quarter 2005 for calendar year companies, although early adoption is allowed. SFAS 123R permits companies to adopt its requirements using either a “modified prospective” method, or a “modified retrospective” method. Under the “modified prospective” method, compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS 123R for all share-based payments granted after that date, and based on the requirements of SFAS 123 for all unvested awards granted prior to the effective date of SFAS 123R. Under the “modified retrospective” method, the requirements are the same as under the “modified prospective” method, but also permits entities to restate financial statements of previous periods based on pro forma disclosures made in accordance with SFAS 123. The Company currently utilizes a standard option pricing model (i.e., Black-Scholes) to measure the fair value of stock options granted to employees. While SFAS 123R permits entities to continue to use such a model, the standard also permits the use of a “lattice” model. The Company has not yet determined which model it will use to measure the fair value of employee stock options upon the adoption of SFAS 123R. See Note 8 for further information. SFAS 123R also requires that the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. These future amounts cannot be estimated, because they depend on, among other things, when employees exercise stock options. However, the amount of operating cash flows recognized in prior periods for such excess tax deductions, as shown in the Company's Consolidated Statement of Cash Flows, were $4.5 million, $5.5 million, and $1.5 million, for the years ended December 31, 2004, 2003, and 2002, respectively. The Company currently expects to adopt SFAS 123R effective July 1, 2005; however, the Company has not yet determined which of the aforementioned adoption methods it will use and is still evaluating the standard.

Reclassifications

The Company made certain reclassifications to prior periods to conform to current year presentation.

Leases

The Company's policy is to amortize leasehold improvements over the lesser of the lease term or the estimated economic life of those assets. Generally, for stores the lease term is the base lease term and for distribution centers the lease term includes the base lease term plus certain renewal option periods for which renewal is reasonably assured and failure to exercise the renewal option would result in an economic penalty. The calculation for straight-line rent expense is based on the same lease term. Previously, leasehold improvements were amortized over a period of time which included both the base lease term and the first renewal option period of the lease and rent expense was recorded as paid.

As a result, the Company's 2004 statement of income includes an adjustment to correct its lease accounting of $10.4 million ($3.5 million related to 2004), $6.5 million, net of tax. Prior years' financial statements will not be restated due to the immateriality of the issue to the results of operations and statement of financial position for the current year or any individual year. As the correction relates solely to accounting treatment, it does not affect the Company's historical or future cash flows.

The effect from these corrections, which is reflected in the financial statements, is an increase in depreciation expense of $6.0 million ($2.6 million related to 2004), an increase in rent expense of $4.4 million ($0.9 million related to 2004), and a decrease in income tax expense of $3.9 million.

NOTE 2 — ACCOUNTING CHANGES

The Company's inventory consists of automotive hard parts, maintenance items, accessories and tools. During the fourth quarter of 2004, the Company changed its method of applying its LIFO accounting policy for inventory costs. Under the new method, the Company has inventoried certain procurement, warehousing and distribution center costs. The Company's previous method was to recognize those costs as incurred, reported as a component of costs of goods sold. The Company believes the change in application of the LIFO accounting method is preferable as it better matches revenues and expenses and is the prevalent method used by other entities within the Company's industry. The cumulative effect of this change in application of accounting method is $21,892,000 as of January 1, 2004, net of the related deferred tax effect of $13,303,000. The change increased 2004 net income before cumulative effect of accounting change by $2,722,000 or $0.05 per share. Prior 2004 quarterly financial statements have been restated to reflect this change, effective January 1, 2004, (see Restatement of Quarterly Results in Management's Discussion and Analysis of Financial Condition and Results of Operations). Pro forma changes to results of operations as if the new method had been applied for the years ended December 31, 2003 and 2002 are presented below.

Years Ended December 31,

(in thousands)	As originally reported 2003	Adjustment	Pro forma 2003	As originally reported 2002	Adjustment	Pro forma 2002
Product sales	$1,511,816	$ -	$1,511,816	$1,312,490	$ -	$1,312,490
Cost of goods sold, including warehouse and distribution expense	873,481	(823)	872,658	759,090	(4,246)	754,844
Operating, selling, general and administrative expenses	473,060	-	473,060	415,099	-	415,099
Operating income	165,275	823	166,098	138,301	4,246	142,547
Other expense, net	(5,233)	-	(5,233)	(7,319)	-	(7,319)
Income before income taxes	160,042	823	160,865	130,982	4,246	135,228
Provision for income taxes	59,955	311	60,266	48,990	1,605	50,595
Net income	$ 100,087	$ 512	$ 100,599	$ 81,992	$ 2,641	$ 84,633
Basic income per share	$ 1.86	$ 0.01	$ 1.87	$ 1.54	$ 0.05	$ 1.59
Net income per share – assuming dilution	$ 1.84	$ 0.00	$ 1.84	$ 1.53	$ 0.05	$ 1.58
Weighted-average common shares outstanding	53,908	53,908	53,908	53,114	53,114	53,114
Weighted-average common shares outstanding–assuming dilution	54,530	54,530	54,530	53,692	53,692	53,692

NOTE 3—RELATED PARTIES

The Company leases certain land and buildings related to fifty 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 twenty-one 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 5). Rent payments under these operating leases totaled $3,374,000, $3,238,000 and $3,222,000 in 2004, 2003 and 2002, respectively.

NOTE 4—LONG-TERM DEBT

On July 29, 2002, the Company amended the 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 the Company's 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. At December 31, 2004 the Company had no outstanding balance with the Credit Facility. The Credit Facility bears interest at LIBOR plus a spread ranging from 0.875% to 1.375% (2.06% at December 31, 2003) and expires in July 2005. At December 31, 2003, $20.0 million of the Credit Facility was outstanding. Accordingly, the Company's aggregate availability for additional borrowings under the Credit Facility was $128.7 million and $119.0 million at December 31, 2004 and 2003, respectively.

The Company issues stand-by letters of credit provided by a $30 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 $21.3 million and $11.0 million were outstanding at December 31, 2004 and 2003, 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 a capitalized lease. The lease agreement has a term of 30 months, expiring in 2006. At December 31, 2004, the monthly installment under this agreement was approximately $48,500. The present value of the future minimum lease payments under these agreements totaled $858,000 and $1,426,300 at December 31, 2004, and 2003, respectively, which has been classified as long-term debt in the accompanying consolidated financial statements. During 2004, the Company did not purchase any assets under a capitalized lease. During 2003, the Company purchased $1,426,300 of assets under a capitalized lease.

Principal maturities of long-term debt for each of the next five years ending December 31, are as follows *(amounts in thousands):*

2005	$ 592
2006	75,300
2007	17
2008	25,005
2009	-
Thereafter	-
	$100,914

Cash paid by the Company for interest during the years ended December 31, 2004, 2003, and 2002, amounted to $4,960,000, $6,864,000, and $9,248,000, respectively.

NOTE 5—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 $43.2 million at December 31, 2004, 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 FASB Interpretation No. 46. Future minimum rental commitments under the Facility have been included in the table of future minimum annual rental commitments below.

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, 2004, future minimum rental payments under all of the Company's operating leases for each of the next five years and in the aggregate are as follows *(amounts in thousands):*

	Related Parties	Non-related Parties	Total
2005	$ 3,334	$ 33,041	$ 36,375
2006	3,349	30,910	34,259
2007	3,351	29,386	32,737
2008	3,277	26,587	29,864
2009	2,462	23,882	26,344
Thereafter	7,479	182,629	190,108
	$23,252	$326,435	$349,687

Rental expense amounted to $39,145,000, $31,865,000 and $29,652,000 for the years ended December 31, 2004, 2003, and 2002, respectively. 2004 rental expense includes an adjustment to correct lease accounting in the amount of $4,367,000 ($900,000 related to 2004). See Note 1 – Leases for further details.

Other Commitments

The Company had construction commitments, which totaled approximately $32.3 million, at December 31, 2004.

NOTE 6—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 7—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 $5,278,000 in 2004, $4,353,000 in 2003 and $3,438,000 in 2002. 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
2004	40,684	$1,766,000
2003	42,183	1,478,000
2002	38,354	1,136,000

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

Year Funded	Shares	Market Value
2004	78,730	$3,000,000
2003	85,184	2,300,000
2002	77,876	2,200,000

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 Fair Value	Market Value
2004	93,877	$41.70	$3,915,000
2003	103,457	32.38	3,350,000
2002	102,662	29.62	3,041,000

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
2004	7,917	$302,000
2003	10,530	248,000
2002	4,779	175,000

NOTE 8—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 ten 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, 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
Granted	37.06 - 46.75	858,125
Exercised	10.56 - 40.39	(470,977)
Canceled	10.94 - 46.29	(239,114)
Outstanding at December 31, 2004	$10.94 - 46.75	3,400,133

Options to purchase 1,612,600, 1,223,409 and 1,566,104 shares of common stock were exercisable at December 31, 2004, 2003, and 2002, respectively.

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, 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
Granted	41.67	12,500
Exercised	12.44 - 20.65	(20,000)
Outstanding at December 31, 2004	$20.65 - 41.67	102,500

All options under this plan were exercisable at December 31, 2004, 2003, and 2002.

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 2004, 2003, and 2002, respectively: risk-free interest rates of 3.01%, 3.61% and 4.01%; volatility factors of the expected market price of the Company's common stock of .404, .458, and .481; and expected life of the options of 4.0, 9.4 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, 2004, 2003, and 2002 were $14.47, $20.56 and $17.75, respectively. The weighted-average remaining contractual life at December 31, 2004, for all outstanding options under the Company's stock option plans is 7.2 years. The weighted-average exercise price for all outstanding options under the Company's stock option plans was $29.88, $26.11 and $22.78 at December 31, 2004, 2003 and 2002, 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.

NOTE 9—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,	2004	2003	2002
Numerator (basic and diluted):			
Net income	$139,566	$100,087	$ 81,992
Denominator:			
Denominator for basic income per common share- weighted-average shares	55,010	53,908	53,114
Effect of stock options (Note 8)	701	622	578
Denominator for diluted income per common share- adjusted weighted-average shares and assumed conversion	55,711	54,530	53,692
Basic net income per common share	$ 2.54	$ 1.86	$ 1.54
Net income per common share-assuming dilution	$ 2.51	$ 1.84	$ 1.53

NOTE 10—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)	2004	2003
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	$ 1,292	$ 373
Other accruals	10,038	6,973
Noncurrent:		
Other accruals	1,980	-
Total deferred tax assets	13,310	7,346
Deferred tax liabilities:		
Current:		
Inventory carrying value	18,528	2,593
Noncurrent:		
Property and equipment	39,203	29,171
Other	1,217	277
Total deferred tax liabilities	58,948	32,041
Net deferred tax liabilities	$(45,638)	$(24,695)

The provision for income taxes consists of the following:

(In thousands)	Current	Deferred	Total
2004:			
Federal	$56,385	$6,942	$63,327
State	6,038	698	6,736
	$62,423	$7,640	$70,063
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

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

(In thousands)	2004	2003	2002
Federal income taxes at statutory rate	$65,708	$56,015	$45,844
State income taxes, net of federal tax benefit	4,355	3,935	3,140
Other items, net	-	5	6
	$70,063	$59,955	$48,990

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, 2004, 2003, and 2002, cash paid by the Company for income taxes amounted to $55,140,000, $43,007,000 and $31,119,000, respectively.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF 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, 2004 and 2003, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. 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 the standards of the Public Company Accounting Oversight Board (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, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, in 2004 the Company changed its method of accounting for inventory.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of O'Reilly Automotive, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 7, 2005 expressed an unqualified opinion thereon.

Ernst & Young LLP

Kansas City, Missouri
March 7, 2005

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
Chairman of the Board and Director

Larry O'Reilly
Vice Chairman of the Board and Director

Rosalie O'Reilly-Wooten
Director

Jay Burchfield
Director
Compensation Committee - Chairman and Corporate Governance/Nominating Committee

Joe Greene
Director
Corporate Governance/ Nominating Committee - Chairman

Paul Lederer
Director
Audit Committee and Compensation Committee

John Murphy
Director
Audit Committee - Chairman and Corporate Governance/ Nominating Committee

Ronald Rashkow
Director
Audit Committee and Compensation Committee

Greg Henslee
Chief Executive Officer and Co-President

Ted Wise
Chief Operating Officer and Co-President

Jim Batten
Executive Vice President of Finance and Chief Financial Officer

Jeff Shaw
Senior Vice President of Store Operations and Sales

Mike Swearengin
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

Ken Cope
Vice President of Eastern Division

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

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 Distribution Center Director

Doug Bragg
Director of Oklahoma Region

Mike Chapman
Director of West Texas Region

Keith Childers
Director of Little Rock Region

Tom Connor
Regional Distribution Center Director

Joe Edwards
Director of Store Installations

Phyllis Evans
Director of Store Administration

John Grassham
Director of St Louis Region

Julie Gray
Director of Corporate Services

Jeff Groves
Director of Legal and Claims Services

Joe Hankins
Director of Store Design

Brett Heintz
Director of Retail Systems

Jack House
Director of Customer Services

Greg Johnson
Director of Distribution

Michelle Kimrey
Director of Internal Audit

Brad Knight
Director of Pricing

Richard Mann Jr.
Regional Distribution Center Director

Kenny Martin
Director of Gulf States Region

Jim Maynard
Director of Employment and Team Member Relations

Brad Oplotnik
Director of Systems Management

Kevin Overmon
Director of Nashville Region

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

Mark Smith
Director of Dallas Region

Charlie Stallcup
Director of Training

David Strom Sr.
Director of Houston Region

Bert Tamez
Director of Valley Region

Mark Van Hoecke
Director of Knoxville Region

Jeffrey Watts
Director of Eastern Division Sales

Wes Wise
Director of Marketing

CORPORATE MANAGEMENT

Ray Aguirre
Regional Field Sales Manager

Tom Allen
Operations Computer Manager

Dan Altis
Distribution Center Manager

Mark Alwardt
Division Loss Prevention 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-Technical Support

Mark Chambers
Regional Field Sales Manager

Bruce Creason
Distribution Center Safety Manager

Garry Curbow
Replenishment Manager

Sean Dando
Regional Field Sales Manager

Cecil Davis
Inbound Operations Manager

Mark Decker
Distribution Center Manager

Randy Decoito
Regional Field Sales Manager

Jay Enloe
Risk and Insurance Manager

Paula Eyman
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

Bob Gillespie
Corporate Safety Manager

Art Glidewell
Distribution Center Manager

David Glore
Ozark Sales Manager

Garry Glossip
Payroll Manager-Operations

Ron Greenway
Tax Manager

Kevin Greven
Motorsports Manager

Bridget Harmon
PC Support Manager

Mike Hauk
Division Training Manager

Doy Hensley
Help Support Manager

Rubin Herrera
Regional Field Sales Manager

Diana Hicks
Internal Communications Manager

Joe Hook
Regional Field Sales Manager

Doug Hopkins
Distribution Systems Manager

Doug Hutchison
Inventory Project Manager

Karen James
Marketing Production Manager

Curtis Johnson
Jobber Regional Field Sales Manager

Dave Jordan
Distribution Center 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 Martinez
Distribution Center Manager

Jeff McKinney
Customer Satisfaction Manager

Bryan Mescher
Regional Field Sales Manager

Chapman Norman
Inventory Maintenance Manager

OPERATIONS MANAGEMENT *(continued)*

James Owens
Regional Field Sales Manager

Steve Peterie
Construction Design Manager

Tony Phelps
Distribution Center Manager

Jana Phillips
Real Estate Contract Manager

Steve Phillips
Southern Division Loss Prevention Manager

Paul Pike
Regional Field Sales Manager

Roman Ramos
Regional Field Sales Manager

Ed Randall
Real Estate Site Acquisition Manager

Lyn Robertson
Accounts Receivable Manager

Chuck Rogers
Installer Systems Manager

Mary Sabor
Distribution Center Administrative Services Manager

Rick Samsel
Inventory Control Manager

Tim Scholl
Distribution Center Field Projects Manager

Joyce Schultz
Houston Office Manager

Bill Seiber
Distribution Center Manager

Darren Shaw
Product Manager

Garry Shelby
Regional Field Sales Manager

Tim Smith
Credit Manager

Tom Smith
Training Manager

Dwayne Snow
Regional Field Sales Manager

Paul Stinson
Regional Field Sales Manager

Mary Stratton
Human Resources Records Manager

Rob Verch
Product Manager

Bryan Wade
Distribution Center Manager

Tamra Waitman
Assistant Controller

Patton Walden Jr.
MidState Division Training Manager

Matt Weldon
PBE Sales Manager

Larry Wiles
Audio/Visual Communications Manager

Saundra Wilkinson
Store Support Manager

Joe Winterberg
Product Manager

Mike Yates
Installer Marketing Manager

Terry Yates
Regional Field Sales Manager

DISTRICT CORP. MGMT.

Abel Abila
Gary Addison
Eddie Allen
Henry Armington
Emmitt Barina
Brince Beasley
Brad Beckham
Steve Beil
Aaron Biggs
Kirk Bilski
Patrick Brown
David Byers
Mark Cannon
Fred Carrington
Jimmy Carter
David Chavis
Dirk Chester
Jim Dickens
Robert Doss
Bruce Dowell
Dan Dowell
Tommy Dunn
Mike Eckelkamp
Paul Engaldo
Ron England
Tony Fagan
Bill Fellows
Kirk Frazier
Mark Frazier
Jason Frizzell
Butch Galloway
Samuel Garza
Dennis Gonzales
Kyle Gorzik
Chris Harrelson
Billy Harris
James Harris
Jon Haught
Rick Hedges
Gerry Hendrix
Perry Hess
Mike Hollis
Jeff Howard
Craig Hudgens
Johnny Jarvis
Jeff Jennings
James Jones Jr.
Chad Keel
Butch Kelton
Todd Kemper
Scott Kraus
John Krebs
Mark Langrehr
Scott Leonhart
Chris Lewis
Kirk Locklin
Oliverio Lopez
Mark Mach
Cliff Martin
John Martinez
Rodger McClary
Marc McGehee
Travis McPherson
Chris Meade
Curt Miles
Andy Moore
Don Morgan
Randy Morris
Ciro Moya
Ramon Odems
Ken Omland
Ron Papay
Jude Patterson
Mike Payne
Gilbert Perez
Pernell Peters
David Pilat
Randy Pilcher
Mike Platt
Troy Polston
Robert Poynor
Greg Pryer
Will Reger
Tommy Rhoads
Alan Riddle
Edward Robles
Larry Roof
Juan Salinas
Jim Scott
Brad Seaborn
Cliff Sedtal
Steven Severe
Kevin Shockey
Eric Sims
Bob Snodgrass
Robert Spencer
Robin Stivers
Scott Strayhorn
Jeff Stutzman
Marvin Swaim
Randy Swaim
Alan Sweeton
Jeff Tagert
Randy Tanner
Rick Tearney
Dallas Thompson
Justin Tracy
Bo Waldrop
Terry Walker
Brett Warstler
John Weatherly
Rob Weiskirch
John Wells
Allen Wise
Dexter Woods
Jason York
Cody Zimmerman

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

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

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

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

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

ANNUAL MEETING
The annual meeting of shareholders of O'Reilly Automotive, Inc. will be held at 10:00 a.m. local time on May 3, 2005, at the Clarion Hotel, Ballrooms 1 and 2, 3333 South Glenstone Ave in Springfield, Missouri. Shareholders of record as of February 25, 2005, 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 25, 2005, O'Reilly Automotive, Inc. had approximately 29,282 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.:
AG Edwards & Sons – Brian Postol
Friedman, Billings, Ramsey & Co, Inc. – Reed Anderson
Lehman Brothers Equities Research – Alan Rifkin
Monarch Research LLC – Cid Wilson
Piper Jaffray – Michael Cox
Prudential Equity Group, LLC – John Tomlinson
Raymond James & Associates – Gerald Marks
RBC Capital Markets – Scot Ciccarelli
Robert W. Baird & Co – David Cumberland
SG Cowen Securities – Joseph Feldman
Smith Barney – Bill Sims
SunTrust Robinson Humphrey Capital Markets – Frank Brown
UBS Equities – Gary Balter
William Blair & Company – Sharon Zackfia

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.

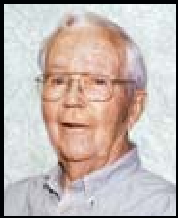
	2004		2003	
	High	Low	High	Low
First Quarter	$41.69	$36.46	$27.86	$22.91
Second Quarter	47.07	39.18	35.39	26.76
Third Quarter	45.35	36.06	39.96	33.23
Fourth Quarter	45.64	37.00	44.90	36.54
For the Year	47.07	36.06	44.90	22.91

O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES
EXHIBIT 21.1 – SUBSIDIARIES OF THE COMPANY

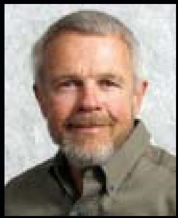
Subsidiary	State of Incorporation
Ozark Automotive Distributors, Inc.	Missouri
Greene County Realty Co.	Missouri
O'Reilly II Aviation, Inc.	Missouri
Ozark Services, Inc.	Missouri
Hi-LO Investment Company	Delaware
Hi-LO Management Company	Delaware

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

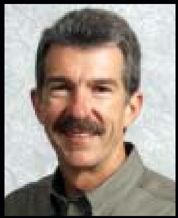
BOARD OF DIRECTORS



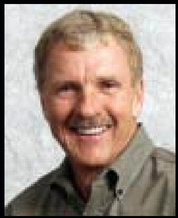
Chub O'Reilly
Chairman of the Board Emeritus



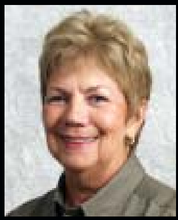
Charlie O'Reilly
Vice Chairman of the Board and Director



David O'Reilly
Chairman of the Board and Director

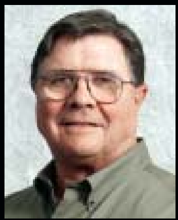


Larry O'Reilly
Vice Chairman of the Board and Director

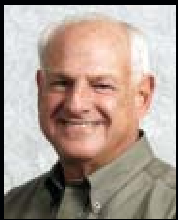


Rosalie O'Reilly-Wooten
Director

Jay Burchfield
Director
Compensation Committee - Chairman and Corporate Governance/Nominating Committee

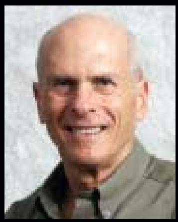


Joe Greene
Director
Corporate Governance/ Nominating Committee - Chairman



Paul Lederer
Director
Audit Committee and Compensation Committee

John Murphy
Director
Audit Committee - Chairman and Corporate Governance/Nominating Committee



Ronald Rashkow
Director
Audit Committee and Compensation Committee

Mission Statement

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

Design: Falk Harrison Creative, St. Louis, Missouri — www.falkharrison.com

O'Reilly AUTO PARTS®

233 SOUTH PATTERSON
SPRINGFIELD, MISSOURI 65802
417-862-3333
WWW.OREILLYAUTO.COM