O'REILLY AUTOMOTIVE 2005 ANNUAL REPORT

Live Green

Putting Exceptional Customer Service to Work.

O'Reilly AUTO PARTS

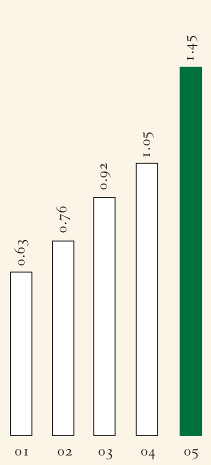
Financial Highlights

In thousands, except earnings per share data and operating data

YEARS ENDED DECEMBER 31	2005	2004	2003	2002	2001
Product Sales	$2,045,318	$1,721,241	$1,511,816	$1,312,490	$1,092,112
Operating Income	252,524	190,458	165,275	138,301	113,831
Net Income[(a)]	164,266	117,674	100,087	81,992	66,352
Working Capital	424,974	479,662	441,617	483,623	429,527
Total Assets	1,713,899	1,432,357	1,157,033	1,009,419	856,859
Long-Term Debt	25,461	100,322	120,977	190,470	165,618
Shareholders' Equity	1,145,769	947,817	784,285	650,524	556,291
Net Income Per Common Share (assuming dilution)[(a)]	1.45	1.05	0.92	0.76	0.63
Weight-Average Common Share (assuming dilution)	113,385	111,423	109,060	107,384	105,572
Stores At Year-End	1,470	1,249	1,109	981	875
Same-Store Sales Gain	7.5%	6.8%	7.8%	3.7%	8.8%

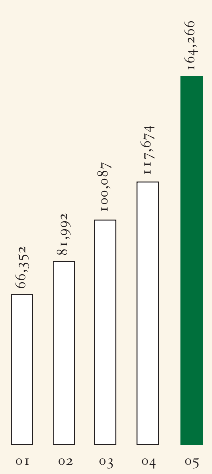
2005 was another outstanding year for Team O'Reilly. We reached our sales goal originally set back in 2002 of having $2 billion in sales by 2005. This is a direct result of the commitment of over 19,000 team members working together as one team.

EARNINGS PER SHARE[(a)]
(assuming dilution)



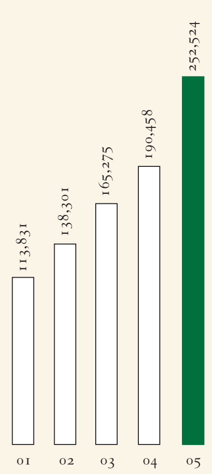
Earnings per share increased 38.1% over 2004 to $1.45 per share. On June 15, our Board of Directors declared a 2-for-1 stock split as a result of our continued strong financial performance and their expectations for our future growth.

NET INCOME[(a)]
(in thousands)



Net income increased 39.6% in 2005 as a result of our continued focus on customer service and drive to make O'Reilly Auto Parts the number one distributor of auto parts in all of our markets.

OPERATING INCOME[(a)]
(in thousands)

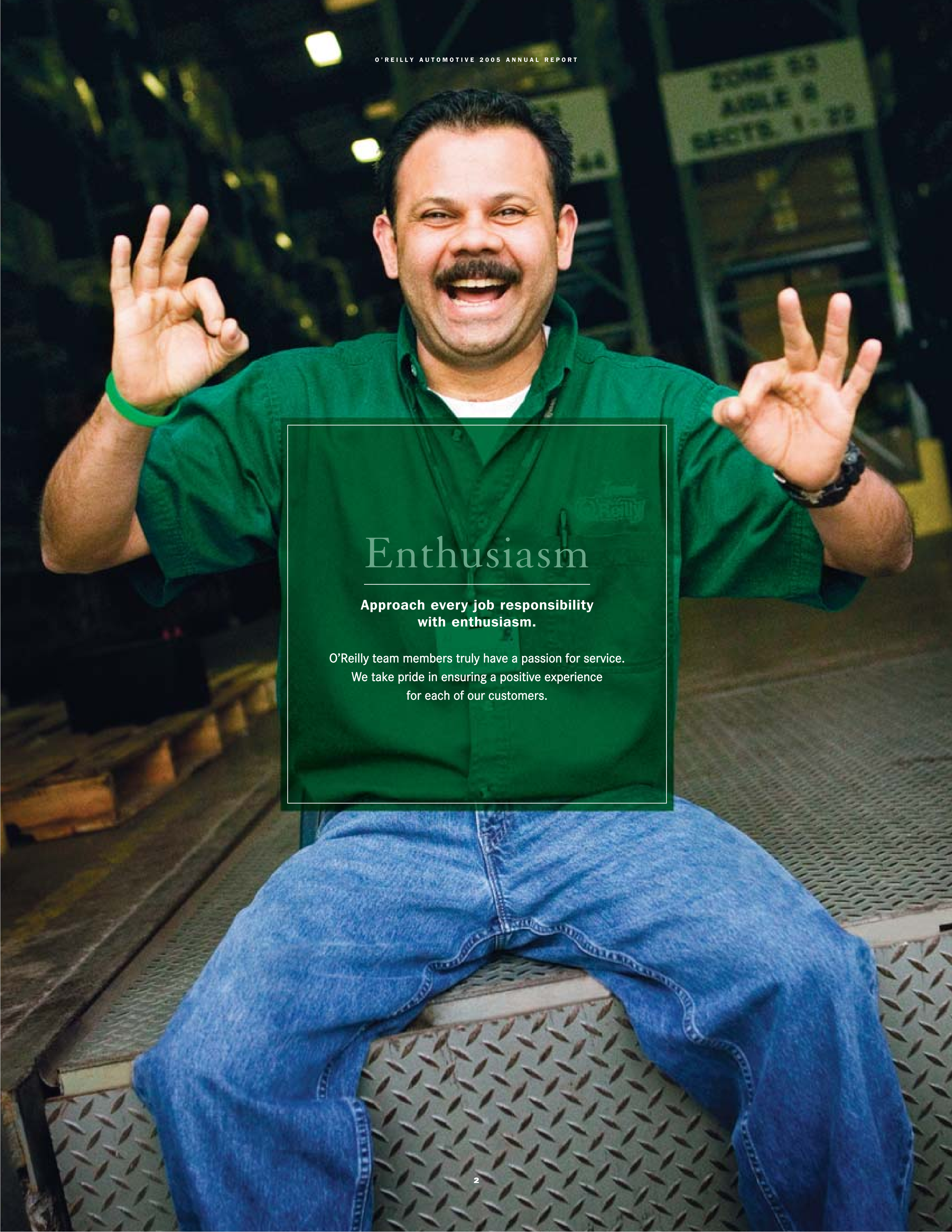


With our continued efforts to control expenses while also driving sales, our operating margin increased to 12.3% in 2005 which is the highest level in company history.

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

Living Green

Culture can't be selected or scripted, it must be consistently practiced. The O'Reilly Culture is more than a slogan or a short-term program, it's a way of life … something we live and breathe. Day in and day out, our culture comes alive in our stores and clearly differentiates us from the competition.



Enthusiasm

Approach every job responsibility with enthusiasm.

O'Reilly team members truly have a passion for service. We take pride in ensuring a positive experience for each of our customers.

Hard Work

Work harder and smarter than your competition.

Our unique model of doing business has proven to be very successful over time … but it is not easy. Our commitment to our customers is to ensure that we have the part they need when they need it.

Professionalism

Take pride in being a "Professional Parts Person."

We vow to provide each and every customer with industry-leading knowledge and expertise. We view ourselves as partners with our customers and we will continue to be the valuable resource they have grown to trust.

Dedication

Do everything that you can to help O'Reilly continue to be successful.

Going above and beyond the call of duty is the rule rather than the exception with Team O'Reilly. The daily dedication of our team members is the driving force in creating value for our shareholders.

Teamwork

Be a part of the team.

The time-tested success of the O'Reilly business model requires the contributions of all of our 19,000 team members. We believe that the effort of every single team member is essential to the overall success of Team O'Reilly.

Safety

Practice safe work habits and maintain a safe environment for all team members and customers.

We firmly believe that safety is never an accident. We make safety a way of life by integrating it in the way we manage and conduct our business.

Excellent Customer Service

Never forget that our customers are our bosses, and they pay our wages; treat them accordingly.

We will never settle for anything but the very highest level of customer service and would never expect our customers to accept less. Nothing is more critical to our success.

Expense Control

Think about controlling expenses at all times.

We remain serious about our responsibility to our customers and shareholders. Our decision-making process aggressively weeds out waste so that we can offer lower prices to our customers and provide exceptional returns for our shareholders.

Respect

Treat others as you would like to be treated.

Respect is the foundation of each interaction we have with our customers and fellow team members. Being kind and courteous to others is our absolute standard.

Honesty

Be honest in your dealings with O'Reilly, your fellow team members and our customers.

Our customers and fellow team members deserve honesty at all times. We build lifetime relationships with customers by always fulfilling the commitments we make.

Win-Win Attitude

Make an effort to help everyone succeed.

At O'Reilly, we are very aware that our customers must succeed in order for us to be successful. That's why our team members are providing "better parts at better prices … everyday."

Letter to Shareholders

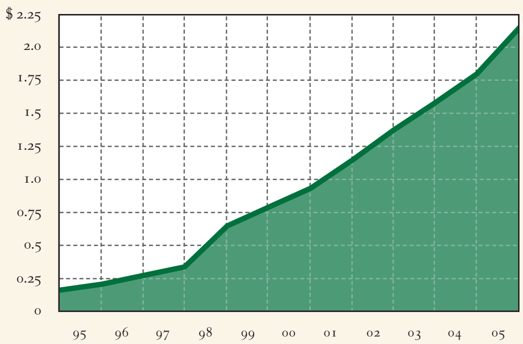
2005 was truly a momentous year for Team O'Reilly. We again realized significant expansion in our store base through aggressive growth in existing and new markets and the successful acquisition and integration of Midwest Auto Parts Distributors. Due to the dedication of our team members, we were able to overcome the extreme challenges presented by the Gulf Coast hurricanes with very little disruption to the service that we provide to our customers. We are also pleased to report that we have reached the milestone of $2 billion in sales this year, which was our "2-4-Your Future" goal that we set in 2002 to reach $2 billion in sales within four years.

The achievement of our "2-4-Your Future" goal was the result of the continued dedication from our Professional Parts People working together as one team, striving for one goal. Product sales rose to $2.05 billion in 2005, an 18.8% increase over 2004, and net income, before the cumulative effect of accounting change, increased 39.6% to $164.3 million in 2005. Our comparable store sales growth of 7.5% was among the best in the industry, continuing the tradition of market leadership by O'Reilly. Our overall operating margin improved to 12.3% in 2005, the best level ever for the Company. This performance was made possible by initiatives such as our improved wholesale pricing system and refinement of our merchandising mix, as well as ongoing incremental improvements in our merchandise acquisition costs which have been facilitated by our growth.

In addition to achieving the exceptional financial performance that our shareholders have come to expect, our stock price has continued to climb and set new records in 2005. In May, our Board of Directors declared a two-for-one stock split as a result of our continued financial performance and their confidence in our future success.

The acquisition of Midwest has proven to be an excellent fit for O'Reilly, both geographically and operationally. The Midwest acquisition provides O'Reilly a presence in Minnesota, Montana, North Dakota, South Dakota, Wisconsin and Wyoming. These six Northern Plains states are a bolt-on growth area to our existing territory and expand our presence to 25 contiguous states. We are excited about the opportunities these new markets present and we are well along the way in evaluating sites for

PRODUCT SALES
(in billions)



A mix of quality inventory and value pricing matched with our Professional Parts People lets our customers trust in their local O'Reilly store for all of their car care needs. This relationship created by our team members has resulted in us reaching our long-time goal of $2 billion in sales for 2005.

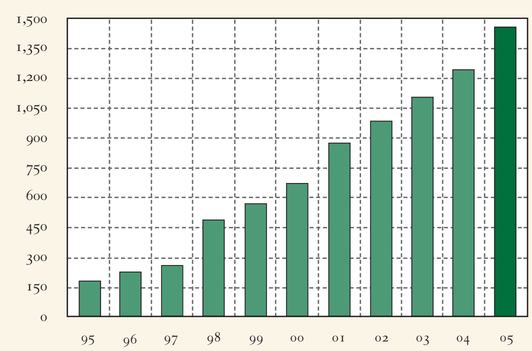
expansion. Midwest's operations have also proven to be a complement to our business model. Midwest had a track record of success in customer service to both the professional installer and the do-it-yourselfer. This is directly in line with our proven dual market strategy. We have been exceptionally pleased with the high degree of dedication and professionalism that characterize the Midwest team members. We are extremely fortunate to have added these team members to our ranks of Professional Parts People.

In addition to the 72 stores added in the acquisition of Midwest Auto Parts, we opened 149 new stores in 2005 primarily in the Southeast and Texas. We continued to expand the most extensive distribution network in the industry with the addition of Midwest's distribution centers in St. Paul, Minnesota and Billings, Montana and the opening of our distribution center in Atlanta, Georgia.

Building upon our proven and industry-leading growth model, we are planning continued aggressive growth in 2006. We have established a goal to open 170 to 175 new stores in 2006 and will open our 14th distribution center, a 405,000 square foot facility in Indianapolis, Indiana. Our integration efforts with Midwest will continue throughout 2006 as we relocate or renovate stores based upon our evaluation of market size, store location and competition. We also will complete the changeovers of the product lines in the Midwest stores which will allow us to serve our customers with a better merchandise assortment. We also are planning to roll out our new point of sale computer system which will allow our team members to more efficiently process customer transactions and speed up team member training.

Our team excelled in meeting numerous challenges in 2005 by living the O'Reilly Culture, which serves as the theme for this year's Annual Report. This was never more evident than in the response by Team O'Reilly to the difficult circumstances created by the Gulf Coast hurricanes. With our team beside us, we are excited about the prospects for 2006. We continue to be encouraged by the fundamentals and prospects for our industry and are confident in our growth opportunities in existing and expansion markets. As we continue to strive toward our goal of being the dominant supplier of auto parts in our market areas, our key advantage will be the culture that was established by our founders almost 50 years ago. This culture has been fostered ever since those beginnings and is at the heart of everything we do as we "Live Green."

TOTAL NUMBER OF STORES

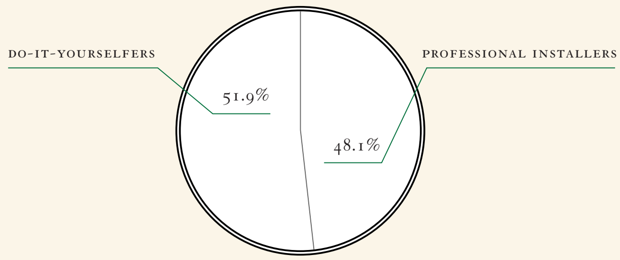


In 2005, we added 221 net, new stores which includes 72 stores we acquired through the acquisition of Midwest Auto Parts Distributors, Inc., which was headquartered in St. Paul, Minnesota.

DAVID O'REILLY	GREG HENSLEE	TED WISE	JIM BATTEN
Chairman of the Board	*Chief Executive Officer and Co-President*	*Chief Operating Officer and Co-President*	*Executive Vice President of Finance and Chief Financial Officer*


2005 Filters

DUAL MARKET
STRATEGY OVERVIEW



We believe that our unique ability to successfully service a balance of professional and DIY customers has enabled us to gain market share in many of the communities that we service.

Competitive Advantage

Dual Market Strategy

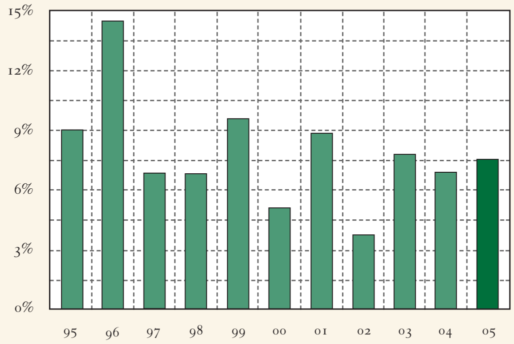
Our strategy of serving both the professional installer and do-it-yourself (DIY) customer is a core competency unmatched in our industry. Maintaining an approximate 50/50 blend between these groups enables us to expand and operate in markets that would not otherwise be large enough for a traditional auto parts store. Our dual market strategy also enables us to take advantage of growth in demand for both customer groups and provides consistent financial performance that is difficult to achieve for competitors that are primarily reliant on only DIY or professional installer sales.

We have established a legacy of service to professional installers because we consistently provide needed parts faster than our competitors while always providing exceptional service and support. We devote the resources to support the professional installer with full-time sales specialists dedicated to developing our relationships with these customers. Our support programs continually update our commercial customers on new developments in automotive technologies and our highly trained Professional Parts People provide an excellent resource. These efforts support our customers by meeting the needs of their business and are what makes us the "First Call" in the markets we serve.

Our DIY customers have also grown to rely on our superior customer service. Our stores are conveniently located and provide a large inventory to ensure our customers have access to the part they need, when they need it. Our DIY customers benefit from the expertise that our Professional Parts People employ to serve the professional installer. We make certain that our parts are competitively priced by consistently conducting reviews of our competitor's prices. Our pricing is determined based upon these reviews and internal gross margin targets and most of our products are priced at a discount to the suggested manufacturer's price.

Whether it's a professional installer needing to keep their bays turning or a do-it-yourselfer needing to get their car back on the road, our customers know that O'Reilly has "better parts at better prices … everyday."

COMPARABLE STORE SALES



Sales for existing stores open at least one year rose 7.5% in 2005 over 2004, making O'Reilly one of the leaders in the industry.

Competitive Advantage

Inventory Management & Distribution Systems

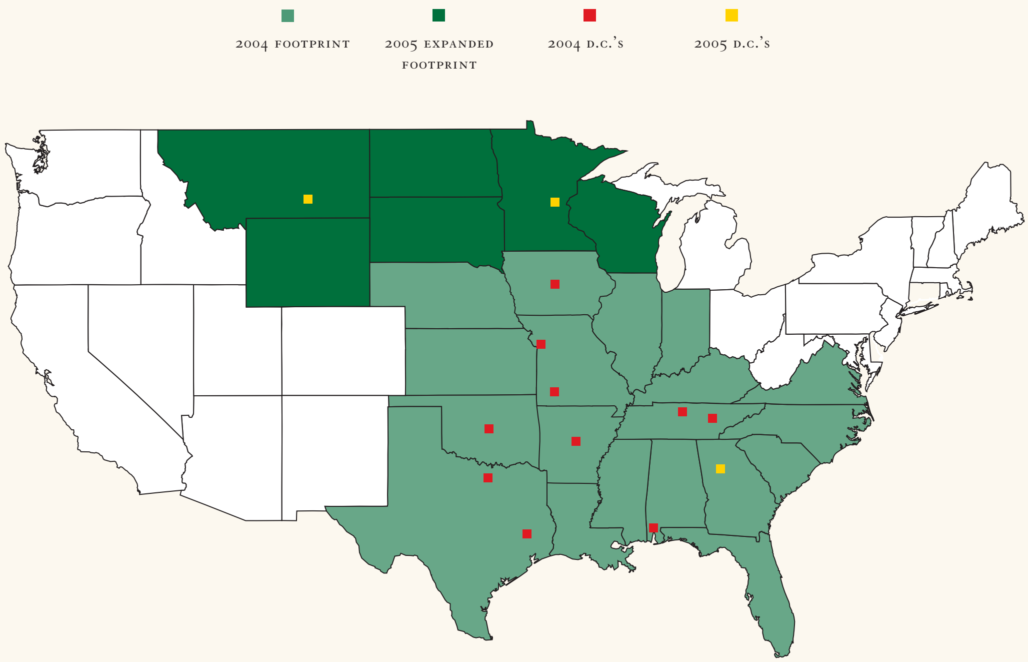
Our dual market strategy and exceptional customer service are supported by the most extensive and responsive distribution system in the industry. Our success in serving both the professional installer and DIY markets is based upon our ability to provide an extremely broad range of parts to our customers. On average, our stores stock 21,000 stock keeping units (SKUs) with access to more than 100,000 SKUs from one of our 13 distribution centers. Our stores are replenished five days a week and our customers depend on our ability to deliver hard-to-find parts the same-day or overnight. This industry-leading parts availability has proven to be one of our core competencies and has been a key factor in developing customer loyalty.

Our industry-leading best practices in distribution and inventory management drive our exceptional customer service. Each of our stores is linked to our global inventory management system, allowing them access to order from the inventory of other stores or any of our 13 distribution centers. We also customize the merchandise assortment we stock at each store and distribution center based upon product demand and vehicle registration in their market area. We are continuing to implement new initiatives to reduce costs and improve efficiency in our supply chain, including the use of slotting software that allows us to monitor the flow of products in and out of each of our distribution centers. This has allowed us to maximize shelf space in the distribution centers and position products with the highest demand in the most accessible areas. We are also continuing to implement "hands free/eyes free" voice directed picking systems in our distribution centers. These systems eliminate the need for paper picking documents and improve the efficiency and accuracy of this task.

2005 was a very exciting year for us in the area of distribution and 2006 promises to be the same. We saw significant expansion in our geographic footprint in 2005 with the Midwest acquisition and growth in the Southeast markets supported by a new distribution center opened in Atlanta, Georgia in March 2005. The 350,000 square foot distribution center in Atlanta and the Midwest distribution centers in St. Paul, Minnesota and Billings, Montana were added to our existing network to support our retail stores in 25 states. We will continue our expansion in 2006 with the addition of a 405,000 square foot distribution facility in Indianapolis, Indiana that will have the capability of serving up to 250 stores. We anticipate the opening of 170 to 175 new stores in 2006, primarily in the geographic areas supported by the recent distribution center additions. We have never been more confident in our ability to support

EXPANDING FOOTPRINT

O'Reilly Auto Parts Stores and Distribution Centers (D.C.'s)



With the acquisition of Midwest in 2005, we entered into six new states, expanding our footprint to 25 contiguous states reaching from the Southeast United States to the upper Midwest.

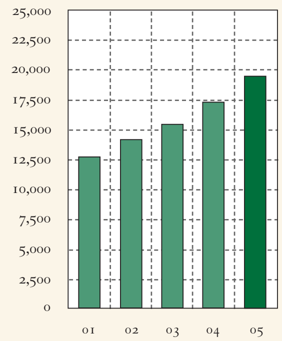
O'REILLY AUTOPARTS STORES					
ALABAMA	*81 stores*	LOUISIANA	*64 stores*	SOUTH CAROLINA	*12 stores*
ARKANSAS	*81 stores*	MINNESOTA	*40 stores*	SOUTH DAKOTA	*2 stores*
FLORIDA	*11 stores*	MISSISSIPPI	*52 stores*	TENNESSEE	*99 stores*
GEORGIA	*64 stores*	MISSOURI	*149 stores*	TEXAS	*404 stores*
ILLINOIS	*49 stores*	MONTANA	*16 stores*	VIRGINIA	*3 stores*
INDIANA	*13 stores*	NEBRASKA	*26 stores*	WISCONSIN	*7 stores*
IOWA	*65 stores*	NORTH CAROLINA	*27 stores*	WYOMING	*4 stores*
KANSAS	*59 stores*	NORTH DAKOTA	*3 stores*		
KENTUCKY	*39 stores*	OKLAHOMA	*100 stores*		
TOTAL NUMBER OF STORES: *1,470*					

store growth in new, contiguous markets while maintaining overnight delivery to every store and the product availability that our customers need.

It should be no surprise that our stores were among the last to close in most markets before the Gulf Coast hurricanes and among the first to reopen following the storms. The flexibility and extensive reach of our distribution network enabled us to adjust to these disruptions just as it allows us the responsiveness to continually provide our customers with the parts they need on a daily basis. However, none of our advanced distribution systems would be effective without the hard work and dedication of each and every one of our team members. It is truly their commitment to providing "better parts at better prices … everyday" that drives our success.


BATTERY CENTER
HEET

TEAM MEMBERS GROWTH



We continue to grow our team of Professional Parts People, targeting those people who will accept our values and be true to our culture by Living Green.

Competitive Advantage

Outstanding Customer Service

The driving principle behind every aspect of the O'Reilly Culture is the mandate to provide the absolute best customer service possible. We continually strive to provide a positive experience for our customers. We understand that in order to be successful we must partner with our customers to meet their needs. To support our professional installers, we have implemented the Certified Auto Repair Center, a new marketing program that assists them in growing and marketing their shops while providing them with business tools that drive profitability. Over 1,000 shops are now enrolled in this program and we are realizing increased sales as these customers prosper.

As we expand into new markets, we will leverage our existing systems and promote new initiatives to earn the loyalty of each customer who enters one of our stores. In 2006, we will roll out our revamped point of sale and parts lookup systems which will reduce the amount of training time necessary for new team members and enhance our ability to make product recommendations to our customers. We have also improved our scheduling system and given our store managers better tools to ensure that we maintain the appropriate staffing levels necessary to provide the consistent service our customers have come to expect.

We will continue to follow the same time-tested business practices for delivering service to our customers that have been the key to our success. We constantly review market prices for our products so that we can continue to provide the best prices for our customers. The appearance of our stores is a high priority for our team members who diligently maintain a neat and organized environment for our customers. Since our team member training and incentive programs emphasize the development of product knowledge, our stores are always staffed with the most Professional Parts People in the business. However, we are proudest of our track record of being able to locate and deliver the "hard to find" part when no other store in town can help, even if it requires using a flashlight to pull parts from a shelf after a hurricane has knocked out the electricity.

In memory of

CHARLES H. "CHUB" O'REILLY

1913 - 2005

"It's important to treat others with honesty."

Results of Living Green

Our introduction to this annual report outlined the maxim that "Culture can't be selected or scripted, it must be consistently practiced." Another maxim is equally true: "Culture cannot be created overnight." The O'Reilly Culture reflects the core values inherent in our company from its very beginnings. We owe this legacy to the personal and business values embraced by Charles F. (C.F.) O'Reilly and his son, Charles H. "Chub" O'Reilly when they opened their first auto parts store in Springfield, Missouri in 1957.

The culture handed down from C.F. and Chub O'Reilly and nurtured over nearly 50 years lives on today in over 19,000 enthusiastic, hardworking, professional O'Reilly team members. This culture is the driving force behind our profitable growth and financial success and will continue to be our greatest asset in the future.

SELECTED CONSOLIDATED FINANCIAL DATA

(In thousands, except per share data)

YEARS ENDED DECEMBER 31,	2005	2004	2003
INCOME STATEMENT DATA:			
Product sales	$2,045,318	$1,721,241	$1,511,816
Cost of goods sold, including warehouse and distribution expenses	1,152,815	978,076	873,481
Gross profit	892,503	743,165	638,335
Operating, selling, general and administrative expenses	639,979	552,707	473,060
Operating income	252,524	190,458	165,275
Other income (expense), net	(1,455)	(2,721)	(5,233)
Income before income taxes and cumulative effect of accounting change	251,069	187,737	160,042
Provision for income taxes	86,803	70,063	59,955
Income before cumulative effect of accounting change	164,266	117,674	100,087
Cumulative effect of accounting change, net of tax *(a)*	-	21,892	-
Net income	$ 164,266	$ 139,566	$ 100,087
BASIC EARNINGS PER COMMON SHARE:			
Income before cumulative effect of accounting change	$ 1.47	$ 1.07	$ 0.93
Cumulative effect of accounting change *(a)*	-	0.20	-
Net income per share	$ 1.47	$ 1.27	$ 0.93
Weighted-average common shares outstanding	111,613	110,020	107,816
EARNINGS PER COMMON SHARE-ASSUMING DILUTION:			
Income before cumulative effect of accounting change	$ 1.45	$ 1.05	$ 0.92
Cumulative effect of accounting change *(a)*	-	0.20	-
Net income per share	$ 1.45	$ 1.25	$ 0.92
Weighted-average common shares outstanding - adjusted	113,385	111,423	109,060
PRO FORMA INCOME STATEMENT DATA *(b)*:			
Product sales	N/A	N/A	$1,511,816
Cost of goods sold, including warehouse and distribution expenses	N/A	N/A	872,658
Gross profit	N/A	N/A	639,158
Operating, selling, general and administrative expenses	N/A	N/A	473,060
Operating income	N/A	N/A	166,098
Other income (expense), net	N/A	N/A	(5,233)
Income before income taxes	N/A	N/A	160,865
Provision for income taxes	N/A	N/A	60,266
Net income	N/A	N/A	$ 100,599
Net income per share	N/A	N/A	$ 0.93
Net income per share – assuming dilution	N/A	N/A	$ 0.92

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

(b) The pro forma income statement reflects the retroactive application of the cumulative effect of the accounting change to historical periods.

SELECTED CONSOLIDATED FINANCIAL DATA *(continued)*

2002	2001	2000	1999	1998	1997	1996
$1,312,490	$1,092,112	$ 890,421	$ 754,122	$ 616,302	$ 316,399	$ 259,243
759,090	624,294	507,720	428,832	358,439	181,789	150,772
553,400	467,818	382,701	325,290	257,863	134,610	108,471
415,099	353,987	292,672	248,370	200,962	97,526	79,620
138,301	113,831	90,029	76,920	56,901	37,084	28,851
(7,319)	(7,104)	(6,870)	(3,896)	(6,958)	472	1,182
130,982	106,727	83,159	73,024	49,943	37,556	30,033
48,990	40,375	31,451	27,385	19,171	14,413	11,062
81,992	66,352	51,708	45,639	30,772	23,143	18,971
-	-	-	-	-	-	-
$ 81,992	$ 66,352	$ 51,708	$ 45,639	$ 30,772	$ 23,143	$ 18,971
$ 0.77	$ 0.64	$ 0.51	$ 0.47	$ 0.36	$ 0.27	$ 0.23
-	-	-	-	-	-	-
$ 0.77	$ 0.64	$ 0.51	$ 0.47	$ 0.36	$ 0.27	$ 0.23
106,228	104,242	102,336	97,348	84,952	84,172	83,456
$ 0.76	$ 0.63	$ 0.50	$ 0.46	$ 0.36	$ 0.27	$ 0.23
-	-	-	-	-	-	-
$ 0.76	$ 0.63	$ 0.50	$ 0.46	$ 0.36	$ 0.27	$ 0.23
107,384	105,572	103,456	99,430	86,408	85,108	84,128
$1,312,490	$1,092,112	$ 890,421	$ 754,122	$ 616,302	$ 316,399	$ 259,243
754,844	618,217	501,567	425,229	350,581	180,170	149,248
557,646	473,895	388,854	328,893	265,721	136,229	109,995
415,099	353,987	292,672	248,370	200,962	97,526	79,620
142,547	119,908	96,182	80,523	64,759	38,703	30,375
(7,319)	(7,104)	(6,870)	(3,896)	(6,958)	472	1,182
135,228	112,804	89,312	76,627	57,801	39,175	31,557
50,595	42,672	33,776	28,747	22,141	15,025	11,638
$ 84,633	$ 70,132	$ 55,536	$ 47,880	$ 35,660	$ 24,150	$ 19,919
$ 0.80	$ 0.67	$ 0.54	$ 0.49	$ 0.42	$ 0.29	$ 0.24
$ 0.79	$ 0.66	$ 0.54	$ 0.48	$ 0.41	$ 0.28	$ 0.24

SELECTED CONSOLIDATED FINANCIAL DATA *(continued)*

(In thousands, except selected operating data)

YEARS ENDED DECEMBER 31,	2005	2004	2003
SELECTED OPERATING DATA:			
Number of stores at year-end *(a)*	1,470	1,249	1,109
Total store square footage at year-end (in 000's) *(a) (b)*	9,801	8,318	7,348
Weighted-average product sales per store (in 000's) *(a) (b)*	$ 1,478	$ 1,443	$ 1,413
Weighted-average product sales per square foot *(b) (d)*	$ 220	$ 217	$ 215
Percentage increase in same store product sales *(c)*	7.5%	6.8%	7.8%
BALANCE SHEET DATA:			
Working capital	$ 424,974	$ 479,662	$ 441,617
Total assets	1,713,899	1,432,357	1,157,033
Current portion of long-term debt and short-term debt	75,313	592	925
Long-term debt, less current portion	25,461	100,322	120,977
Shareholders' equity	1,145,769	947,817	784,285

(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.

SELECTED CONSOLIDATED FINANCIAL DATA *(continued)*

2002	2001	2000	1999	1998	1997	1996
981	875	672	571	491	259	219
6,408	5,882	4,491	3,777	3,172	1,417	1,151
$ 1,372	$ 1,426	$ 1,412	$ 1,422	$ 1,368	$ 1,300	$ 1,240
$ 211	$ 219	$ 218	$ 223	$ 238	$ 244	$ 251
3.7%	8.8%	5.0%	9.6%	6.8%	6.8%	14.4%
$ 483,623	$429,527	$296,272	$249,351	$208,363	$ 93,763	$ 74,403
1,009,419	856,859	715,995	610,442	493,288	247,617	183,623
682	16,843	49,121	19,358	13,691	130	3,154
190,470	165,618	90,463	90,704	170,166	22,641	237
650,524	556,291	463,731	403,044	218,394	182,039	155,782

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 preparation of our financial statements in accordance with accounting policies generally accepted in the United States (GAAP) requires the application of certain estimates and judgements by management. Management bases its assumptions, estimates, and adjustments on historical experience, current trends and other factors believed to be relevant at the time the consolidated financial statements are prepared. Management believes that the following policies are critical due the inherent uncertainty of these matters and the complex and subjective judgments required to establish these estimates. Management continues to review these critical accounting policies and estimates to ensure that the consolidated financial statements are presented fairly in accordance with GAAP. However, actual results could differ from our assumptions and estimates and such differences could be material.

- *Vendor concessions* – We receive concessions from our vendors through a variety of programs and arrangements, including co-operative advertising, allowances for warranties, merchandise allowances 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. Amounts receivable from vendors also includes amounts due to the Company for changeover merchandise and product returns. Amounts receivable from vendors are regularly reviewed by management and reserves for uncollectible amounts are provided for in our consolidated financial statements. We do not believe there is a reasonable likelihood that uncollectible amounts will exceed management's expectations. However, actual results could differ from our assumptions and estimates and we may be exposed to losses or gains that could be material.
- *Self-Insurance reserves* – We use a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for workers' compensation, general liability, vehicle liability, property loss, and employee health care benefits. With the exception of employee health care benefit liabilities, which are limited by the design of these plans, we obtain third-party insurance coverage to limit our exposure. When estimating our self-insurance liabilities, we consider a number of factors, including historical claims experience and trend-lines, projected medical and legal inflation, and growth patterns and exposure forecasts. Our calculation of these liabilities requires management to apply judgement to estimate the ultimate cost to settle reported claims and claims incurred but not yet reported as of the balance sheet date. Actual claim activity or development may vary from our assumptions and estimates, which may result in material losses or gains.
- *Accounts receivable* – Management estimates the allowance for doubtful accounts based on historical loss ratios and other relevant factors. Actual results have consistently been within management's expectations and we do not believe that there is a reasonable likelihood that there will be a material change in future assumptions or estimates we use to calculate our allowance for doubtful accounts. However, if actual results differ from our estimates, we may be exposed to losses or gains that could be material.
- *Taxes* – We operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions These audits can involve complex issues, which may require an extended period of time to resolve. We regularly review our potential tax liabilities for tax years subject to audit. Changes in our tax liability occurred in 2005 and may occur in the future as our assessments change based on the progress of tax examinations in various jurisdictions and/or changes in tax regulations. In management's opinion, adequate provisions for income taxes have been made for all years presented. However, the estimates of our potential tax liabilities contain uncertainties because management must use judgement to estimate the exposures associated with our various tax positions. Actual results could differ from our estimates and such differences could be material.

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

RESULTS OF OPERATIONS

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

YEARS ENDED DECEMBER 31,	2005	2004	2003
Product sales	100.0%	100.0%	100.0%
Cost of goods sold, including warehouse and distribution expenses	56.4	56.8	57.8
Gross profit	43.6	43.2	42.2
Operating, selling, general and administrative expenses	31.3	32.1	31.3
Operating income	12.3	11.1	10.9
Other expense, net	(0.1)	(0.2)	(0.3)
Income before income taxes and cumulative effect of accounting change	12.2	10.9	10.6
Provision for income taxes	4.2	4.1	4.0
Income before cumulative effect of accounting change	8.0	6.8	6.6
Cumulative effect of accounting change, net of tax	-	1.3	-
Net income	8.0%	8.1%	6.6%

See Management's Discussion and Analysis of Financial Condition and Results of Operations, 2005 Compared to 2004, for detailed information on cumulative effect of accounting change.

2005 COMPARED TO 2004

Product sales increased $324.1 million, or 18.8% from $1.72 billion in 2004 to $2.05 billion in 2005, primarily due to 221 net additional stores opened during 2005, and a 7.5% 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, continued improvement in the merchandising and store layouts of most stores, and compensation programs for all store team members that provide incentives for performance. Also, our continued focus on serving professional installers contributed to increased product sales.

Gross profit increased $149.3 million, or 20.1% from $743.2 million (43.2% of product sales) in 2004 to $892.5 million (43.6% of product sales) in 2005, due to the increase in product sales. 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 $87.3 million, or 15.8%, from $552.7 million (32.1% of product sales) in 2004 to $640.0 million (31.3% of product sales) in 2005. 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 as a percentage of sales was the result of ongoing expense management efforts and benefits from increased economies of scale resulting from our sales growth.

Other expense, net, decreased by $1.3 million from $2.7 million in 2004 to $1.5 million in 2005. The decrease was primarily due to increased interest income as a result of higher average interest rates earned on comparable average cash and cash equivalent balances.

Provision for income taxes increased from $70.1 million in 2004 (37.3% effective tax rate) to $86.8 million in 2005 (34.6% effective tax rate). The increase in the dollar amount was primarily due to the increase of income before income taxes. The decrease in the effective tax rate in 2005 is primarily attributable to a non-cash adjustment of $6.1 million in the third quarter resulting from the favorable resolution of prior year tax uncertainties. This tax benefit is nonrecurring and reflects the reversal of previously recorded income tax reserves related to a prior acquisition.

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 inventory 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.

As a result of the impacts discussed above, income before the cumulative effect of the accounting change increased $46.6 million from $117.7 million in 2004 (6.8% of product sales) to $164.3 million in 2005 (8.0% of product sales). Net income in 2004, after the cumulative effect of the accounting change, was $139.6 million (8.1% of product sales).

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

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, continued improvement in the merchandising and store layouts of most stores, and compensation programs in place for all store team members that provide incentives for performance. 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 the change in inventory 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 as well as the change in inventory accounting method.

OSG&A increased $79.6 million, or 16.8%, 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 due 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 as well as corrections of errors related to lease accounting totaling $10.4 million (see Note 1 to the Company's consolidated financial statements.) The increase in OSG&A as a percentage of sales was primarily attributable to increased costs for team member health insurance coverage and the lease accounting correction discussed above.

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.

As a result of the impacts discussed above, income before the cumulative effect of the inventory accounting change increased $17.6 million or 17.6% from $100.1 million (6.6% of product sales) in 2003 to $117.7 million (6.8% of product sales) in 2004. Net income in 2004, after the cumulative affect of the accounting change, was $139.6 million (8.1% of product sales.)

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $213.3 million in 2005, $226.5 million in 2004 and $168.8 million in 2003. The decrease in cash provided by operating activities in 2005 compared to 2004 was primarily due to a smaller increase in accounts payable of $43.2 million in 2005 compared to the significant increase in 2004 of $94.6 million. The increase in accounts payable in 2005 and 2004 was primarily due to management's continued efforts with vendors to extend the terms of payments. The effect on operating cash flows of the 2005 decrease in accounts payable growth was partially offset by the effect of the 2005 increase in net income.

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 increases in accounts receivable and inventory primarily relate to the increased level of our operations.

Net cash used in investing activities was $269.1 million in 2005, $172.0 million in 2004 and $130.6 million in 2003. The increase in cash used in investing activities in 2005 and 2004 was primarily due to increased purchases of property and equipment and the acquisition in 2005 of Midwest Auto Parts Distributors, Inc. ("Midwest"), which included 72 stores and distribution centers in St. Paul, Minnesota and Billings, Montana.

Capital expenditures were $205.2 million in 2005, $173.5 million in 2004 and $136.5 million in 2003. 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 221, 140 and 128 net stores in 2005, 2004 and 2003, respectively, including the 72 stores acquired with the acquisition of Midwest in 2005. We remodeled or relocated 37 stores in 2005, remodeled or relocated 30 stores and remodeled one distribution center in 2004 and remodeled or relocated 46 stores and two distribution centers in 2003. In 2004, we acquired one new distribution center near Atlanta, Georgia. We acquired an additional facility near Indianapolis, Indiana in 2005 for the opening of a distribution center in 2006. 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 2006 growth plans call for approximately 170-175 new stores and capital expenditures of $210 million to $220 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.

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

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, 2005, we amended the unsecured, five-year syndicated credit facility ("Credit Facility") in the amount of $100 million led by Wells Fargo Bank as the Administrative Agent, replacing a three-year $150 million syndicated credit facility. The Credit Facility is guaranteed by all of our subsidiaries and may be increased to a total of $200 million, subject to the availability of such additional credit from either existing banks within the Credit Facility or other banks. The Credit Facility bears interest at LIBOR plus a spread ranging from 0.50% to 1.0% (4.86% at December 31, 2005) and expires in July 2010. At December 31, 2005 and 2004, we had no outstanding borrowings under the Credit Facility. The available borrowings under the Credit Facility are reduced by stand-by letters of credit issued by us primarily to satisfy the requirements of workers compensation, general liability and other insurance policies. Our aggregate availability for additional borrowings under the Credit Facility was $70.7 million and $128.7 million at December 31, 2005 and 2004, respectively.

In May 2006, $75 million of our private placement notes will become due. We anticipate repaying these notes with cash expected to be provided by operating activities or a combination of such cash, available borrowing capacity under our revolving credit facility and the issuance of new private placement notes.

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.

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 us. 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, relating to our properties leased from SunTrust Equity Funding, LLC (the "Synthetic Lease"), with a group of financial institutions. The terms of the Synthetic Lease provide for an initial lease period of five years, a residual value guarantee of approximately $42.2 million at December 31, 2005, and purchase options on the properties. The Synthetic Lease 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 Synthetic Lease has been accounted for as an operating lease under the provisions of Financial Accounting Standards Board ("FASB") SFAS No. 13 and related interpretations, including FASB Interpretation No. 46.

We issue stand-by letters of credit provided by a $50 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 $29.3 million and $21.3 million were outstanding at December 31, 2005 and 2004, respectively.

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

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 2006 that are included in current liabilities. In addition, we have commitments with various vendors for the purchase of inventory as of December 31, 2005. The financial commitments table excludes these commitments because they are cancelable by their terms.

Our contractual obligations, including commitments for future payments under non-cancelable lease arrangements and short and long-term debt arrangements, are summarized below and are fully disclosed in Notes 6 and 7 to the consolidated financial statements

PAYMENTS DUE BY PERIOD

(In thousands)	TOTAL	BEFORE 1 YEAR	1-3 YEARS	4-5 YEARS	OVER 5 YEARS
CONTRACTUAL OBLIGATIONS:					
Long-term debt	$100,774	$ 75,313	$25,050	$ 33	$ 378
Operating leases	339,685	42,251	73,555	55,237	168,642
Total contractual cash obligations	$440,459	$117,564	$98,605	$55,270	$169,020

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.

QUARTERLY RESULTS

The following table sets forth certain quarterly unaudited operating data for fiscal 2005 and 2004. The unaudited quarterly information includes all adjustments which management considers necessary for a fair presentation of the information shown. In the prior year, we restated our quarterly financial information for each of the first three quarters of 2004. Effective January 1, 2004, we changed our method of applying our LIFO accounting policy for inventory costs. Under the new method, we have inventoried certain warehousing and distribution center costs. Our previous method recorded these expenses directly into cost of goods sold. We believe 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 our 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 2005			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Product sales	$466,239	$521,209	$542,906	$514,964
Gross profit	196,169	228,970	235,916	231,448
Operating income	53,581	68,127	67,585	63,231
Net income	33,213	42,923	48,623	39,507
Basic net income per common share	0.30	0.39	0.43	0.35
Net income per common share-assuming dilution	0.30	0.38	0.42	0.35

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

(In thousands, except per share data)					FISCAL 2004		
	FIRST QUARTER		SECOND QUARTER		THIRD QUARTER		
	PREVIOUSLY REPORTED	RESTATED	PREVIOUSLY REPORTED	RESTATED	PREVIOUSLY REPORTED	FOURTH RESTATED	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	0.25	0.25	0.30	0.31	0.30	0.31	0.20
Cumulative effect of accounting change, net of tax	-	0.20	-	-	-	-	-
Basic net income per common share	0.25	0.45	0.30	0.31	0.30	0.31	0.20
Diluted net income per common share before cumulative effect of accounting change	0.24	0.24	0.29	0.30	0.30	0.31	0.20
Cumulative effect of accounting change, net of tax	-	0.20	-	-	-	-	-
Net income per common share-assuming dilution	0.24	0.44	0.29	0.30	0.30	0.31	0.20

(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.

NEW ACCOUNTING STANDARDS

In November 2004, the FASB issued SFAS No. 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 No. 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 No. 25, *Accounting for Stock Issued to Employees*. Among other items, SFAS No. 123R eliminates the use of APB No. 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. SFAS No. 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 tax deductions, as shown in our Consolidated Statements of Cash Flows were $7.1 million, $4.5 million, and $5.5 million, for the years ended December 31, 2005, 2004, and 2003, respectively. The effective date of SFAS No. 123R is the first reporting period of the first fiscal year beginning on or after June 15, 2005, which is first quarter 2006 for calendar year companies, such as ourselves, although early adoption is allowed.

We intend to adopt SFAS No. 123R beginning with the first quarter of 2006 using the "modified prospective" method under which compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS No. 123R for all share-based

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

payments granted after that date, and based on the requirements of SFAS No. 123 for all unvested awards granted prior to the effective date of SFAS No. 123R. In the fourth quarter of 2005, the Board of Directors approved the accelerated vesting of all unvested stock options previously awarded to employees and executive officers. As a result, the pro forma impact to net income and net income per share under SFAS No. 123's fair value method of accounting as reflected in Note 1 to the consolidated financial statements is not indicative of future annual expense to be recognized under SFAS No. 123R. To the extent that we grant stock options in the future, the associated expense for these awards under the provisions of SFAS No. 123R may have a material impact on our consolidated financial statements. Based upon anticipated levels of share-based awards, we estimate this impact to be approximately $2 million or $0.02 per diluted share for 2006. See Notes 1 and 10 to the consolidated financial statements 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," "should," "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, 2005, 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), under the supervision and with the participation of our principal executive officer and principal financial officer, 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 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
- 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 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, 2005. 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, 2005, the Company's internal control over financial reporting is effective based on those criteria.

Ernst & Young LLP, Independent Registered Public Accounting Firm, has 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, 2005, 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, 2005, 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, 2005, 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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005 of O'Reilly Automotive, Inc. and Subsidiaries and our report dated March 3, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Kansas City, Missouri
March 3, 2006

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

DECEMBER 31,	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	$ 31,384	$ 69,028
Accounts receivable, less allowance for doubtful Accounts of $2,778 in 2005 and $3,417 in 2004	73,849	60,928
Amounts receivable from vendors, net	57,224	52,976
Inventory	726,390	625,320
Other current assets	21,808	5,225
Total current assets	910,655	813,477
Property and equipment, at cost:		
Land	109,327	82,781
Buildings	368,996	278,752
Leasehold improvements	127,685	108,144
Furniture, fixtures and equipment	310,570	257,890
Vehicles	76,321	64,227
	992,899	791,794
Accumulated depreciation and amortization	274,533	224,301
Net property and equipment	718,366	567,493
Notes receivable, less current portion	24,051	21,690
Other assets, net	60,827	29,697
Total assets	$1,713,899	$1,432,357
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Income taxes payable	$ -	$ 9,736
Accounts payable	292,667	240,548
Self insurance reserve	34,797	25,174
Accrued payroll	19,356	15,130
Accrued benefits and withholdings	14,997	10,620
Deferred income taxes	2,451	7,198
Other current liabilities	46,100	24,817
Current portion of long-term debt	75,313	592
Total current liabilities	485,681	333,815
Long-term debt, less current portion	25,461	100,322
Deferred income taxes	42,516	38,440
Other liabilities	14,472	11,963
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 – 245,000,000		
Issued and outstanding shares – 112,389,002 in 2005 and 55,377,130 in 2004	1,124	554
Additional paid-in capital	360,325	326,650
Retained earnings	784,320	620,613
Total shareholders' equity	1,145,769	947,817
Total liabilities and shareholders' equity	$1,713,899	$1,432,357

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

YEARS ENDED DECEMBER 31,	2005	2004	2003
Product sales	$2,045,318	$1,721,241	$1,511,816
Cost of goods sold, including warehouse and distribution expenses	1,152,815	978,076	873,481
Gross profit	892,503	743,165	638,335
Operating, selling, general and administrative expenses	639,979	552,707	473,060
Operating income	252,524	190,458	165,275
Other income (expense):			
Interest expense	(5,062)	(4,700)	(6,864)
Interest income	1,582	901	298
Other, net	2,025	1,078	1,333
Total other income (expense)	(1,455)	(2,721)	(5,233)
Income before income taxes and cumulative effect of accounting change	251,069	187,737	160,042
Provision for income taxes	86,803	70,063	59,955
Income before cumulative effect of accounting change	164,266	117,674	100,087
Cumulative effect of accounting change, net of tax	-	21,892	-
Net Income	$ 164,266	$ 139,566	$ 100,087
Basic income per common share:			
Income before cumulative effect of accounting change	$ 1.47	$ 1.07	$ 0.93
Cumulative effect of accounting change	-	0.20	-
Net income per common share	$ 1.47	$ 1.27	$ 0.93
Weighted-average common shares outstanding	111,613	110,020	107,816
Income per common share—assuming dilution:			
Income before cumulative effect of accounting change	$ 1.45	$ 1.05	$ 0.92
Cumulative effect of accounting change	-	0.20	-
Net income per common share-assuming dilution	$ 1.45	$1.25	$ 0.92
Adjusted weighted-average common shares outstanding	113,385	111,423	109,060

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, 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
2-for-1 stock split	55,861	559	-	(559)	-
Issuance of common stock under employee benefit plans	268	2	9,477	-	9,479
Issuance of common stock under stock option plans	883	9	14,906	-	14,915
Tax benefit of stock options exercised	-	-	7,137	-	7,137
Share based compensation	-	-	2,155	-	2,155
Net income	-	-	-	164,266	164,266
Balance at December 31, 2005	112,389	$1,124	$360,325	$784,320	$1,145,769

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

YEARS ENDED DECEMBER 31,	2005	2004	2003
OPERATING ACTIVITIES			
Net income	$164,266	$139,566	$100,087
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting change	-	(21,892)	-
Depreciation and amortization	57,228	54,325	42,374
Deferred income taxes	(671)	7,640	13,796
Share based compensation programs	7,840	5,067	4,026
Tax benefit of stock options exercised	7,137	4,526	5,486
Other	1,978	2,988	2,197
Changes in operating assets and liabilities:			
Accounts receivable	(8,974)	(11,636)	(9,108)
Inventory	(62,157)	(66,375)	(19,652)
Accounts payable	43,158	94,594	29,760
Other	3,517	17,733	(130)
Net cash provided by operating activities	213,322	226,536	168,836
INVESTING ACTIVITIES			
Purchases of property and equipment	(205,159)	(173,486)	(136,497)
Proceeds from sale of property and equipment	1,935	1,653	1,273
Payments received on notes receivable	4,558	2,634	871
Advances made on notes receivable	(7,261)	-	-
Acquisition, net of cash acquired	(63,145)	-	-
(Investment in) reduction of other assets	(1)	(2,787)	3,793
Net cash used in investing activities	(269,073)	(171,986)	(130,560)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	-	-	27,900
Principal payments on long-term debt	(602)	(20,989)	(98,577)
Net proceeds from issuance of common stock	18,709	14,373	24,162
Net cash provided by (used in) financing activities	18,107	(6,616)	(46,515)
Net (decrease) increase in cash and cash equivalents	(37,644)	47,934	(8,239)
Cash and cash equivalents at beginning of year	69,028	21,094	29,333
Cash and cash equivalents at end of year	$ 31,384	$ 69,028	$ 21,094
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income taxes paid	$ 98,440	$ 55,140	$ 43,007
Interest paid, net of capitalized interest	5,062	4,960	6,864

See accompanying notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

O'Reilly Automotive, Inc. (the Company) is a specialty retailer and supplier of automotive aftermarket parts, tools, supplies and accessories to both the do-it-yourself (DIY) customer and the professional installer throughout Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Texas, Virginia, Wisconsin and Wyoming.

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.

Cash Equivalents

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

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 $738,877,000 and $628,309,000 as of December 31, 2005 and 2004, 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 uncollectible 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 thirty-nine 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, 2005, 2004 and 2003 were $2,885,000, $2,579,000 and $1,808,000, respectively.

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. Prior to 2003, 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 were not restated due to the immateriality of the amount to the results of operations and statement of financial position for 2004 or any prior individual year. As the correction relates solely to accounting treatment, it did 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 in 2004 of $6.0 million ($2.6 million related to 2004), an increase in rent expense in 2004 of $4.4 million ($0.9 million related to 2004), and a decrease in income tax expense in 2004 of $3.9 million.

Notes Receivable

The Company had notes receivable from vendors and other third parties amounting to $28,950,000 and $25,108,000 at December 31, 2005 and 2004, respectively. The notes receivable, which bear interest at rates ranging from 0% to 10%, are due in varying amounts through August 2017.

Goodwill

The "Other assets, net" caption in the Consolidated Balance Sheets at December 31, 2005 and 2004 includes goodwill recorded as the result of previous acquisitions. Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets* requires the Company to assess goodwill for impairment rather than systematically amortize goodwill against earnings. The goodwill impairment test compares the fair value of a reporting unit to its carrying amount, including goodwill. The Company operates as one reporting unit and its fair value exceeds its carrying value, including goodwill. Therefore, the Company has determined that no impairment of goodwill existed at December 31, 2005 and 2004.

Self-Insurance Reserves

The Company uses a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for workers' compensation, general liability, vehicle liability, property loss, and employee health care benefits. With the exception of employee health care benefit liabilities, which are limited by the design of these plans, the Company obtains third-party insurance coverage to limit its exposure. The Company estimates our self-insurance liabilities by considering a number of factors, including historical claims experience and trend-lines, projected medical and legal inflation, and growth patterns and exposure forecasts.

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 tax rates based on currently enacted rules and legislation and anticipated rates 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 $28,715,000, $22,999,000 and $19,533,000 for the years ended December 31, 2005, 2004 and 2003, 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 currently sponsors share-based employee benefit plans and stock option plans. Please see Notes 9 and 10 for further information concerning these 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. 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. 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.

In the fourth quarter of 2005, the Board of Directors approved the accelerated vesting of all unvested stock options previously awarded to employees and executive officers. Option awards granted subsequent to the Board's action are not included in the acceleration and will vest equally over the service period established in the award, typically four years. The primary purpose of the accelerated vesting was to enable the Company to avoid recognizing future compensation expense associated with these options upon the planned adoption of SFAS No. 123R, *Share-Based Payment* (SFAS 123R) by O'Reilly in 2006. As a result of the vesting acceleration, options to purchase approximately 4.2 million shares of O'Reilly Common Stock

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

became exercisable immediately. O'Reilly's Board of Directors took this action with the belief that it is in the best interest of shareholders as it will reduce the Company's reported non-cash compensation expense in future periods.

In order to limit unintended personal benefits to employees and officers, the Board of Directors imposed restrictions on any shares received through the exercise of accelerated options held by those individuals. These restrictions prevent the sale of any stock obtained through exercise of an accelerated option prior to the earlier of the original vesting date or the individual's termination of employment. The Company recorded pre-tax stock-based compensation expense of $2.2 million in 2005 based on the intrinsic value of in-the-money options subject to acceleration and the Company's estimate of awards that would have expired unexercisable absent the acceleration. The pro forma table below includes the compensation expense related to the acceleration of the unamortized portion of unvested stock options. The significant increase in stock based compensation expense under the fair value method is primarily due to the compensation expense related to the acceleration.

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)	2005	2004	2003
Excluding inventory accounting change			
Net income, as reported	$164,266	$139,566	$100,087
Add stock-based compensation expense, net of tax, as reported	1,355	-	-
Deduct stock-based compensation expense, net of tax, under fair value method	(22,178)	(7,468)	(9,204)
Pro forma net income	$143,443	$132,098	$ 90,883
Pro forma basic net income per share	$ 1.29	$ 1.20	$ 0.84
Pro forma net income per share–assuming dilution	$ 1.27	$ 1.19	$ 0.83
Net income per share, as reported			
Basic	$ 1.47	$ 1.27	$ 0.93
Assuming dilution	$ 1.45	$ 1.25	$ 0.92
Including inventory accounting change			
Net income	N/A	N/A	$100,599
Add stock-based compensation expense, net of tax, as reported	N/A	N/A	-
Deduct stock-based compensation expense, net of tax, under fair value method	N/A	N/A	(9,204)
Pro forma net income	N/A	N/A	$ 91,395
Pro forma basic net income per share	N/A	N/A	$0.85
Pro forma net income per share–assuming dilution	N/A	N/A	$ 0.84

The fair values for options were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2005, 2004, and 2003, respectively: risk-free interest rates of 4.25%, 3.01% and 3.61%; volatility factors of the expected market price of the Company's common stock of .358, .404, and .458; and expected life of the options of 4.0, 4.0 and 9.4 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, 2005, 2004, and 2003 were $8.82, $14.47 and $20.56, respectively.

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 226,750, 544,000 and 133,500 for the years ended December 31, 2005, 2004 and 2003, respectively.

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.

New Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board ("FASB") issued SFAS No. 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 standard is effective for fiscal years beginning after June 15, 2005. The Company does not expect the adoption of this standard to have a material effect on it's financial position, results of operations or cash flows.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an amendment of APB No. 29, Accounting for Nonmonetary Transactions*. SFAS No. 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 No. 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 No. 25, *Accounting for Stock Issued to Employees*. Among other items, SFAS No. 123R eliminates the use of APB No. 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. SFAS No. 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 tax deductions, as shown in the accompanying Consolidated Statements of Cash Flows were $7.1 million, $4.5 million, and $5.5 million, for the years ended December 31, 2005, 2004, and 2003, respectively. The effective date of SFAS 123R is the first reporting period of the first fiscal year beginning on or after June 15, 2005, which is first quarter 2006 for calendar year companies, such as the Company, although early adoption is allowed.

The Company intends to adopt SFAS No. 123R beginning with the first quarter of 2006 using the "modified prospective" method under which compensation cost is recognized in the financial statements beginning with the effective date, based on the requirements of SFAS No. 123R for all share-based payments granted after that date, and based on the requirements of SFAS No. 123 for all unvested awards granted prior to the effective date of SFAS No. 123R. In the fourth quarter of 2005, the Board of Directors approved the accelerated vesting of all unvested stock options previously awarded to employees and executive officers. As a result, the pro forma impact to net income and net income per share under SFAS No. 123's fair value method of accounting as reflected above is not indicative of future annual expense to be recognized under SFAS No. 123R. To the extent that the Company grants stock options in the future, the associated expense for these awards under the provisions of SFAS No. 123R may have a material impact on the Company's consolidated financial statements. Based upon anticipated levels of share-based awards, the Company estimates this impact to be approximately $2 million or $0.02 per diluted share for 2006. See Note 10 for further information on our stock-based compensation plans.

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 was $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 by $2,722,000 or $0.02 per share. Pro forma changes to results of operations as if the new method had been applied for the year ended December 31, 2003 are presented as follows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

YEAR ENDED DECEMBER 31,

(in thousands)	AS ORIGINALLY REPORTED 2003	PRO FORMA ADJUSTMENT	2003
Product sales	$1,511,816	$ -	$1,511,816
Cost of goods sold, including warehouse and distribution expense	873,481	(823)	872,658
Operating, selling, general and administrative expenses	473,060	-	473,060
Operating income	165,275	823	166,098
Other expense, net	(5,233)	-	(5,233)
Income before income taxes	160,042	823	160,865
Provision for income taxes	59,955	311	60,266
Net income	$ 100,087	$ 512	$ 100,599
Basic income per share	$ 0.93	$ 0.00	$ 0.93
Net income per share – assuming dilution	$ 0.92	$ 0.00	$ 0.92
Weighted-average common shares outstanding	107,816	107,816	107,816
Weighted-average common shares outstanding–assuming dilution	109,060	109,060	109,060

NOTE 3 – ACQUISITION

On May 31, 2005, the Company purchased all of the outstanding stock of W.E. Lahr Company and its subsidiary, Midwest Auto Parts Distributors, Inc. and combined affiliates ("Midwest") for approximately $63 million cash, net of cash acquired, including acquisition costs. Midwest was a specialty retailer, which supplied automotive aftermarket parts in Minnesota, Montana, North Dakota, South Dakota, Wisconsin and Wyoming. The acquisition was accounted for using the purchase method of accounting, and accordingly, the results of operations of Midwest are included in the consolidated statements of income from the date of acquisition. The purchase price was allocated preliminarily to assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition with the excess allocated to goodwill. The acquisition of Midwest was not material for pro forma presentation requirements.

NOTE 4 – STOCK SPLIT

On May 20, 2005, the Company's Board of Directors declared a two-for-one stock split that was effected in the form of a 100% stock dividend payable to all shareholders of record as of May 31, 2005. The stock dividend was paid on June 15, 2005. Accordingly, this stock split has been recognized by reclassifying $559,000, the par value of the additional shares resulting from the split, from retained earnings to common stock.

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

NOTE 5 – RELATED PARTIES

The Company leases certain land and buildings related to forty-nine of its O'Reilly Auto Parts stores under six-year operating lease agreements with O'Reilly Investment Company and O'Reilly Real Estate Company, partnerships in which certain shareholders and directors of the Company are partners. Generally, these lease agreements provide for renewal options for an additional six years at the option of the Company and the lease agreements are periodically modified to further extend the lease term for specific stores under the agreement. 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 and directors of the Company. Generally, these lease agreements provide for renewal options for two additional five-year terms at the option of the Company (see Note 7). Rent payments under these operating leases totaled $3,380,000, $3,374,000 and $3,238,000 in 2005, 2004 and 2003, respectively.

NOTE 6 – LONG-TERM DEBT

On July 29, 2005, the Company amended the unsecured, five-year syndicated credit facility (Credit Facility) in the amount of $100 million led by Wells Fargo Bank as the Administrative Agent, replacing a three-year $150 million 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. The Credit Facility bears interest at LIBOR plus a spread ranging from 0.50% to 1.0% (4.86% at December 31, 2005) and expires in July 2010. At December 31, 2005 and 2004, the Company had no outstanding balance with the Credit Facility. The Company's aggregate availability for additional borrowings under the Credit Facility was $70.7 million and $128.7 million at December 31, 2005 and 2004, respectively.

The Company issues stand-by letters of credit provided by a $50 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 $29.3 million and $21.3 million were outstanding at December 31, 2005 and 2004, 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, 2005, the monthly installment under this agreement was approximately $48,500. The present value of the future minimum lease payments under these agreements totaled $285,000 and $858,000 at December 31, 2005 and 2004, respectively, which has been classified as current portion of long-term debt in the accompanying consolidated financial statements. During 2005 and 2004, the Company did not purchase any assets under a capitalized lease.

Principal maturities of long-term debt are as follows:

(amounts in thousands)	PRINCIPAL MATURITIES OF LONG-TERM DEBT
2006	$ 75,313
2007	31
2008	25,019
2009	16
2010	17
Thereafter	378
	$100,774

NOTE 7 – 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 $42.2 million at December 31, 2005, 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, 2005, 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
2006	$ 3,349	$ 38,902	$ 42,251
2007	3,351	35,359	38,710
2008	3,277	31,568	34,845
2009	2,480	27,564	30,044
2010	1,678	23,515	25,193
Thereafter	6,462	162,180	168,642
	$20,597	$319,088	$339,685

Rental expense amounted to $43,047,000, $39,145,000 and $31,865,000 for the years ended December 31, 2005, 2004, and 2003, 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 $57.5 million, at December 31, 2005.

NOTE 8 – LEGAL PROCEEDINGS

The Company is involved in various legal proceedings incidental to the ordinary 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, these matters will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

NOTE 9 – EMPLOYEE BENEFIT PLANS

The Company sponsors a contributory profit sharing and savings plan that covers substantially all employees who are 21 years of age with at least six months of service. A total of 3,200,000 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 $6,606,000 in 2005, $5,278,000 in 2004 and $4,353,000 in 2003. 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	VALUE SHARES	MARKET
2005	71,125	$1,928,000
2004	81,368	1,766,000
2003	84,366	1,478,000

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	VALUE	SHARES	MARKET
2005		139,336	$3,500,000
2004		157,460	3,000,000
2003		170,368	2,300,000

Additionally, the Company has adopted a stock purchase plan under which 2,600,000 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
2005	161,903	$27.57	$4,464,000
2004	187,754	20.85	3,915,000
2003	206,914	16.19	3,350,000

The Company has in effect a performance incentive plan for the Company's senior management under which 800,000 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	VALUE	SHARES	MARKET
2005		14,986	$381,000
2004		15,834	302,000
2003		21,060	248,000

NOTE 10 – 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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 24,000,000 shares of common stock were reserved for issuance under this plan. The exercise price of options granted shall not be less than the fair market value of the stock on the date of grant and the options will expire no later than 10 years from the date of grant. Generally, options granted pursuant to the plan become exercisable no sooner than six months from the date of grant. See Note 1 for a discussion of the 2005 acceleration of vesting related to our stock option plans. 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:

			NUMBER
	OF SHARES	PRICE PER SHARE	
Outstanding at December 31, 2002		$ 4.47 - 18.81	6,981,404
Granted		11.51 - 22.41	2,071,500
Exercised		4.47 - 18.81	(2,103,880)
Canceled		4.47 - 19.49	(444,826)
Outstanding at December 31, 2003		$ 5.28 - 22.41	6,504,198
Granted		$18.53 - 23.38	1,716,250
Exercised		5.28 - 20.20	(941,954)
Canceled		5.47 - 23.15	(478,228)
Outstanding at December 31, 2004		$ 5.47 - 23.38	6,800,266
Granted		22.18 - 32.08	1,933,500
Exercised		5.47 - 23.38	(1,202,012)
Canceled		6.97 - 32.08	(648,712)
Outstanding at December 31, 2005		$ 6.03 - 32.08	6,883,042

Options to purchase 6,770,042, 3,225,200 and 2,446,818 shares of common stock were exercisable at December 31, 2005, 2004 and 2003, respectively.

The Company also maintains a stock option plan for non-employee directors of the Company under which 1,000,000 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:

			NUMBER
	OF SHARES	PRICE PER SHARE	
Outstanding at December 31, 2002		$ 6.22 - 14.51	160,000
Granted		14.60	60,000
Outstanding at December 31, 2003		$ 6.22 - 14.60	220,000
Granted		20.84	25,000
Exercised		6.22 - 10.33	(40,000)
Outstanding at December 31, 2004		$10.33 - 20.84	205,000
Granted		23.50	25,000
Exercised		14.51	(40,000)
Outstanding at December 31, 2005		$10.33 - 23.50	190,000

All options under this plan were exercisable at December 31, 2005, 2004 and 2003.

The weighted-average remaining contractual life at December 31, 2005, for all outstanding options under the Company's stock option plans is 7.1 years. The weighted-average exercise price for all outstanding options under the Company's stock option plans was $17.67, $14.94 and $13.06 at December 31, 2005, 2004 and 2003, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

NOTE 11 — INCOME PER COMMON SHARE

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

(In thousands, except per share data)

YEARS ENDED DECEMBER 31,	2005	2004	2003
Numerator (basic and diluted):			
Net income	$164,266	$139,566	$100,087
Denominator:			
Denominator for basic income per common share-			
weighted-average shares	111,613	110,020	107,816
Effect of stock options (Note 10)	1,772	1,403	1,244
Denominator for diluted income per common share-			
adjusted weighted-average shares and assumed conversion	113,385	111,423	109,060
Basic net income per common share	$ 1.47	$ 1.27	$ 0.93
Net income per common share-assuming dilution	$ 1.45	$ 1.25	$ 0.92

NOTE 12 — INCOME TAXES

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

(In thousands)	2004 2005	
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	$ 1,050	$ 1,292
Other accruals	10,038 17,601	
Noncurrent:		
Other accruals	2,404	1,980
Total deferred tax assets	21,055	13,310
Deferred tax liabilities:		
Current:		
Inventory carrying value	21,102	18,528
Noncurrent:		
Property and equipment	42,255	39,203
Other	2,665	1,217
Total deferred tax liabilities	66,022	58,948
Net deferred tax liabilities	$(44,967)	$(45,638)

The provision for income taxes consists of the following:

(In thousands)	CURRENT	DEFERRED	TOTAL
2005:			
Federal	$79,720	$ (616)	$79,104
State	7,754	(55)	7,699
	$87,474	$ (671)	$86,803
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	$59,959

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

(In thousands)	2005	2004	2003
Federal income taxes at statutory rate	$87,874	$65,708	$56,015
State income taxes, net of federal tax benefit	4,986	4,355	3,935
Other items, net	(6,057)	-	5
	$86,803	$70,063	$59,955

The Company's provision for income taxes for the third quarter of 2005 included a non-cash tax adjustment of $6.1 million in the quarter resulting from the favorable resolution of prior tax uncertainties. The tax benefit realized in the third quarter is nonrecurring and reflects the reversal of previously recorded income tax reserves related to a prior acquisition. In determining the quarterly provision for income taxes, the Company uses an estimated annual effective tax rate based on expected annual income by jurisdiction and statutory tax rates. The impact of significant discrete items, including the tax benefit realized in the third quarter of 2005, is separately recognized in the quarter in which they occur.

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.

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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. 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, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, 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, 2005, 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 3, 2006 expressed an unqualified opinion thereon.

Ernst & Young LLP

Kansas City, Missouri
March 3, 2006

DIRECTORS AND EXECUTIVE COMMITTEE

Chub O'Reilly
Chairman of the Board of Emeritus

David O'Reilly
Chairman of the Board of Directors

Charlie O'Reilly
Vice Chairman of the Board of Directors

Larry O'Reilly
Vice Chairman of the Board of Directors

Rosalie O'Reilly-Wooten
Director

Jay Burchfield
Director
Compensation Committee Chairman
Corporate Governance and Nominating Committee

Joe Greene
Director
Corporate Governance and Nominating Committee Chairman

Paul Lederer
Director
Audit Committee
Compensation Committee

John Murphy
Director
Audit Committee Chairman
Corporate Governance and Nomination Committee

Ronald Rashkow
Director
Audit Committee
Compensation Committee

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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

David McCready
Senior Vice President of Distribution

Jeff Shaw
Senior Vice President of Store Operations and Sales

Mike Swearengin
Senior Vice President of Merchandise

Tricia Headley
Vice President and Corporate Secretary

Tony Bartholomew
Vice President of Sales

Greg Beck
Vice President of Purchasing

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

Greg Johnson
Vice President of Distribution

Randy Johnson
Vice President of Store Inventories

Michelle Kimrey
Vice President of Finance

Steve Pope
Vice President of Human Resources

Wayne Price
Vice President of Risk Management

Barry Sabor
Vice President of Loss Prevention

Phillip Thompson
Vice President of Human Resources

Mike Williams
Vice President of Advanced Technology

OPERATIONS MANAGEMENT

SENIOR MANAGEMENT

Jeanene Asher
Director of Telecommunications

Buddy Ball
Director of Kansas City Region

Mike Ballard
Director of Internet Development and Networking

Emmitt Barina
Director of Safety and Environmental Regulations

Brad Beckham
Director of Atlanta East Region

Steve Beil
Director of Atlanta West Region

Bert Bentley
Director of Houston Region

David Bock
Director of Bumper to Bumper Marketing

Rob Bodenhamer
Director of Technology Development

Larry Boevers
Regional DC Director

Doug Bragg
Director of Oklahoma Region

Mike Chapman
Director of West Texas Region

Keith Childers
Director of Little Rock Region

Tom Connor
Regional DC Director

Joe Edwards
Director of Store Installations

Phyllis Evans
Director of Store Operations

Jason Frizzell
Director of Knoxville Region

David Glore
Director of Ozark Sales

John Grassham
Director of St. Louis Region

Julie Gray
Director of Corporate Services

Ron Greenway
Director of Tax

Jeff Groves
Director of Legal and Claims Servies

Joe Hankins
Director of Store Design

Billy Harris
Director of Iowa and Nebraska Region

Brett Heintz
Director of Retail Systems

Doug Hopkins
Director of Distribution Systems

Jack House
Director of Customer Services

Brad Knight
Director of Pricing

John Krebs
Director of Gulf States Region

Terry Lee
Director of Midwest Region

Dave Leonhart
Regional DC Director

Herb Lohse
General Manager Midwest Jobber

Kenny Martin
Director of Indianoplis Region

Jim Maynard
Director of Employment and Team Member Relations

Brad Oplotnik
Director of Systems Management

Kevin Overmon
Director of Nashville Region

Greg Pelkey
Director of Store Development

Ed Randall
Director of Property Management

Shari Reaves
Director of Compensation and Benefits

Steve Rice
Director of Credit and Collections

Art Rodriguez
Director of Southern Division Sales

Rick Samsel
Director of Inventory Control

Tom Seboldt
Director of Merchandise

Denny Smith
Director of Springfield Region

Dick Smith
Director of Construction

Mark Smith
Director of Dallas Region

Charlie Stallcup
Director of Training

David Strom Sr
Director of Houston Region

Bert Tamez
Director of Valley Region

David Turney
Director of Internal Audit

OPERATIONS MANAGEMENT *(continued)*

Tamra Waitman
Director of Accounting

Jeff Watts
Director of Eastern Division Sales

Saundra Wilkinson
Director of Store Administration

Wes Wise
Director of Marketing

CORPORATE MANAGEMENT

Ray Aguirre
Regional Field Sales Manager

Curt Allen
Real Estate Site Acquisition Manager

Tom Allen
Computer Operations Manager

Dan Altis
Distribution Center Manager

Mark Alwardt
Division Loss Prevention Manager

Keith Asby
Sales Manager of Special Markets

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
DC Transportation Manager

Brian Callis
Regional Field Sales Manager

Yvonne Cannon
Payroll Manager

Stephen Carlson
Jobber Systems Sales Manager

Mark Chambers
Regional Field Sales Manager

Tim Cordell
Regional Field Sales Manager

Bruce Creason
DC Safety Manager

Garry Curbow
Replenishment Manager

Sean Dando
Regional Field Sales Manager

Cecil Davis
DC Inbound Operations Manager

Mark Decker
Distribution Center Manager

Randy Decoito
Regional Field Sales Manager

William Dempster
Distribution Center Manager

Jay Enloe
Risk and Insurance Manager

Nancy Evans
DC Administrative Services Manager

Paula Eyman
Special Projects Manager

Carl Falke
Regional Field Sales Manager

Becky Fincher
Advertising Manager

Jeremy Fletcher
Financial Reporting and Budgeting Manager

Kevin Ford
DC Projects and Procedures Manager

Randy Freund
Regional Field Sales Manager

David Furr
Service Equipment Sales Manager

Lori Fuzzell
Customer Service Manager

Jaydee Garrison
Regional Field Sales Manager

Bob Gillespie
Store Safety Manager

Art Glidewell
Distribution Center Manager

Garry Glossip
Payroll Manager

Michael Granberg
PBE Field Sales Manager

Larry Gray
Distribution Center Manager

Robert Greene
Real Estate Contract Administrator Manager

Kevin Greven
Motorsports Manager

Bridget Harmon
PC Support Manager

Mike Hauk
Division Training Manager

David Hawker
Regional Field Sales Manager

Troy Hellerud
Central Support Manager

Doy Hensley
Computer Help Support Manager

Rubin Herrera
Regional Field Sales Manager

Diana Hicks
Internal Communications Manager

Jim Hoover
Regional Field Sales Manager

David Hunsucker
Catalog Department 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
Accounts Payable Manager

Jennifer Kent
Store Design Manager

Duane Keys
Application Development Manager

Marcus Kilmer
Installer Marketing Manager

Gus Krafve
Investor Relations Manager

Scott Kraus
Regional Field Sales Manager

Steve Lines
Sales Training Manager

Jim Litchford
Jobber Regional Field Sales Manager

Robert Long
Retail Marketing Manager

James Lovelace
Regional Field Sales Manager

Jeff Main
Jobber Systems Sales Manager

Richard Mann
Distribution Center Manager

Harry Marcley
Distribution Center Manager

Ed Martinez
Distribution Center Manager

Carla McElveen
New Store Inventory Manager

Jeff McKinney
Customer Satisfaction Manager

Mindy Morgan
Team Member Relations Manager

Asa Nelson
Distribution Center Manager

Chapman Norman
Inventory Maintenance Manager

James Owens
Regional Field Sales Manager

Bryan Packer
Jobber Computer Sales and Services Manager

Wendi Page
Real Estate Property Manager

Steve Peterie
Construction Design Manager

Tony Phelps
Distribution Center Manager

Steve Phillips
Division Loss Prevention Manager

Paul Pike
Regional Field Sales Manager

Lyn Robertson
Accounts Receivable Manager

Corey Robinson
Inventory Accounting Manager

Chuck Rogers
Installer Systems Manager

James Samson
Distribution Center Manager

Tim Scholl
DC Field Projects Manager

Joyce Schultz
Houston Office Manager

William Seiber
Distribution Center Manager

Darren Shaw
Product Manager II

Garry Shelby
Regional Field Sales Manager

Craig Smith
Real Estate Contract Manager

Phil Smith
Eastern Division Loss Prevention Manager

Tim Smith
Credit Manager

Tom Smith
Training Manager

Dave Steinle
Application Development Manager

Mary Stratton
Human Resources Records Manager

OPERATIONS MANAGEMENT *(continued)*

Camille Strickland
Real Estate Contract Manager

Robert Suter
Product Manager II

Dallas Thompson
Real Estate Site Acquisition Manager

Arnulfo Vega
Regional Field Sales Manager

Darin Venosdel
Application Development Manager

Rob Verch
Product Manager II

Patton Walden
Midstate Division Training Manager

Scotty Weidman
Product Manager II

Matt Weldon
PBE Field Sales Manager

Larry Wiles
Audio/Video Communications Manager

Karla Williams
Application Development Manager

Joe Winteberg
Product Manager II

Terry Yates
Regional Field Sales Manager

Mike Young
Retail Facilities Manager

DISTRICT CORPORATE MANAGEMENT

Abel Abila
Doug Adams
David Adams Jr
Eddie Allen
Conrad Alvidrez
Henry Armington
Brince Beasley
Aaron Biggs
Kirk Bilski
Mic Bowers
Eric Bowman
Randy Brewer
Lester Brown
Patrick Brown
Mark Cannon
Donnie Carden
Fred Carrington
Jimmy Carter
Jody Carter
David Chavis
Dirk Chester
Jim Dickens
Robert Doss
Bruce Dowell
Dan Dowell
Skip Dull
Robert Dumas
Tommy Dunn
Mike Eckelkamp
Judy Ellington
Paul Engaldo
Ron England
Tony Fagan
Bill Fellows
Kirk Frazier
Mark Frazier
Chad Gagnelius
Butch Galloway
Samuel Garza
Dennis Gonzales
John Gouette
Daniel Grandquest
Dan Griffin
Tony Haag
Chris Harrelson
James Harris
Jon Haught
Rick Hedges
Gerry Hendrix
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Matt Hill
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Terry Horrisberger
Craig Hudgens
Clint Hunter
Johnny Jarvis
Jeff Jennings
Chuck Kaiser
Justin Kale
Chad Keel
Butch Kelton
Todd Kemper
Troy King
Rick Koehn
Greg Lair
Mark Langrehr
Scott Leonhart
Chris Lewis
Greg Locker
Kirk Locklin
Oliverio Lopez
Mark Mach
John Martinez
Tommy Mason
Rodger McClary
Clint McFadden
Marc McGehee
Chris Meade
Curt Miles
Jack Miller
Andy Moore
Don Morgan
Trey Morgan
Randy Morris
Ciro Moya Jr
Ramon Odems
Ken Omland
Ron Papay
Jude Patterson
Gilbert Perez
Pernell Peters
David Pilat
Randy Pilcher
Brent Pizzolato
Mike Platt
Troy Polston
Robert Poynor
James Ramsey
Will Reger
Christopher Reynolds
Tommy Rhoads
Alan Riddle
Edward Robles
Larry Roof
Juan Salinas
Matt Schlueter
Mike Schroeder
Jim Scott
Steven Severe
Kevin Shockey
Frank Silvas
Eric Sims
Bob Snodgrass
Robert Spencer
Wayne Spratlin
Thomas Stack
Dennis Streitenberger
Marvin Swaim
Randy Swaim
Jeffrey Swanson
Alan Sweeton
Jeff Tagert
Randy Tanner
Rick Tearney
Justin Tracy
Jim Turvey
Mark Van Hoecke
Andy Velez
Fred Wadle
Bo Waldrop
Terry Walker
Brett Warstler
John Weatherly
Rob Weiskirch
John Wells
Terry White
John Winburn
Allen Wise
Dexter Woods
Cody Zimmerman

SHAREHOLDER INFORMATION

CORPORATE ADDRESS

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

REGISTRAR AND TRANSFER AGENT

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

INDEPENDENT AUDITORS

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

LEGAL COUNSEL

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

Greensfelder, Hemker & Gale, P.C.
10 South Broadway, Suite 2000
St. Louis, Missouri 63102

ANNUAL MEETING

The annual meeting of shareholders of O'Reilly Automotive, Inc. will be held at 10:00 a.m. local time on May 9, 2006, at the Clarion Hotel, Ballrooms 1 and 2, 3333 South Glenstone Ave in Springfield, Missouri. Shareholders of record as of February 28, 2006, 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 28, 2006, O'Reilly Automotive, Inc. had approximately 35,589 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
BB&T - Anthony Cristello
Citigroup – Bill Sims
Credit Suisse First Boston – Gary Balter
Deutsche Bank Securities Inc. – Michael Baker
Friedman, Billings, Ramsey & Co – Jeff Sonnek
Goldman Sachs Research – Matthew Fassler
Harris Nesbitt Corp – Richard Weinhart
Kevin Dann & Partners – Cid Wilson
Lehman Brothers Equities Research – Alan Rifkin
Piper Jaffray – Michael Cox
RBC Capital Markets – Scot Ciccarelli
Robert W. Baird & Co – David Cumberland
Sidoti & Company – Scott Stember
Stifel Nicolaus/Hanifen Imhoff, Inc. – David Schick
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.

	2005		2004	
	HIGH	LOW	HIGH	LOW
First Quarter	$26.22	$21.98	$20.85	$18.23
Second Quarter	30.50	23.21	23.54	19.59
Third Quarter	32.53	26.54	22.68	18.03
Fourth Quarter	32.52	25.75	22.82	18.50
For the Year	32.53	21.98	23.54	18.03

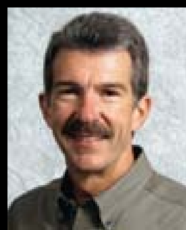
O'REILLY AUTOMOTIVE, INC. AND SUBSIDIARIES EXHIBIT 21.1 – SUBSIDIARIES OF THE COMPANY

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

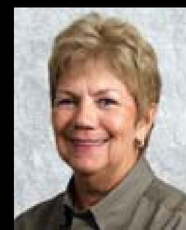
Chub O'Reilly
(1913-2005)
Chairman of the Board Emeritus



David O'Reilly
Chairman of the Board

Charlie O'Reilly
Vice Chairman of the Board

Larry O'Reilly
Vice Chairman of the Board



Rosalie O'Reilly-Wooten
Director

Jay Burchfield
Director Since 1997
Compensation Committee - Chairman Corporate Governance/Nominating Committee

Joe Greene
Director Since 1993
Corporate Governance/ Nominating Committee - Chairman

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

John Murphy
Director Since 2003
Audit Committee - Chairman Corporate Governance/Nominating Committee

Ronald Rashkow
Director Since 2003
Audit Committee
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."

O'Reilly AUTO PARTS

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Springfield, Missouri 65802
417-862-3333
www.oreillyauto.com