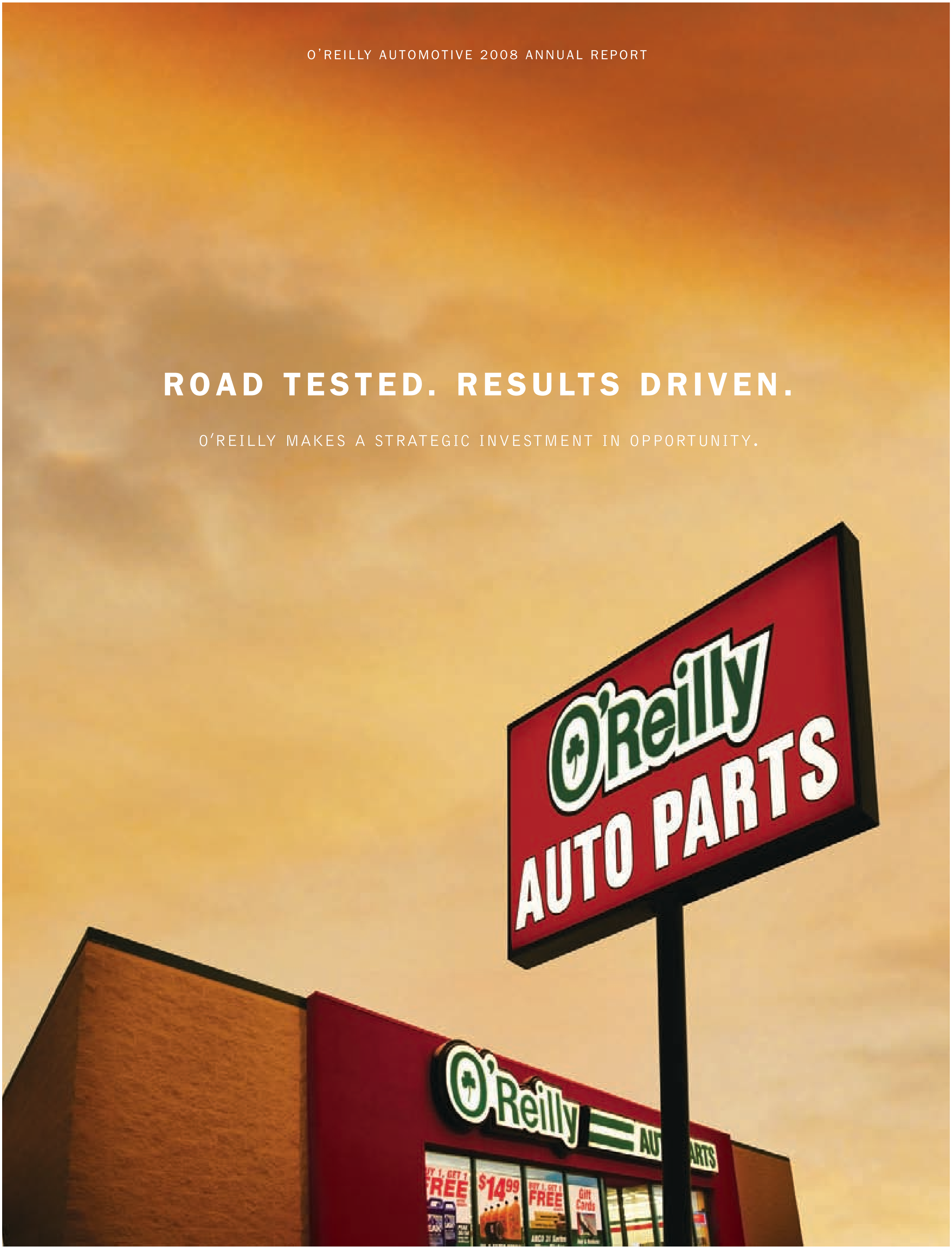
O'REILLY AUTOMOTIVE 2008 ANNUAL REPORT

ROAD TESTED. RESULTS DRIVEN.

O'REILLY MAKES A STRATEGIC INVESTMENT IN OPPORTUNITY.



FINANCIAL HIGHLIGHTS

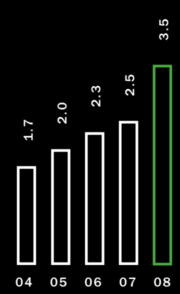
In thousands, except earnings per share data and operating data [a]

years ended December 31	2008	2007	2006	2005	2004
Sales	$ 3,576,553	$ 2,522,319	$ 2,283,222	$ 2,045,318	$ 1,721,241
Operating Income	335,617	305,151	282,315	252,524	190,458
Net Income[a]	186,232	193,988	178,085	164,266	117,674
Working Capital	821,932	573,328	566,892	424,974	479,662
Total Assets	4,193,317	2,279,737	1,977,496	1,718,896	1,432,357
Total Debt	732,695	100,469	110,479	100,774	100,914
Shareholders' Equity	2,282,218	1,592,477	1,364,096	1,145,769	947,817
Net Income Per Common Share (assuming dilution)	1.48	1.67	1.55	1.45	1.05
Weighted-Average Common Shares (assuming dilution)	125,413	116,080	115,119	113,385	111,423
Stores At Year-End	3,285	1,830	1,640	1,470	1,249
Same-Store Sales Gain	1.5%	3.7%	3.3%	7.5%	6.8%

O'Reilly's dedication to strong and profitable growth led to an increase in sales of $1.1 billion in 2008, fueled by the acquisition of CSK Auto, Inc. CSK added 1,342 stores and allowed us to expand our geographic footprint into 38 states. We generated positive comparable store sales for the 16th consecutive year since becoming a public company in 1993. Net income and diluted net income per share in 2008 include charges of $19.2 million and $0.16, respectively, related to the acquisition of CSK.

SALES[a]

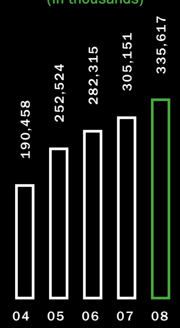
(In millions)



Our aggressive growth strategy, which included the acquisition of CSK and the opening of 150 net new stores in 2008, resulted in a 42% increase in sales. Our commitment to excellent customer service and professionalism continue to be key factors in our success.

OPERATING INCOME[a]

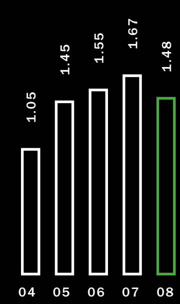
(In thousands)



We were able to increase operating margins 10% by continuing to build on our strong relationships with our vendors as well as by ensuring we carry the products our customers desire at each of our 3,285 locations. Operating income for 2008 includes a charge of $9.6 million related to the acquisition of CSK.

EARNINGS PER SHARE[a]

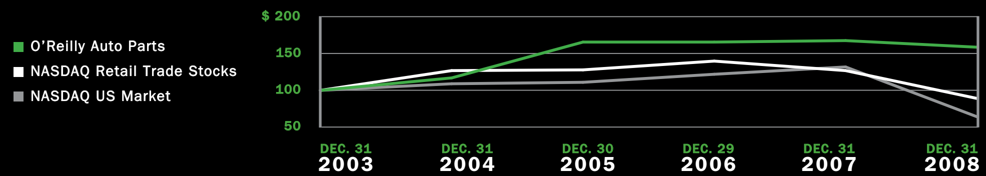
(Assuming dilution)



A challenging macroeconomic environment as well as the acquisition of CSK resulted in a dilution to earnings in 2008. Diluted net income per share in 2008 includes charges of $0.16 related to the acquisition of CSK. We remain positive about the Company's prospects for EPS growth as we continue to integrate the operations of CSK.

[a] 2004 figures are based on income before cumulative effect of accounting change.

COMPARISON OF FIVE-YEAR CUMULATIVE RETURN



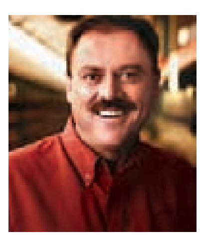
A STEADY HAND AT THE WHEEL.

LETTER TO OUR SHAREHOLDERS

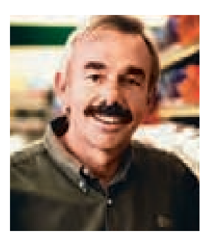
The weakening economy presented challenges to consumers of all income levels, and no one was immune to these difficult conditions; given the difficult macroeconomic environment, we are pleased to have delivered strong results. Through a constant emphasis on the core O'Reilly culture values of customer service and expense control, we continued to successfully execute our dual market strategy and grow our market share in the face of declining miles driven and rising unemployment. Team O'Reilly's dedication and determination to providing the best service and value to our customers drove a comparable store sale increase of 2.6% in 2008 for core O'Reilly stores.

In 2008 the headwinds on consumer spending, combined with the limited availability of credit in the banking system, put pressure on companies across the retail spectrum, and the automotive aftermarket was no different. The impact on the automotive aftermarket participants was manifested in store closures and industry consolidation. A key component of our growth strategy has always been to act as an opportunistic industry consolidator by targeting once-effective chains that had fallen on hard times, primarily because of a lack of sufficient capital and the loss of management focus. We executed this strategy with very good results in our 1998 purchase of Hi-Lo Automotive (182 stores), 2001 purchase of Midstates Auto Parts (82 stores) and 2005 purchase of Midwest Auto Parts (72 stores). The difficult economic conditions and tight credit markets again afforded us the opportunity to be a consolidator in our industry when, on July 11, 2008, we acquired CSK Auto Corporation (CSK). At the time of the acquisition, CSK was one of the largest specialty retailers of auto parts and accessories in the Western United States and operated 1,342 stores under the brand names of Checker Auto Parts, Schuck's Auto Supply, Kragen Auto Parts and Murray's Discount Auto Parts.

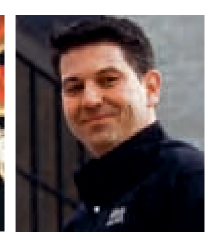
CSK had experienced several years of poor performance primarily caused by a lack of capital, under-inventoried stores and the absence of consistent,



GREG HENSLEE
Chief Executive Officer and Co-President



TED WISE
Chief Operating Officer and Co-President



TOM MCFALL
Chief Financial Officer and Executive Vice President

MARKET FACTORS

The fundamental drivers in our industry remain strong. During challenging economic conditions, our customers are more willing to maintain and repair their current vehicle rather than purchase a new vehicle. This increase in the average age of vehicles on the road drives demand for our products.

249 MILLION

VEHICLE POPULATION

2.9 TRILLION

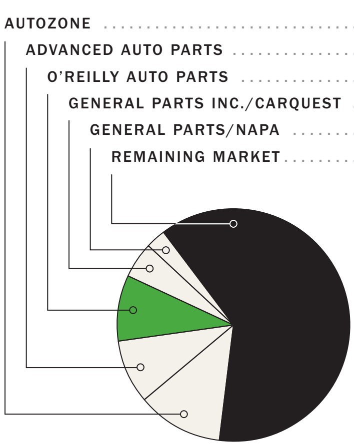
MILES DRIVEN

9.8 YEARS

AVERAGE AGE OF VEHICLE

MARKET CONSOLIDATION OPPORTUNITY

The largest suppliers in the automotive aftermarket make up a relatively small percentage of the overall market, even after several years of steady consolidation. We continue to opportunistically pursue strategic acquisitions to take advantage of further market consolidation.



cohesive management direction. Facing serious constraints on access to capital, CSK began exploring strategic alternatives in early 2008. Due to a complementary geographic distribution of stores, it had long been speculated that we would be a likely acquirer of CSK. While we had, at various times, undertaken cursory discussions along those lines, it was never a serious consideration given the high price that would have been necessary to acquire CSK and their public unwillingness to entertain overtures to be acquired. In light of their financial condition and public announcement to explore strategic alternatives, we saw a tremendous opportunity inherent in CSK at a much more reasonable acquisition price, and we became very active both inside and outside of their strategic evaluation process. The difficulty in raising capital in a historically bad credit market in 2008 presented a major obstacle to any potential acquirer of CSK. Based on the strength of our balance sheet and the merits of our consistently strong historical operating results, we were able to obtain debt commitments sufficient for us to acquire CSK in an all-cash deal. With the financing commitments in hand, we were able to effectively negotiate to acquire CSK. We were then able to alter the structure of the transaction to an exchange offer, which allowed us to maintain the financial flexibility necessary for strategic investments in CSK's distribution infrastructure and inventory position.

The true opportunity at CSK is to maintain CSK's strong retail base and dramatically increase the commercial business by successfully implementing our dual market strategy. To realize the value potential at CSK, we will convert all of the CSK stores to the O'Reilly brand and implement our dual market strategy. At the time of the acquisition, only 10% of CSK's sales were to commercial installers as compared to 50% at O'Reilly. To successfully implement our proven dual market strategy, we will focus on distribution, inventory availability and culture.

CSK operated a retail-focused distribution network with four main distribution centers (DCs) servicing stores on a weekly basis. We are closing one CSK DC that overlaps with an existing O'Reilly DC, renovating the remaining three CSK DCs, adding four new DCs and utilizing three existing O'Reilly DCs to service the acquired CSK stores. This large investment in distribution infrastructure will allow for nightly deliveries to all stores and multiple daily store deliveries in the seven metropolitan areas where the DCs are located.

Prior to the acquisition, the average CSK store stocked 18,000 SKUs. We will eliminate non-core automotive merchandise and bring the SKU count up to the O'Reilly average of 21,000 with a clear focus on hard parts.

CSK AQUISITION FACTORS

1 MARKET LEADING AUTO PARTS RETAILER

With very little overlap in O'Reilly's and CSK's geographical footprints, this merger provides an exceptional opportunity to augment CSK's strong retail presence by incorporating O'Reilly's installer customer expertise, while also providing more tools for CSK to emerge as a more competitive retailer.

2 NATIONAL PLATFORM

By joining two large industry leaders, the combined company will benefit from increased brand recognition and increased advertising synergies. Additionally, many proven customer programs will offer nation-wide advantages to both our DIY and DIFM customer base.

3 ENHANCE CSK'S OPERATIONS

O'Reilly's proven operating model of overnight replenishment (multiple daily deliveries metropolitan hub and spoke stores) and a strong performance-based sales and operations model, will create positive results for our team members and customers.

4 COST SAVINGS OPPORTUNITY

In addition to leveraging increased purchasing power for automotive parts, tools and equipment, the combined company will achieve substantial savings through improved administrative efficiencies.

We are excited by the addition of CSK's outstanding team and we will instill the O'Reilly Culture to team members in each of our new stores, DCs and offices.

In addition to our growth through acquisitions, we continue a robust new store growth program, only partially scaled back in light of the major capital commitments and management focus required to successfully execute the integration of CSK. After opening 190 stores in 2007, we have reduced our new store openings in 2008 to 150 and expect to open another 150 new stores in 2009. To support this new store growth, we opened the Lubbock, Texas DC in 2008, which is also being leveraged to support acquired CSK stores in El Paso and New Mexico, and we will open the Greensboro, North Carolina DC in 2009 to continue our expansion into the Mid-Atlantic states.

As we look forward to 2009, it appears the strong economic headwinds we are currently experiencing will not soon abate; however, we remain excited about the potential to significantly enhance the performance of the acquired CSK stores, and we remain confident in our ability to continue to gain market share in our existing markets by focusing on the core O'Reilly values of customer service and expense control.

Sincerely,

GREG HENSLEE
Chief Executive Officer and Co-President

TED WISE
Chief Operating Officer and Co-President

TOM MCFALL
Chief Financial Officer and Executive Vice President

EXPERIENCED MANAGEMENT TEAM

Our executive management team has more than 190 years of combined experience in the automotive aftermarket industry. Their goal is to continue to strengthen the power of the O'Reilly brand by building on the proven results and business model we started with our first store in 1957.

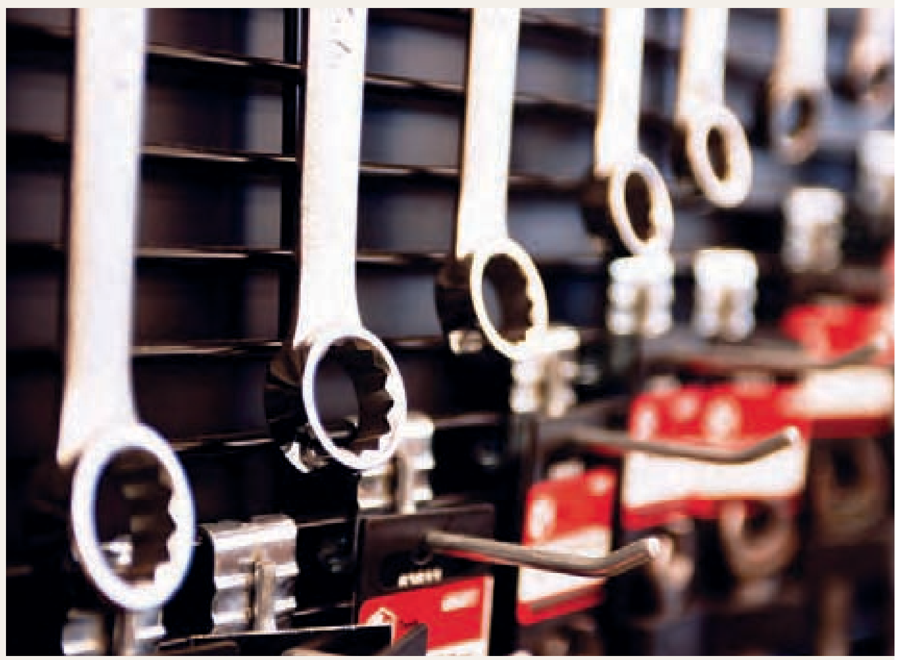
Seated: Greg Henslee, David O'Reilly, Ted Wise;
Standing: Jeff Shaw, Greg Johnson, Mike Swearengin, Tom McFall

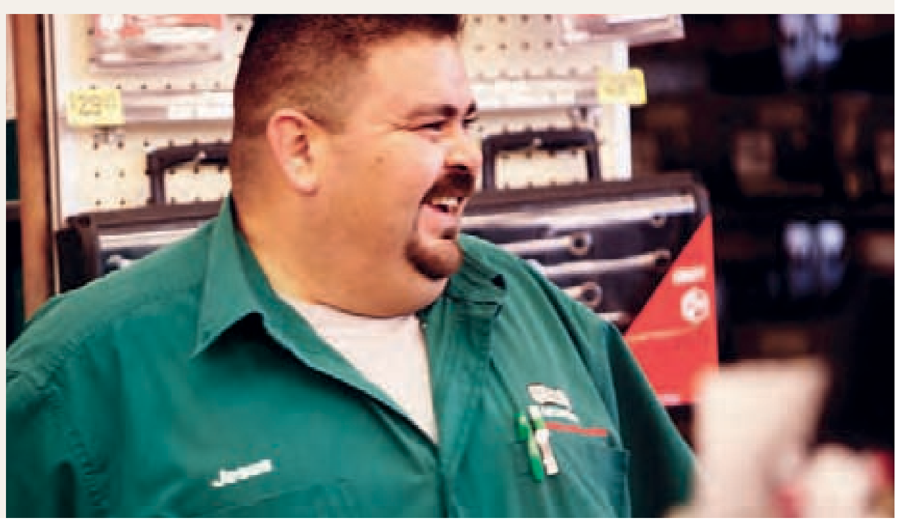
WHERE WE'VE BEEN.
WHERE WE'RE HEADING.

PROVEN: What we are doing with our new store and acquisition growth at O'Reilly is really nothing different than what we've done to grow from our original store in 1957 to 3,285 stores in 2008. We are staying true to our proven business model. We remain road tested and results driven.

OPPORTUNITY: We have the opportunity with the acquisition of CSK Auto to rapidly expand our proven dual market strategy into the western half of the country. We will implement this strategy with a strong focus on customer service, distribution support and product offerings.

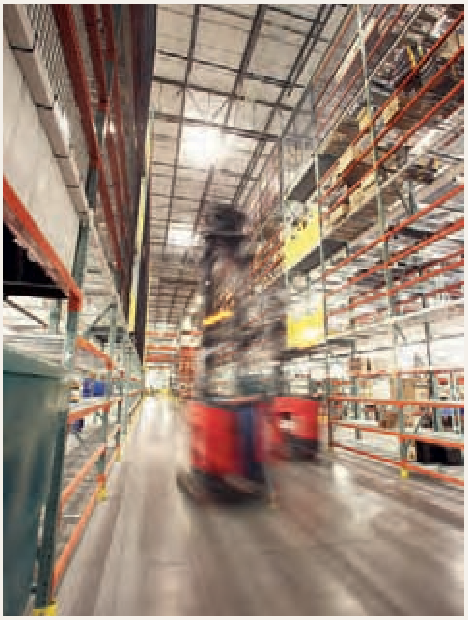

O'Reilly
AUTO PARTS
Jenn





WE ARE ROAD TESTED.

WE ARE PROVEN.



DUAL MARKET STRATEGY

Our dual market strategy focuses on serving both the wholesale and retail sides of our industry and is road tested and proven – it sets us apart from our competition. Our business model has yielded a consistent, long-term 50/50 business split between our do-it-yourself and professional installer customers. We will roll out this business strategy to our newly acquired CSK stores as we complete the integration process. This dual market strategy allows O'Reilly to offer the best combination of inventory, availability, competitive prices, quality and service.

Our commitment to the professional installer business started with our first store in 1957. We understand the needs of our commercial customers and know how critical timely, high-quality service is to the success of their business. We believe the key to growing and maintaining strong relationships with our customers is delivering extensive parts knowledge, providing the highest parts availability, and offering timely delivery – all at competitive prices. Installers value our extensive support programs, professional training classes and the dedicated sales team of more than 400 who devote their time to helping our valued customers run profitable businesses.

EXTRAORDINARY SERVICE

When it comes to customer service, little things mean a lot – like acknowledging a customer as they enter the store, smiling at them as you help find products and thanking them for their business as you hand them their receipt.

"It comes downs to the fundamentals, which are built into our culture values. The two we focus the most energy on are customer service and expense control."

GREG HENSLEE,
CHIEF EXECUTIVE OFFICER
AND CO-PRESIDENT

STRATEGIC DISTRIBUTION CENTERS

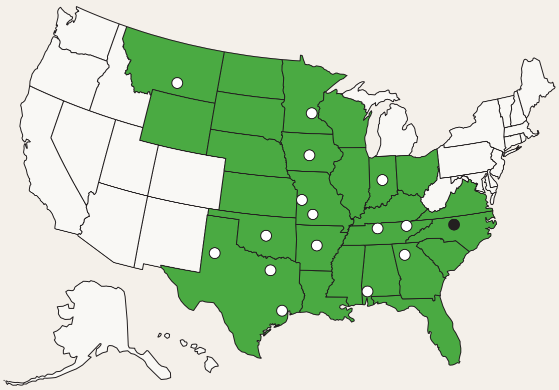
To maintain our goal of having the right part at the right price at the right time, O'Reilly has strategically deployed inventory at regional DCs across the country to provide a higher level of service to our network of stores. These DCs provide the fuel for the Team O'Reilly engine by stocking, on average, more than 116,000 different parts for our customers.

Virtually every O'Reilly store is within 250 miles of one of these 15 DCs, allowing us to provide daily or nightly delivery to our stores. This extensive distribution infrastructure allows customers quicker access to the parts they need to fix their cars. For our installer customers, this availability is key to "turning" their bays, satisfying customers and strengthening their business.

A huge part of our competitive advantage continues to be our ability to get the right parts to our stores five days a week. In many metropolitan areas, we make as many as four to eight deliveries to each of our stores, each day to benefit our installer customers. Regardless of the store location, our delivery team members drive overnight five days a week from our DCs to deliver parts to every store.

CORE O'REILLY DISTRIBUTION CENTERS

O'Reilly offers its customers the product strength of 15 DCs across the United States. In addition, proposed and under development centers will provide our growing company with an even wider distribution reach.



CORE O'REILLY		UNDER DEVELOPMENT
Atlanta, GA	Little Rock, AR	Greensboro, NC
Billings, MT	Lubbock, TX	
Dallas, TX	Minneapolis, MN	
Des Moines, IA	Mobile, AL	
Houston, TX	Nashville, TN	
Indianapolis, IN	Oklahoma City, OK	
Kansas City, MO	Springfield, MO	
Knoxville, TN		

DAILY DELIVERY

Our DCs stock more than 116,000 parts, many of which are of the hard-to-find variety. When a customer orders a part not currently in stock at one of our stores, our advanced inventory control system and distribution technology ensure that the part is picked, packed and delivered to the store that day or night.

QUALITY AUTO PARTS

Our stores offer a wide selection of brand-name and private-label products for domestic and imported automobiles, vans and trucks to customers who range from light do-it-yourselfers to professional installers. All of these parts meet or exceed original equipment requirements.

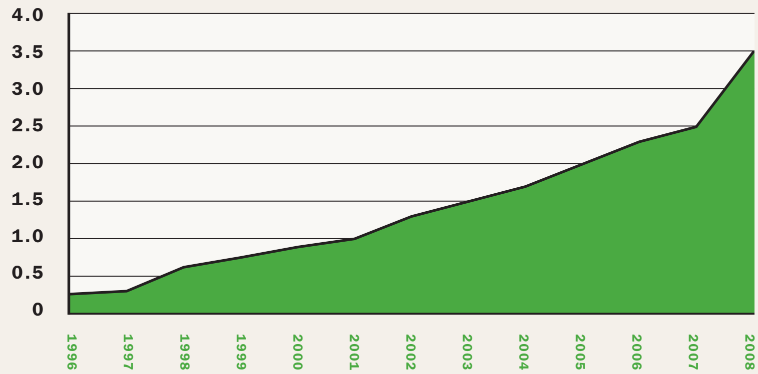
Our merchandise includes nationally recognized, well-advertised, premium, name-brand products such as AC Delco, Moog, Wagner, Gates Rubber, Federal Mogul, Monroe, Prestone, Quaker State, Pennzoil, Castrol, Valvoline, STP, BWD, Cardone, WIX, Armor All and Turtle Wax. In addition to the name-brand products we stock, our stores carry a wide variety of high-quality private-label products under our O'Reilly Auto Parts®, BestTest®, Micro-Gard®, Power Torque®, Miles Ahead®, Super Start®, BrakeBest®, Ultima®, MasterPro®, Murray®, and Omnispark® proprietary name brands.

Our private-label products are produced by nationally recognized manufacturers and meet or exceed original equipment manufacturer specifications and provide a great combination of quality and value – a characteristic important to our DIY customers.

SALES

(In billions)

Solid core O'Reilly same store sales as well as the acquisition of CSK led to an increase in sales of 42% in 2008. We continue to execute our proven dual market strategy by serving both the professional installer as well as the do-it-yourself customer.

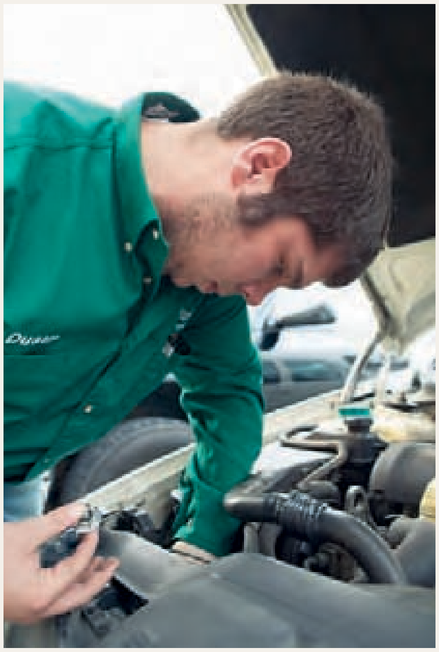


PROFESSIONAL PARTS PEOPLE

We have a strong commitment to staffing our stores with professional parts people and supplying them the tools they need to be the first call for installers. We work hard to be the friendliest, most knowledgeable parts store in town.

All team members share the common goal of making Team O'Reilly successful. Each of our 40,000 team members is dedicated to providing our customers with solutions to their automotive parts needs supported by outstanding customer service.

The knowledge of the professional parts people in our stores does not happen by chance. We focus on hiring outgoing, friendly people with a mechanical inclination and strong customer service skills. Ideal candidates range from inexperienced people who want to work hard and learn, to experienced parts professionals working outside our organization. Each store team member participates in extensive and ongoing training in our industry-leading program that emphasizes customer service and technical knowledge, particularly with respect to hard parts. These philosophies and our performance-based incentive programs ensure that our stores are staffed with the most professional parts people in the business.



THE FRIENDLIEST PARTS STORE IN TOWN
We spend a lot of time and resources making sure that we don't lose sight of what made us successful in the past. We are confident that those time-tested values will continue to make us successful in the future.

AUTOMOTIVE AFTERMARKET INDUSTRY OVERVIEW

Our intent is to be the dominant auto parts provider in all the markets we serve by providing significant value to both installers and DIY customers.

$82 BILLION
DIY MARKET

$40 BILLION
PROFESSIONAL INSTALLER MARKET

$60 BILLION
ESTIMATED UNPERFORMED MAINTENANCE

WE ARE VALUE DRIVEN.

WE HAVE A GREAT OPPORTUNITY.

EXPANDING INFRASTRUCTURE

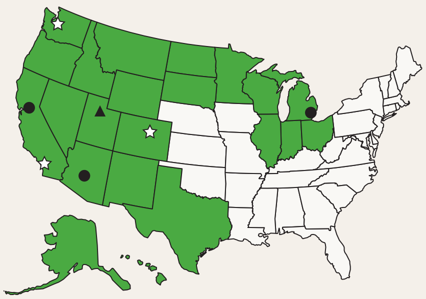
Our mission is to be the dominant supplier of auto parts in the markets we serve by executing our Dual Market strategy. We have the same goal at our newly acquired CSK stores. These acquired stores give us the opportunity to rapidly expand O'Reilly's Dual Market strategy and culture across the western half of the United States.

To implement this proven strategy throughout the acquired CSK store network, the stores need quick access to the broad array of hard parts required to be an installer's primary parts supplier. To accomplish this, we are making a significant investment to upgrade and add distribution capacity throughout CSK markets. We will be upgrading current facilities in Phoenix, Arizona, Detroit, Michigan, and Northern California. In addition, we have new DC facilities identified in Southern California, Seattle, Washington, and Denver, Colorado, and are identifying a facility in Utah. By the end of our DC build-out, all of the stores in the chain will have same-day or same-night access to more than 116,000 SKUs from their supporting DC.

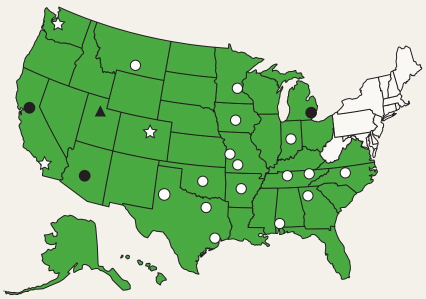
3,285 STORES

IN 38 STATES

CSK



O'Reilly 2008 Consolidated



INVESTING IN OUR DISTRIBUTION CENTERS

With stores in 38 states, O'Reilly has the opportunity to continue its consistent, proven approach of consolidating market share and reaching even more customers. We will offer all the great services and products our customers have come to know and love about O'Reilly throughout the majority of the country.

● CSK CONVERSIONS
- Detroit, MI
- Phoenix, AZ
- Dixon, CA

☆ UNDER DEVELOPMENT
- Denver, CO
- Southern California
- Seattle, WA

▲ PROPOSED
- Salt Lake City, UT

○ CORE O'REILLY
- Atlanta, GA
- Billings, MT
- Dallas, TX
- Des Moines, IA
- Houston, TX
- Indianapolis, IN
- Kansas City, MO
- Knoxville, TN
- Little Rock, AR
- Lubbock, TX
- Minneapolis, MN
- Mobile, AL
- Nashville, TN
- Oklahoma City, OK
- Springfield, MO

CONSOLIDATING UNDER ONE BRAND

CSK operated under four brand names – Schuck's, Kragen, Checker and Murray's – and over the next two years we will consolidate all stores under the O'Reilly brand. We started the conversion process with 185 stores in the Central United States.

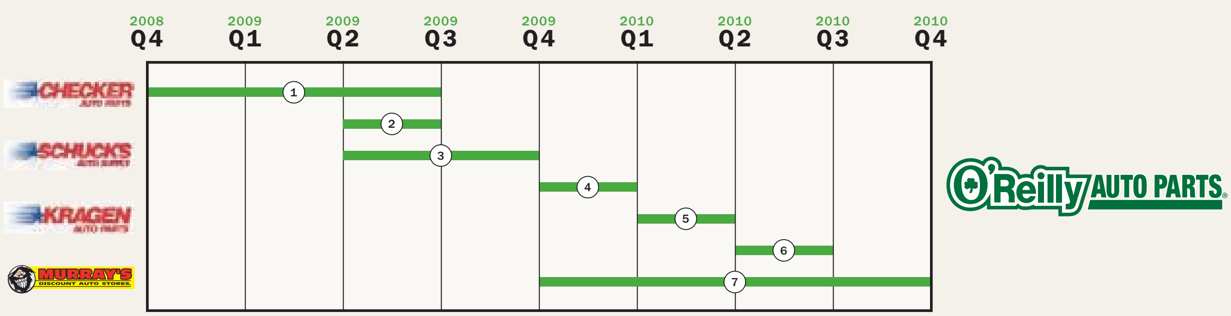
To facilitate the immediate change of a store's servicing DC, we lift the inventory, reset the store fixtures and put in new inventory, fully aligning the store's merchandise section with its new servicing DC. We replace the legacy POS system with an O'Reilly POS system, which allows them to be connected to our inventory control and replenishment systems. We then re-open as an O'Reilly store within a week of starting the extensive process.

As we open new DCs and update existing facilities to the O'Reilly system, we will convert the stores they service. By converting stores one servicing distribution area at a time, we will break down the 1,300 store acquisitions into several 100 to 300 store blocks.

BEFORE AND AFTER

When we convert stores, we focus on creating professional parts stores, enhancing store-specific hard-part assortments, and eliminating non-core merchandise. These stores adopt O'Reilly's consistent layout with efficient, attractive front rooms and more back-room space for hard parts.

RE-BRANDING TIMELINE



(1) Convert Northern Plains, New Mexico, El Paso and Chicago stores – all stores in O'Reilly's existing distribution reach

(2) Convert Detroit, MI distribution center

(3) Convert Michigan and Ohio stores

(4) Seattle DC opens

(5) Denver and Southern California DCs open

(6) Utah DC open

(7) Convert West Coast stores

INTEGRATING CULTURES

THE RIGHT PEOPLE AND THE RIGHT PARTS AT THE RIGHT PRICES.

The process of integrating CSK Auto requires much more than just changing shirts. It is a demanding endeavor that requires the full commitment of every team member. The acquisition gives O'Reilly the opportunity to introduce CSK team members to our Live Green culture and become part of Team O'Reilly, as happened with our acquisitions of Hi-Lo Automotive, Mid-State Auto Parts, Midwest Auto Parts and many, many individually acquired parts stores.

This culture, or the ability to LIVE GREEN, is the foundation of our beginning, our growth and our future. It means offering great customer service, watching our expenses, working hard and supporting each other. The importance of every team member is critical to the success of our company. It is this dedication that will be our key advantage as we compete in the future.

STRENGTHENING PRODUCT OFFERINGS

If you drive a car, you will eventually have a part fail, and O'Reilly wants to be there to help you – by providing unbeatable parts availability, high-quality products and competitive prices.

With cars lasting longer, more car makers selling cars in the United States and parts becoming more model-specific, the number of hard-part SKUs has exploded during the past 15 years. To efficiently manage this, we've developed an industry-leading inventory management system that we hone and refine on a daily basis. Our system allows us to dynamically customize each store's inventory to fit the vehicle population for that area and provide real-time product mix changes to adapt to changing customer demands. O'Reilly's commitment is to have the right part for our customers – in a quality brand, at a competitive price, offered by professional parts people focused on helping you solve your problem and get your car back on the road.

Over the next year, we will align all of our major product lines across the chain. For the acquired CSK stores, this will mean adding a much wider breadth of hard parts and the elimination of non-core automotive merchandise. Through the application of our finely tuned inventory management system, we will customize each store's hard-parts offerings to satisfy the specific vehicle population demands for that market.

AVAILABILITY, QUALITY AND COMPETITIVE PRICES

We strive to be smarter and more efficient than our competitors at customizing each store's inventory to fit the vehicle population for each area.

"Our goal is to both anticipate and respond to our customers' needs. We do this by providing our customers the right mix of good, better and best auto parts – offering value across the product spectrum."

MIKE SWEARENGIN,
SENIOR VICE PRESIDENT
OF MERCHANDISE

DEAR SHAREHOLDERS,

The primary responsibility of O'Reilly Automotive's Board of Directors is to vigilantly establish and monitor the corporate governance practices, and provide oversight of the business and affairs of the company.

In fulfilling these responsibilities during 2008, O'Reilly Automotive has complied with the company's corporate governance requirements, the corporate governance best practice guidelines established by the NASDAQ stock exchange, the provisions of the Sarbanes-Oxley Act of 2002 and the rules adopted by the U.S. Securities and Exchange Commission pursuant to the Act.

O'Reilly Automotive's Board of Directors will keep its governance responsibilities in mind as we oversee the current and future direction of the business and affairs of the company to help ensure the best interest of the company's shareholders are served.

On behalf of the Board of Directors,

David O'Reilly

DAVID E. O'REILLY
Chairman of the Board

O'REILLY 2008

FINANCIAL RESULTS

"We remain confident in our ability to continue to gain market share in our existing markets by focusing on the core O'Reilly values of customer service and expense control."

GREG HENSLEE,
CHIEF EXECUTIVE OFFICER
AND CO-PRESIDENT

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SELECTED FINANCIAL DATA

(In thousands, except per share data)

Years ended December 31,	2008	2007	2006
INCOME STATEMENT DATA:			
Sales	$ 3,576,553	$ 2,522,319	$ 2,283,222
Cost of goods sold, including warehouse and distribution expenses	1,948,627	1,401,859	1,276,511
Gross profit	1,627,926	1,120,460	1,006,711
Selling, general and administrative expenses	1,292,309	815,309	724,396
Operating income	335,617	305,151	282,315
Other income (expense), net	(33,085)	2,337	(50)
Income before income taxes and cumulative effect of accounting change	302,532	307,488	282,265
Provision for income taxes	116,300	113,500	104,180
Income before cumulative effect of accounting change	186,232	193,988	178,085
Cumulative effect of accounting change, net of tax (a)	--	--	--
Net income	$ 186,232	$ 193,988	$ 178,085
BASIC EARNINGS PER COMMON SHARE:			
Income before cumulative effect of accounting change	$ 1.50	$ 1.69	$ 1.57
Cumulative effect of accounting change (a)	--	--	--
Net income per share	$ 1.50	$ 1.69	$ 1.57
Weighted-average common shares outstanding	124,526	114,667	113,253
EARNINGS PER COMMON SHARE-ASSUMING DILUTION:			
Income before cumulative effect of accounting change	$ 1.48	$ 1.67	$ 1.55
Cumulative effect of accounting change (a)	--	--	--
Net income per share	$ 1.48	$ 1.67	$ 1.55
Weighted-average common shares outstanding – adjusted	125,413	116,080	115,119
PRO FORMA INCOME STATEMENT DATA: (B)			
Sales			
Cost of goods sold, including warehouse and distribution expenses			
Gross profit			
Selling, general and administrative expenses			
Operating income			
Other income (expense), net			
Income before income taxes			
Provision for income taxes			
Net income			
Net income per share			
Net income per share – assuming dilution			

(a) The cumulative change in accounting method, effective January 1, 2004, changed the method of applying LIFO accounting policy for certain inventory costs. Under the new method, included in the value of inventory are 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.

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

SELECTED FINANCIAL DATA (CONTINUED)

	2005	2004	2003	2002	2001	2000	1999
	$ 2,045,318	$ 1,721,241	$ 1,511,816	$ 1,312,490	$ 1,092,112	$ 890,421	$ 754,122
	1,152,815	978,076	873,481	759,090	624,294	507,720	428,832
	892,503	743,165	638,335	553,400	467,818	382,701	325,290
	639,979	552,707	473,060	415,099	353,987	292,672	248,370
	252,524	190,458	165,275	138,301	113,831	90,029	76,920
	(1,455)	(2,721)	(5,233)	(7,319)	(7,104)	(6,870)	(3,896)
	251,069	187,737	160,042	130,982	106,727	83,159	73,024
	86,803	70,063	59,955	48,990	40,375	31,451	27,385
	164,266	117,674	100,087	81,992	66,352	51,708	45,639
	--	21,892	--	--	--	--	--
	$ 164,266	$ 139,566	$ 100,087	$ 81,992	$ 66,352	$ 51,708	$ 45,639
	$ 1.47	$ 1.07	$ 0.93	$ 0.77	$ 0.64	$ 0.51	$ 0.47
	--	0.20	--	--	--	--	--
	$ 1.47	$ 1.27	$ 0.93	$ 0.77	$ 0.64	$ 0.51	$ 0.47
	111,613	110,020	107,816	106,228	104,242	102,336	97,348
	$ 1.45	$ 1.05	$ 0.92	$ 0.76	$ 0.63	$ 0.50	$ 0.46
	--	0.20	--	--	--	--	--
	$ 1.45	$ 1.25	$ 0.92	$ 0.76	$ 0.63	$ 0.50	$ 0.46
	113,385	111,423	109,060	107,384	105,572	103,456	99,430
			$ 1,511,816	$ 1,312,490	$ 1,092,112	$ 890,421	$ 754,122
			872,658	754,844	618,217	501,567	425,229
			639,158	557,646	473,895	388,854	328,893
			473,060	415,099	353,987	292,672	248,370
			166,098	142,547	119,908	96,182	80,523
			(5,233)	(7,319)	(7,104)	(6,870)	(3,896)
			160,865	135,228	112,804	89,312	76,627
			60,266	50,595	42,672	33,776	28,747
			$ 100,599	$ 84,633	$ 70,132	$ 55,536	$ 47,880
			$ 0.93	$ 0.80	$ 0.67	$ 0.54	$ 0.49
			$ 0.92	$ 0.79	$ 0.66	$ 0.54	$ 0.48

SELECTED FINANCIAL DATA (CONTINUED)

(In thousands, except per share data)

Years ended December 31,	2008	2007	2006
SELECTED OPERATING DATA:			
Number of stores at year-end (a)	3,285	1,830	1,640
Total store square footage at year-end (in 000's)(a)(b)	23,205	12,439	11,004
Sales per weighted-average store (in 000's)(a)(b)	$ 1,379	$ 1,430	$ 1,439
Sales per weighted-average square foot (b)	$ 201	$ 212	$ 215
Percentage increase in same store sales (c)(d)	1.5%	3.7%	3.3%
BALANCE SHEET DATA:			
Working capital	$ 821,932	$ 573,328	$ 566,892
Total assets	4,193,317	2,279,737	1,977,496
Current portion of long-term debt and short-term debt	8,131	25,320	309
Long-term debt, less current portion	724,564	75,149	110,170
Shareholders' equity	2,282,218	1,592,477	1,364,096

(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. Sales per weighted-average store and square foot are weighted to consider the approximate dates of store openings or expansions.

(c) Same-store sales are calculated based on the change in sales of stores open at least one year. Prior to 2000, same-store sales data was calculated based on the change in sales of only those stores open during both full periods being compared. Percentage increase in same-store sales is calculated based on store sales results, which exclude sales of specialty machinery, sales by outside salesmen and sales to team members.

(d) Same-store sales for 2008 includes sales for stores acquired in the CSK acquisition. Comparable stores sales for O'Reilly stores open at least one year increased 2.6% for the year ended December 31, 2008. Comparable stores sales for CSK stores open at least one year decreased 1.7% for the portion of CSK's sales in 2008 since the July 11, 2008, acquisition.

SELECTED FINANCIAL DATA (CONTINUED)

2005	2004	2003	2002	2001	2000	1999
1,470	1,249	1,109	981	875	672	571
9,801	8,318	7,348	6,408	5,882	4,491	3,777
$ 1,478	$ 1,443	$ 1,413	$ 1,372	$ 1,426	$ 1,412	$ 1,422
$ 220	$ 217	$ 215	$ 211	$ 219	$ 218	$ 223
7.5%	6.8%	7.8%	3.7%	8.8%	5.0%	9.6%
$ 424,974	$ 479,662	$ 441,617	$ 483,623	$ 429,527	$ 296,272	$ 249,351
1,718,896	1,432,357	1,157,033	1,009,419	856,859	715,995	610,442
75,313	592	925	682	16,843	49,121	19,358
25,461	100,322	120,977	190,470	165,618	90,463	90,704
1,145,769	947,817	784,285	650,524	556,291	463,731	403,044

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.

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 including CSK Auto Corporation ("CSK"), 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.

OVERVIEW

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 installer service equipment. On July 11, 2008, we completed the acquisition of CSK, one of the largest specialty retailers of auto parts and accessories in the Western United States and one of the largest such retailers in the United States, based on store count. At the date of the acquisition, CSK had 1,342 stores in 22 states, operating under four brand names: Checker Auto Parts, Schuck's Auto Supply, Kragen Auto Parts and Murray's Discount Auto Parts.

We view the following factors to be the key drivers of current and future demand for the products we sell:

NUMBER OF MILES DRIVEN AND NUMBER OF REGISTERED VEHICLES – The total number of miles driven in the U.S. heavily influences the demand for the repair and maintenance products we sell. The long-term trend in the number of vehicles on the road and the total miles driven in the U.S. has exhibited steady growth over the past decade. Since 1998, the total number of miles driven in the United States has increased at an annual rate of approximately 1.6%. The total number of vehicles on the road has increased from 197 million registered light vehicles in 1998 to 241 million in 2007. Total number of miles driven remained relatively unchanged in 2007 and declined by 3.6% in 2008, as many consumers responded to rising fuel prices and other economic constraints in part by curtailing automobile usage. We believe that the decrease in miles driven in 2008 and expected decrease in 2009 is a short-term trend and that long-term miles driven will increase in the future because of the increasing number of vehicles on the road.

AVERAGE VEHICLE AGE – Changes in the average age of vehicles on the road impacts demand for automotive aftermarket products. As the average age of a vehicle increases, the vehicle goes through more routine maintenance cycles requiring replacement parts such as brakes, belts, hoses, batteries, and filters. The sales of these products are a key component of our business. The average age of the vehicle population has increased over the past decade from 8.9 years for passenger cars and 8.3 years for light trucks in 1998 to 10.4 and 9.0 years, respectively, in 2007. Based on the dramatic decrease in the sale of new cars and light trucks in 2008, and the expected decrease in 2009, we expect that consumers will continue to choose to keep their vehicles longer and drive them at higher mileages and that this increasing trend in average vehicle age will continue.

UNPERFORMED MAINTENANCE – According to estimates compiled by the Automotive Aftermarket Industry Association, the annual amount of unperformed or underperformed maintenance in the United States totaled $60 billion for 2007. This metric represents the degree to which routine vehicle maintenance recommended by the manufacturer is not being performed. Consumer decisions to avoid or defer maintenance affect demand for our products and the total amount of unperformed maintenance represents potential future demand. We believe that challenging macroeconomic conditions in 2007 and 2008 contributed to the amount of unperformed maintenance.

PRODUCT QUALITY DIFFERENTIATION – We provide our customers with an assortment of products that are differentiated by quality and price for most of the product lines we offer. For many of our product offerings, this quality differentiation reflects "good", "better", and "best" alternatives. Our sales and total gross margin dollars are highest for the "best" quality category of products. Consumers' willingness to select products at a higher point on the value spectrum is a driver of sales and profitability in our industry. We believe that the average consumer's tendency has been to "trade-down" to lower quality products during the recent challenging economic conditions. We have ongoing initiatives targeted to marketing higher quality products to our customers and expect our customers to be more willing to return to purchasing up on the value spectrum in the future.

RECENT DEVELOPMENTS

On July 11, 2008, we completed the acquisition of CSK, one of the largest specialty retailers of auto parts and accessories in the Western United States and one of the largest such retailers in the United States, based on store count. Pursuant to the merger agreement, each share of CSK common stock outstanding immediately prior to the merger was canceled and converted into the right to receive 0.4285 of a share of O'Reilly common stock and $1.00 in cash. To fund the transaction, we entered into a Credit Agreement for a $1.2 billion asset-based revolving credit facility arranged by Bank of America, N.A., which we used to refinance debt, fund the cash portion of the acquisition, pay for other transaction-related expenses and provide liquidity for our combined Company going forward. The results of CSK's operations have been included in our consolidated financial statements since the acquisition date.

At the date of the acquisition, CSK had 1,342 stores in 22 states, operating under four brand names: Checker Auto Parts, Schuck's Auto Supply, Kragen Auto Parts and Murray's Discount Auto Parts. This added stores in twelve new states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Michigan, Nevada, New Mexico, Oregon, Utah and Washington, and a number of new markets in states where O'Reilly had a presence prior to the acquisition. As of December 31, 2008, we had converted 51 CSK stores to O'Reilly brands, merged 35 CSK stores with existing O'Reilly locations, closed six CSK stores and opened four new CSK stores.

RESULTS OF OPERATIONS

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

Years ended December 31,	2008	2007	2006
Sales	100%	100%	100%
Cost of goods sold, including warehouse and distribution expenses	54.5	55.6	55.9
Gross profit	45.5	44.4	44.1
Selling, general and administrative expenses	36.1	32.3	31.7
Operating income	9.4	12.1	12.4
Debt prepayment costs	(0.2)	--	--
Interim facility commitment fee	(0.1)	--	--
Interest expense	(0.7)	(0.1)	(0.2)
Interest income	0.1	0.1	0.1
Other income, net	--	0.1	0.1
Income before income taxes	8.5	12.2	12.4
Provision for income taxes	3.3	4.5	4.6
Net income	5.2%	7.7%	7.8%

2008 COMPARED TO 2007

Sales increased $1.05 billion, or 42%, from $2.52 billion in 2007 to $3.58 billion in 2008, due to the acquisition of 1,342 CSK stores and the addition of 150 net new O'Reilly stores opened during 2008. The following table presents the components of the increase in sales for the year ended December 31, 2008:

December 31, 2008, compared to the same period in 2007 *(In millions)*	Increase/(Decrease) in Sales For the Year Ended
O'Reilly stores:	
Comparable store sales	$ 65.0
Stores opened throughout 2007, excluding sales for stores open at least one year that are included in that are included in comparable store sales	92.3
Sales of stores opened in 2008	61.8
Non-store sales including machinery, sales to independent parts stores and team members	(1.1)
CSK stores:	836.2
Total increase in sales	$ 1,054.2

We believe that the increased sales achieved by our existing stores is the result of superior inventory availability, a broader selection of products in most stores, targeted promotional and advertising efforts through a variety of media and localized promotional events, continued improvement in the merchandising and layout of stores, compensation programs for all store team members that provide incentives for performance and our continued focus on serving professional installers. Consolidated comparable store sales for stores open at least one year increased 1.5% for the year ended December 31, 2008. This increase in 2008 was less than the prior year's increase of 3.7% and historical trends primarily due to challenging external macroeconomic factors in 2008 as well as a decline in comparable store sales in the stores added in the CSK acquisition. The external macroeconomic factors which we believe negatively impacted our sales were constraints on our customers' discretionary income resulting from inflation, declining home and investment asset values, higher gas prices in early 2008, increased unemployment and the impact of a contraction in the US economy. Comparable store sales for O'Reilly stores, including CSK stores after conversion to the O'Reilly brand, but excluding the acquired, yet-to-be-converted CSK stores, increased 2.6% for the year ended December 31, 2008. Comparable store sales for acquired CSK stores open at least one year decreased 1.7% for the portion of those stores' sales since the July 11, 2008 acquisition by O'Reilly as compared to the same period in 2007 when CSK's sales were not included in our consolidated financial statements. We anticipate that continued store unit and sales growth consistent with our historical rates will continue in the future. We expect future sales growth as the CSK stores are converted to the O'Reilly dual market strategy. Comparable store sales are calculated based on the change in sales of stores open at least one year and exclude sales of specialty machinery, sales to independent parts stores and sales to team members.

The following table presents quarterly results for non-store sales that are excluded from the calculation of comparable stores sales:

(In millions):	2008	2007	2006
For the quarter ended:			
March 31	$ 16	$ 17	$ 16
June 30	19	19	19
September 30	21	18	18
December 31	20	16	16
For the year ended December 31:	$ 76	$ 70	$ 69

Gross profit increased $507.5 million, or 45%, from $1.12 billion (44.4% of sales) in 2007 to $1.63 billion (45.5% of sales) in 2008. The increase in gross profit dollars was primarily the result of the increase in sales resulting from the acquisition of CSK, the increase from new stores and increased sales levels at existing stores. The increase in gross profit as a percentage of sales is the result of improved product mix, lower product acquisition cost and distribution system improvements. We improved our product mix by continuing to implement strategies to differentiate our merchandise selections at each store based on customer demand and vehicle demographics in the store's market and through ongoing Team Member training initiatives focused on selling products with greater gross margin contribution. Additionally, gross margin percentage improved as a result of the inclusion of sales from stores acquired in the acquisition of CSK. Gross margin percentages on the sales at these stores are higher than existing O'Reilly stores primarily because a greater proportion of these sales are made to DIY customers (which typically have higher gross margin percentages) and because of market conditions, primarily overall price levels, that are specific to the markets in which the acquired stores are located. Product acquisition costs improved due to increased production by our suppliers in lower-cost foreign countries and improved negotiating leverage with our vendors as a result of our significant growth. Improvements in our distribution system were the result of capital projects designed to create operating expense efficiencies. We anticipate these trends to continue at a moderate rate in 2009, with more significant improvements resulting from continued product acquisition cost reductions relating to the CSK acquisition.

SG&A increased $477 million, or 59%, from $815.3 million (32.3% of sales) in 2007 to $1.29 billion (36.1% of sales) in 2008. The dollar increase in SG&A expenses resulted primarily from the acquisition of CSK and from additional team members and resources to support our increased store count. The increase in SG&A expenses as a percentage of sales was primarily due to the addition of the CSK store base which has a higher expense structure than the core O'Reilly store base, a one-time charge of $9.6 million to align CSK's vacation policy with the Company's policy, $5.3 million of non-cash amortization of CSK trade names and trade marks and partial de-leverage of fixed SG&A expenses on low comparable store sales increases.

Interest expense increased $22 million, from $4 million (or 0.1% of sales) in 2007 to $26 million (or 0.7% of sales) in 2008. The increase in interest expense is the result of borrowings under our new asset-based revolving credit facility that were used to fund the CSK acquisition as well as amortization of a portion of the debt issuance costs. Other one-time charges were incurred in 2008 of $4.2 million for interim financing facility commitment fees related to the CSK acquisition and $7.2 million of debt prepayment costs resulting from the payoff of our existing senior notes and synthetic lease facility.

Our provision for income taxes increased from $114 million in 2007 (36.9% effective tax rate) to $116 million in 2008 (38.4% effective tax rate). The increase in effective tax rate is the result of our acquisition of CSK and the generally higher effective tax rates in most states where the acquired CSK stores are located. The increase is also attributable to a one-time charge to adjust tax liabilities in the amount $3.1 million relating to the acquisition.

As a result of the impacts discussed above, net income decreased $7.8 million from $194.0 million in 2007 (7.7% of sales) to $186.2 million in 2008 (5.2% of sales). Diluted earnings per share decreased $0.19 per share in 2008 to $1.48 per share on 125.4 million diluted shares outstanding from $1.67 per share in 2007 on 116.1 million diluted shares outstanding. The increase in dilutive shares outstanding is principally the result of shares exchanged in the acquisition of CSK.

2007 COMPARED TO 2006

Sales increased $239 million, or 10.5%, from $2.28 billion in 2006 to $2.52 billion in 2007, due to 190 net additional stores opened during 2007 which contributed $72.5 million to the sales increase, a full year of sales for stores opened throughout 2006 adding $83.5 million and a 3.7% increase in same-store sales for stores open at least one year providing $82.6 million of the sales increase. We believe that the increased sales achieved by our existing stores are the result of superior inventory availability, offering 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, compensation programs for all store team members that provide incentives for performance and our continued focus on serving professional installers. The same store sales increase in 2007 of 3.7% was greater than the prior year's increase of 3.3%, but below our historical results. The decrease from historical trends is the result of challenging external macroeconomic factors in 2006 and 2007. The external macroeconomic factors, which we believe negatively impacted our sales, were constraints on our customers' discretionary income as a result of increased interest rates and higher energy costs. Consumers also encountered higher gas prices, which resulted in annual miles driven, a key driver of demand for our products, remaining flat in comparison to the long-term trend of annual increases. We anticipate that continued store unit and sales growth consistent with our historical rates will continue in the future.

December 31, 2007 compared to the same period in 2006

(In millions)	Increase in Sales For the Year Ended
O'Reilly stores:	
Comparable store sales	$ 82.6
Stores opened throughout 2006, excluding stores open at least one year that are included in comparable store sales	83.5
Sales of stores opened in 2007	72.5
Non-store sales including machinery, sales to independent parts stores and team members	0.5
Total increase in sales	$ 239.1

Gross profit increased $113.7 million, or 11.3%, from $1.01 billion (44.1% of sales) in 2006 to $1.12 billion (44.4% of sales) in 2007, primarily due to the increase in sales resulting from a larger number of stores and increased sales levels at existing stores. The increase in gross profit as a percent of sales is the result of improvements in product mix, lower product acquisition cost and distribution system efficiencies. Improvements in product mix were the result of strategies which differentiated our merchandise selections at each store based on customer demand and vehicle demographics in the store's market and through ongoing Team Member training initiatives focused on selling products with greater gross margin contribution. Product acquisition cost improved due to increased imports from lower cost providers in foreign countries as well as improved negotiating leverage with our vendors resulting from our increased purchasing power. Improvements in our distribution system were the result of capital projects designed to create operating expense efficiencies. We anticipate these trends to continue at a moderate rate throughout 2008.

SG&A increased $90.9 million, or 12.6%, from $724.4 million (31.7% of sales) in 2006 to $815.3 million (32.3% of sales) in 2007. 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 increase in SG&A as a percentage of sales was the result of increased store salaries primarily driven by the timing of new store openings, higher advertising costs, increased depreciation expense primarily driven by investment in new store technology and increased stock compensation expense.

Other income, net, increased by $2.4 million from ($0.1) million in 2006 to $2.3 million in 2007. The increase was primarily due to decreased interest expense on long-term debt resulting from a reduction in the interest rate on long-term debt as well as increased interest income derived from a higher than average cash balance.

Provision for income taxes increased from $104.2 million in 2006 (36.9% effective tax rate) to $113.5 million in 2007 (36.9% effective tax rate). The increase in the dollar amount was due to the increase of income before income taxes.

As a result of the impacts discussed above, net income increased $15.9 million from $178.1 million in 2006 (7.8% of sales) to $194.0 million in 2007 (7.7% of sales). Diluted earnings per share increased $0.12 per share in 2007 to $1.67 per share on 116.1 million diluted shares outstanding from $1.55 per share in 2006 on 115.1 million diluted shares outstanding.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $298.5 million in 2008, $299.4 million in 2007 and $185.9 million in 2006. Net cash provided by operating activities in 2008 was consistent with the cash provided by operating activities in 2007 principally because an increase in net inventory investment in 2008 was offset by an increase in operating income adjusted for non-cash depreciation and amortization expenses, and a one-time non-cash charge of $9.6 million to align, where possible, CSK's vacation policy with the Company's policy. Net inventory investment reflects our investment in inventory net of the amount of accounts payable to vendors. The increase in net inventory investment in 2008 was the result of investments made to improve the inventory availability in the stores acquired in the acquisition of CSK. The average per-store inventory for core O'Reilly stores increased to $489,000 as of December 31, 2008, from $482,000 as of December 31, 2007. CSK store's average per-store inventory increased from $417,000 at the date of acquisition, to $461,000 as of December 31, 2008.

The increase in net cash provided by operating activities in 2007 was due to increased net income and a reduction in net inventory investment. The reduction in net inventory investment is the result of reductions in our per-store inventory levels and our ongoing effort to extend terms with our vendors. Reductions in our per-store inventory levels are driven by our continued optimization of inventory selection at our stores and our ability to efficiently deploy inventory throughout our distribution network.

Net cash used in investing activities was $367.6 million in 2008, $300.3 million in 2007 and $225.2 million in 2006. The increase in cash used in investing activities in 2008 was principally due to an increase in capital expenditures and payments made in association with the acquisition of CSK. Capital expenditures were $341.7 million in 2008, $282.7 million in 2007 and $228.9 million in 2006. The increase in capital expenditures in 2008 was the result of the July 11, 2008 purchase of properties previously leased under our synthetic lease facility in conjunction with the financing of the acquisition of CSK, the addition of a distribution center facility in Lubbock, Texas, cash paid in the construction of a distribution center in Greensboro, North Carolina planned to open in 2009 and capital investments made in the initial stage of our integration of the operations of CSK. The 2008 increase in capital expenditures from these items was partially offset by decreased capital expenditures for new store construction. We opened 150, 190 and 170 net stores in 2008, 2007 and 2006, respectively. The increase in cash used in investing activities in 2007 compared to 2006 was due to increases in capital expenditures resulting from our increased number of new stores, store relocations, enhancements in existing store technology and the purchase of $21.7 million of CSK shares. These expenditures were primarily related to the opening of new stores and distribution centers, as well as the relocation or remodeling of existing stores.

Our plan for the integration of the CSK acquisition and our continuing store expansion program will require significant capital expenditures and working capital investments in 2009. Total capital expenditures in 2009 are expected to range from $420 million to $470 million. The CSK integration plan will require capital expenditures for the planned addition of facilities to enhance distribution infrastructure and the conversion of acquired stores to the O'Reilly brand. Costs associated with the conversion of CSK stores include investments in store computer systems, signage, fixtures, interior and exterior renovation, and delivery vehicles. The estimated conversion cost per store is expected to be approximately $135,000. Additionally, our 2009 growth plans call for approximately 150 new stores and the addition of a distribution center in Greensboro, North Carolina. The costs associated with the opening of a new store (including the cost of land acquisition, improvements, fixtures, net inventory investment and computer equipment) are estimated to average approximately $1.3 million to $1.5 million; however, such costs may be significantly reduced where we lease, rather than purchase, the store site. We plan to finance our expansion program through cash expected to be provided from operating activities and available borrowings under our ABL Credit Facility.

Net cash provided by financing activities was $52.8 million in 2008, $18.6 million in 2007 and $37.8 million in 2006. The increase in cash provided by financing activities in 2008 is primarily the result of the proceeds from borrowings under our asset-based credit facility partially offset by the payment of outstanding principal balances on existing debt and debt assumed in the CSK acquisition, debt issuance costs and prepayment costs in association with the financing of the acquisition of CSK. The decrease in cash provided by financing activities in 2007 versus 2006 is due to net repayments of long-term debt.

On July 11, 2008, in connection with the acquisition of CSK, we entered into a Credit Agreement for a five-year $1.2 billion asset-based revolving credit facility ("ABL Credit Facility") arranged by Bank of America, N.A., which we used to refinance debt, fund the cash portion of the acquisition, pay for other transaction-related expenses and provide liquidity for the combined Company going forward. This facility replaced a previous unsecured, five-year syndicated revolving credit facility in the amount of $100 million.

The ABL Credit Facility is comprised of a $1.075 billion tranche A revolving credit facility and a $125.0 million first-in-last-out revolving credit facility (FILO tranche). As part of the ABL Credit Agreement, the Company has pledged virtually all of its assets as collateral and is subject to an ongoing consolidated leverage ratio covenant. On the date of the transaction, the amount of the borrowing base available, as described in the ABL Credit Agreement, under the ABL Credit Facility was $1.05 billion of which we borrowed $588 million. We used borrowings under the ABL Credit Facility to repay certain existing debt of CSK, repay our $75 million 2006-A Senior Notes and purchase all of the properties that had been leased under our synthetic lease facility. We believe that cash expected to be provided by operating activities and our ABL Credit Facility will be sufficient to fund both our short-term and long-term capital and liquidity needs for the foreseeable future. At December 31, 2008, our borrowing base was $1.124 billion, of which we had borrowed $614.2 million.

Borrowings under the tranche A revolver bear interest, at our option, at a rate equal to either a base rate plus 1.50% per annum or LIBOR plus 2.5% per annum, with each rate being subject to adjustment based upon certain excess availability thresholds. Borrowings under the FILO tranche bear interest, at our option, at a rate equal to either a base rate plus 2.75% per annum or LIBOR plus 3.75% per annum, with each rate being subject to adjustment based upon certain excess availability thresholds. The base rate is equal to the higher of the prime lending rate established by Bank of America from time to time and the federal funds effective rate as in effect from time to time plus 0.50%. Fees related to unused capacity under the ABL Credit Facility are assessed at a rate of 0.5% of the remaining available borrowings under the facility, subject to adjustment based upon remaining unused capacity. In addition, we paid customary commitment fees, letter of credit fees, underwriting fees and other administrative fees in respect of the credit facility.

On July 24, 2008, October 14, 2008, and November 24, 2008, we entered into interest rate swap transactions with Branch Banking and Trust Company ("BBT"), Bank of America, N.A. ("BA") and SunTrust Bank ("SunTrust"). We entered into these interest rate swap transactions to mitigate the risk associated with our floating interest rate based on LIBOR on an aggregate of $450 million of our debt that is outstanding under our ABL Credit Agreement, dated as of July 11, 2008. We are required to make certain monthly fixed rate payments calculated on the notional amounts, while the applicable counter party is obligated to make certain monthly floating rate payments to us referencing the same notional amount. The interest rate swap transactions effectively fix the annual interest rate payable on these notional amounts of our debt, which may exist under the ABL Credit Facility plus an applicable margin under the terms of the ABL Credit Facility. The counterparties, transaction dates, effective dates, applicable notional amounts, effective index rates and maturity dates of each of the interest rate swap transactions are included in the table below:

Counterparty	Transaction Date	Effective Date	Notional Amount *(in thousands)*	Effective Index Rate	Spread at Dec. 31, 2008	Effective Interest Rate at Dec. 31, 2008	Maturity Date
BBT	7/24/2008	8/1/2008	$ 100,000	3.425%	3.75%	7.175%	8/1/2010
SunTrust	7/24/2008	8/1/2008	25,000	3.830	3.75	7.580	8/1/2011
BA	7/24/2008	8/1/2008	75,000	3.830	2.50	6.330	8/1/2011
SunTrust	7/24/2008	8/1/2008	50,000	3.830	2.50	6.330	8/1/2011
BBT	10/14/2008	10/17/2008	25,000	2.990	2.50	5.490	10/17/2010
BBT	10/14/2008	10/17/2008	25,000	3.010	2.50	5.510	10/17/2010
BA	10/14/2008	10/17/2008	25,000	3.050	2.50	5.550	10/17/2010
SunTrust	10/14/2008	10/17/2008	25,000	2.990	2.50	5.490	10/17/2010
BA	10/14/2008	10/17/2008	50,000	3.560	2.50	6.060	10/17/2011
SunTrust	11/24/2008	11/28/2008	50,000	1.950	2.50	4.450	11/28/2009
			$ 450,000				

On July 11, 2008, O'Reilly agreed to become a guarantor, on a subordinated basis, of the $100 million principal amount of 6 3/4% Exchangeable Senior Notes due 2025 (the "Notes") originally issued by CSK. The Notes are exchangeable, under certain circumstances, into cash and shares of our common stock. The Notes bear interest at 6.75% per year until December 15, 2010, and 6.5% until maturity on December 15, 2025. Prior to their stated maturity, the Notes are exchangeable by the holders only under certain circumstances. Prior to their stated maturity, these Notes are exchangeable by the holder only under the following circumstances (as more fully described in the indenture under which the Notes were issued):

- During any fiscal quarter (and only during that fiscal quarter) commencing after July 11, 2008, if the last reported sale price of our common stock is greater than or equal to 130% of the applicable exchange price of $36.17 for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;
- If the Notes have been called for redemption by the Company; or
- Upon the occurrence of specified corporate transactions, such as a change in control.

Upon exchange of the Notes, we will deliver cash equal to the lesser of the aggregate principal amount of notes to be exchanged and our total exchange obligation and, in the event our total exchange obligation exceeds the aggregate principal amount of notes to be exchanged, shares of our common stock in respect of that excess. The total exchange obligation reflects the exchange rate whereby each $1,000 in principal amount of the notes is exchangeable into an equivalent value of 25.9697 shares of our common stock and $60.6061 in cash.

The noteholders may require us to repurchase some or all of the notes for cash at a repurchase price equal to 100% of the principal amount of the notes being repurchased, plus any accrued and unpaid interest on December 15, 2010; December 15, 2015; or December 15, 2020, or on any date following a fundamental change as described in the indenture. We may redeem some or all of the notes for cash at a redemption price of 100% of the principal amount plus any accrued and unpaid interest on or after December 15, 2010, upon at least 35-calendar days notice.

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 entered into a sale-leaseback transaction with an unrelated party. Under the terms of the transaction, we sold 90 properties, including land, buildings and improvements, which generated $52.3 million of 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 entered into a sale-leaseback with O'Reilly-Wooten 2000 LLC (an entity owned by certain affiliates of the Company). The transaction involved the sale and leaseback of nine O'Reilly Auto Parts stores and generated approximately $5.6 million of cash. 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 September 28, 2007, we completed a second amended and restated master agreement to our $49 million Synthetic Operating Lease Facility with a group of financial institutions. The terms of such lease facility provided for an initial lease period of seven years, a residual value guarantee of approximately $39.7 million at December 31, 2007 and purchase options on the properties. On July 11, 2008, we, in connection with the acquisition of CSK, purchased all the properties included in our Synthetic Operating Lease Facility for $49.3 million, thus terminating the facility. The purchase was funded through borrowings under the ABL Credit Facility.

We issue stand-by letters of credit provided by a $200 million sub limit under the ABL 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. Letters of credit totaling $55.6 million and $28.6 million were outstanding at December 31, 2008 and 2007, respectively.

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 judgments 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 to 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 material vendor concessions are recognized as a reduction to the cost of inventory. Amounts receivable from vendors also include amounts due to us relating to vendor purchases and product returns. Management regularly reviews amounts receivable from vendors and assesses the need for a reserve for uncollectible amounts based on our evaluation of our vendors' financial position and corresponding ability to meet their financial obligations. Based on our historical results and current assessment, we have not recorded a reserve for uncollectible amounts in our consolidated financial statements, and we do not believe there is a reasonable likelihood that our ability to collect these amounts will differ from our expectations. The eventual ability of our vendors to pay us the obliged amounts 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 potential liabilities from 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 for any individual workers' compensation, general liability, vehicle liability or property loss claim. 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. The assumptions made by management as they relate to each of these factors represent our judgment as to the most probable cumulative impact of each factor to our future obligations. Our calculation of self-insurance liabilities requires management to apply judgment to estimate the ultimate cost to settle reported claims and claims incurred but not yet reported as of the balance sheet date and the application of alternative assumptions could result in a different estimate of these liabilities. Actual claim activity or development may vary from our assumptions and estimates, which may result in material losses or gains. As we obtain additional information that affects the assumptions and estimates we used to recognize liabilities for claims incurred in prior accounting periods, we adjust our self-insurance liabilities to reflect the revised estimates based on this additional information. The long-term portions of these liabilities are recorded at our estimate of their net present value. These liabilities do not have scheduled maturities, but we can estimate the timing of future payments based upon historical patterns. We could apply alternative assumptions regarding the timing of payments or the applicable discount rate that could result in materially different estimates of the net present value of the liabilities. If self-insurance reserves were changed 10% from our estimated reserves at December 31, 2008, the financial impact would have been approximately $8.6 million or 2.8% of pretax income for the year ended December 31, 2008.

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 there is a reasonable likelihood that there will be a material change in the future that will require a significant change in the 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. If the allowance for doubtful accounts were changed 30% from our estimated allowance at December 31, 2008, the financial impact would have been approximately $1.4 million or 0.4% of pretax income for the year ended December 31, 2008.

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. The amount of such liabilities is based on various factors, such as differing interpretations of tax regulations by the responsible tax authority, experience with previous tax audits and applicable tax law rulings. Changes in our tax liability 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. The estimates of our potential tax liabilities contain uncertainties because management must use judgment to estimate the exposures associated with our various tax positions and actual results could differ from our estimates. Alternatively, we could have applied assumptions regarding the eventual outcome of the resolution of open tax positions that could differ from our current estimates but that would still be reasonable given the nature of a particular position. Our judgment regarding the most likely outcome of uncertain tax positions has historically resulted in an estimate of our tax liability that is greater than actual results. While our estimates are subject to the uncertainty noted in the preceding discussion, our initial estimates of our potential tax liabilities have historically not been materially different from actual results except in instances where we have reversed liabilities that were recorded for periods that were subsequently closed with the applicable taxing authority. The accounting for our tax reserves changed with the adoption of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48") on January 1, 2007.

INVENTORY OBSOLESCENCE AND SHRINK – Inventory, which consists of automotive hard parts, maintenance items, accessories and tools is stated at the lower of cost or market. The extended nature of the life cycle of our products is such that the risk of obsolescence of our inventory is minimal. The products that we sell generally have applications in our markets for a relatively long period of time in conjunction with the corresponding vehicle population. We have developed sophisticated systems for monitoring the life cycle of a given product and, accordingly, have historically been very successful in adjusting the volume of our inventory in conjunction with a decrease in demand. We do record a reserve to reduce the carrying value of our inventory through a charge to cost of sales in the isolated instances where we believe that the market value of a product line is lower than our recorded cost. This reserve is based on our assumptions about the marketability of our existing inventory and is subject to uncertainty to the extent that we must estimate, at a given point in time, the market value of inventory that will be sold in future periods. Ultimately, our projections could differ from actual results and could result in a material impact to our stated inventory balances. We have historically not had to materially adjust our obsolescence reserves due to the factors discussed above and do not anticipate that we will experience material changes in our estimates in the future.

We also record a reserve to reduce the carrying value of our perpetual inventory to account for quantities in our perpetual records above the actual existing quantities on hand caused by unrecorded shrink. We estimate this reserve based on the results of our extensive and frequent cycle counting programs and periodic, full physical inventories at our stores and distribution centers. To the extent that our estimates do not accurately reflect the actual unrecorded inventory shrinkage, we could potentially experience a material impact to our inventory balances. We have historically been able to provide a timely and accurate measurement of shrink and have not experienced material adjustments to our estimates. If unrecorded shrink were changed 10% from the estimate that we recorded based on our historical experience at December 31, 2008, the financial impact would have been approximately $0.9 million or 0.3% of pretax income for the year ended December 31, 2008.

VALUATION OF LONG-LIVED ASSETS AND GOODWILL – In accordance with the provisions of Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS No. 144"), we evaluate the carrying value of long-lived assets whenever events or changes in circumstances indicate that a potential impairment has occurred. As part of the evaluation, we review performance at the store level to identify any stores with current period operating losses that should be considered for impairment. A potential impairment has occurred if the projected future undiscounted cash flows realized from the best possible use of the asset are less than the carrying value of the asset. The estimate of cash flows includes management's assumptions of cash inflows and outflows directly resulting from the use of that asset in operations. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the assets. Our impairment analyses contain estimates due to the inherently judgmental nature of forecasting long-term estimated cash flows and determining the ultimate useful lives and fair values of the assets. Actual results could differ from these estimates, which could materially impact our impairment assessment.

Under the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), we review goodwill and other intangible assets for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. The Company has not historically recorded an impairment to its goodwill or intangible assets. The process of evaluating goodwill for impairment involves the determination of the fair value of our Company. Inherent in such fair value determinations are certain judgments and estimates, including estimates which incorporate assumptions marketplace participants would use in making their estimates of fair value. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

CONTRACTUAL OBLIGATIONS

We have other liabilities reflected in our balance sheet, including deferred income taxes and self-insurance accruals. Interest payments on our variable rate long-term debt are not included in the financial commitments table. The payment obligations associated with these liabilities are not reflected in the financial commitments table due to the absence of scheduled payments. Therefore, the timing of these payments cannot be determined, except for amounts estimated to be payable in 2009 that are included in current liabilities. In addition, we have commitments with various vendors for the purchase of inventory as of December 31, 2008. The financial commitments table excludes these commitments because they are cancelable by their terms.

Our contractual obligations, as in effect at December 31, 2008, including commitments for future payments under non-cancelable lease arrangements, short and long-term debt arrangements, interest payments related to long-term debt, fixed payments related to interest rate swaps and purchase obligations for construction contract commitments, are summarized below and are fully disclosed in Notes 4 and 6 to the consolidated financial statements.

	Payments Due By Period				
(In thousands)	Total	Before 1 Year	1-2 Years	3-4 Years	Years 5 and Over
Contractual Obligations:					
Long-term debt	$ 717,768	$ --	$ --	$ 614,200	$ 103,568
Payments under interest rate swap agreements	135,663	21,596	29,870	13,000	71,197
Future minimum lease payments under capital leases	16,174	8,808	6,096	1,168	102
Future minimum lease payments under operating leases	1,505,771	213,482	370,074	283,505	638,710
Other obligations	4,800	600	1,200	1,200	1,800
Purchase obligations	130,106	130,106	--	--	--
Total contractual cash obligations	$ 2,510,282	$ 374,592	$ 407,240	$ 913,073	$ 815,377

INFLATION AND SEASONALITY

For the last three fiscal years, we have been successful, in many cases, in reducing the effects of merchandise cost increases principally by taking advantage of vendor incentive programs, economies of scale resulting from increased volume of purchases and selective forward buying. To the extent our acquisition cost increased due to base commodity price increases industry-wide, we have typically been able to pass along these increased costs through higher retail prices for the affected products. As a result, we do not believe our operations have been materially, adversely affected by inflation.

To some extent, our business is seasonal primarily as a result of the impact of weather conditions on customer buying patterns. While we have historically realized operating profits in each quarter of the year, our store sales and profits have historically been higher in the second and third quarters (April through September) than in the first and fourth quarters of the year.

QUARTERLY RESULTS

The following table sets forth certain quarterly unaudited operating data for fiscal 2008 and 2007. The unaudited quarterly information includes all adjustments which management considers necessary for a fair presentation of the information shown.

The unaudited operating data presented below should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report, and the other financial information included therein.

	Fiscal 2008			
(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales	$ 646,220	$ 704,430	$ 1,111,272	$ 1,114,631
Gross profit	288,494	317,097	507,206	515,129
Operating income	74,156	88,388	92,471	80,602
Net income	46,331	55,788	41,399	42,714
Basic net income per common share	0.40	0.48	0.31	0.32
Net income per common share – assuming dilution	0.40	0.48	0.31	0.32

	Fiscal 2007			
(In thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Sales	$ 613,145	$ 643,108	$ 661,778	$ 604,288
Gross profit	269,281	287,185	293,701	270,293
Operating income	77,192	81,558	82,716	63,685
Net income	48,407	51,899	53,087	40,595
Basic net income per common share	0.42	0.45	0.46	0.35
Net income per common share – assuming dilution	0.42	0.45	0.46	0.35

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS No. 157 for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in financial statements, are effective for financial statements issued for fiscal years beginning after November 15, 2007 (fiscal year 2008 for us). FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, delayed the effective date of SFAS No. 157 for most nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008 (fiscal year 2009 for us). The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on our consolidated financial position, results of operations or cash flows. We do not anticipate SFAS No. 157 for nonfinancial assets and nonfinancial liabilities will have a material impact on our consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits entities to measure selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The provisions of SFAS No. 159 are effective as of the beginning of our 2008 fiscal year. As we elected not to measure any eligible items using the fair value option in accordance with SFAS No. 159, the adoption of SFAS No. 159 did not have a material impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations* (revised 2007) ("SFAS No. 141(R)"). SFAS No. 141(R) applies to any transaction or other event that meets the definition of a business combination. Where applicable, SFAS No. 141(R) establishes principles and requirements for how the acquirer recognizes and measures identifiable assets acquired, liabilities assumed, noncontrolling interest in the acquiree and goodwill or gain from a bargain purchase. In addition, SFAS No. 141(R) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is to be applied prospectively for fiscal years beginning after December 15, 2008. We do not expect the initial adoption of SFAS No. 141(R) to have a material impact; however, the impact of SFAS No. 141(R) on a future business combination could be material and would be evaluated at that time.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* ("SFAS 160"), which is effective for fiscal years beginning after December 15, 2008. SFAS 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS 160 applies to all entities that prepare consolidated financial statements, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. The provisions of SFAS 160 will be effective for us beginning January 1, 2009, and will be applied prospectively. We do not expect the adoption of SFAS 160 will have a material impact on our consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* ("SFAS No. 161"), which requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. SFAS No. 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of FASB Statement No. 133 have been applied, and the impact that hedges have on an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We will adopt the provisions of SFAS No. 161 beginning with our March 2009 interim consolidated financial statements.

In May 2008, the FASB issued FSP Accounting Principles Board Opinion No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ("FSP APB 14-1"). FSP APB 14-1 clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion and specifies that issuers of such instruments should separately account for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in the Company's consolidated statement of operations. FSP APB 14-1 is effective for fiscal years and interim periods beginning after December 15, 2008, with early application prohibited. We will adopt the provisions of FSP APB 14-1 beginning with our March 2009 interim consolidated financial statements; however, we do not anticipate that the adoption of FSP APB 14-1 will have a material impact on our consolidated financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Heirarchy of Generally Accepted Accounting Principles* ("SFAS 162"). This standard is intended to improve financial reporting by identifying a consistent framework or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411. "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles."

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are subject to interest rate risk to the extent we borrow against our credit facilities with variable interest rates. At December 31, 2007, we did not have amounts borrowed against our variable rate credit facilities and, as a result, did not have material market risk exposure. Primarily as a result of borrowings in 2008 to fund the acquisition of CSK, we have interest rate exposure with respect to the $614 million outstanding balance on our variable interest rate debt at December 31, 2008; however, from time to time, we have entered into interest rate swaps to reduce this exposure. On July 24, 2008, October 14, 2008, and November 24, 2008, we reduced our exposure to changes in interest rates by entering into interest rate swap contracts ("the Swaps") with a total notional amount of $450 million. The Swaps represent contracts to exchange a floating rate for fixed interest payments periodically over the life of the Swap agreement without exchange of the underlying notional amount. The notional amount of the swap is used to measure interest to be paid or received and does not represent the amount of exposure to credit loss. The Swaps have been designated as cash flow hedges. If interest rates increased or decreased by 100 basis points, annualized interest expense and cash payments for interest would increase or decrease by approximately $1.6 million ($1.0 million after tax), based on our exposure to interest rate changes on variable rate debt that is not covered by the Swaps. This analysis does not consider the effects of the change in the level of overall economic activity that could exist in an environment of adversely changing interest rates. In the event of an adverse change in interest rates and to the extent that we have amounts outstanding under our asset-based credit facility, management would likely take further actions that would seek to mitigate our exposure to interest rate risk.

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 the Company's principal executive officer and principal financial officer, is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's 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.

Management recognizes that 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 the Company's principal executive officer and principal financial officer, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control – Integrated Framework*. Based on this assessment, management believes that as of December 31, 2008, 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 and has issued an attestation report on the effectiveness of the Company's internal control over financial reporting, as stated in their report which is included herein.

Greg Henslee

GREG HENSLEE
Chief Executive Officer
and Co-President
February 27, 2009

Thomas McFall

THOMAS MCFALL
Executive Vice President of Finance
and Chief Financial Officer
February 27, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of O'Reilly Automotive, Inc. and Subsidiaries:

We have audited O'Reilly Automotive, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2008, 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 included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, O'Reilly Automotive, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, 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 as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2008 of O'Reilly Automotive, Inc. and Subsidiaries and our report dated February 27, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Kansas City, Missouri
February 27, 2009

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, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), O'Reilly Automotive, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2009 expressed an unqualified opinion thereon.

Ernst & Young LLP

Kansas City, Missouri
February 27, 2009

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

Years ended December 31,		2008		2007
ASSETS:				
Current assets:				
Cash and cash equivalents	$	31,301	$	47,555
Accounts receivable, less allowance for doubtful accounts of $4,521 in 2008 and $3,179 in 2007		105,985		84,242
Amounts receivable from vendors		59,826		48,263
Inventory		1,570,144		881,761
Deferred income taxes		64,028		--
Other current assets		44,149		40,483
Total current assets		1,875,433		1,102,304
Property and equipment, at cost		1,939,532		1,479,779
Less: accumulated depreciation and amortization		489,639		389,619
Net property and equipment		1,449,893		1,090,160
Notes receivable, less current portion		21,548		25,437
Goodwill		720,508		50,447
Deferred income taxes		28,767		--
Other assets, net		97,168		11,389
Total assets	$	4,193,317	$	2,279,737
LIABILITIES AND SHAREHOLDERS' EQUITY:				
Current liabilities:				
Accounts payable	$	736,986	$	380,683
Self insurance reserve		65,170		29,967
Accrued payroll		60,616		23,739
Accrued benefits and withholdings		38,583		13,496
Deferred income taxes		--		6,235
Other current liabilities		144,015		49,536
Current portion of long-term debt		8,131		25,320
Total current liabilities		1,053,501		528,976
Long-term debt, less current portion		724,564		75,149
Deferred income taxes		--		27,241
Other liabilities		133,034		55,894
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 – 134,828,650 in 2008 and 115,260,564 in 2007		1,348		1,153
Additional paid-in capital		949,758		441,731
Retained earnings		1,342,625		1,156,393
Accumulated other comprehensive loss		(11,513)		(6,800)
Total shareholders' equity		2,282,218		1,592,477
Total liabilities and shareholders' equity	$	4,193,317	$	2,279,737

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

Years ended December 31,	2008	2007	2006
Sales	$ 3,576,553	$ 2,522,319	$ 2,283,222
Cost of goods sold, including warehouse and distribution expenses	1,948,627	1,401,859	1,276,511
Gross profit	1,627,926	1,120,460	1,006,711
Selling, general and administrative expenses	1,292,309	815,309	724,396
Operating income	335,617	305,151	282,315
Other income (expense), net:			
Debt prepayment costs	(7,157)	--	--
Interim facility commitment fee	(4,150)	--	--
Interest expense	(26,138)	(3,723)	(4,322)
Interest income	3,185	4,077	1,573
Other, net	1,175	1,983	2,699
Total other income (expense), net	(33,085)	(2,337)	(50)
Income before income taxes	302,532	307,488	282,265
Provision for income taxes	116,300	113,500	104,180
Net income	$ 186,232	$ 193,988	$ 178,085
Basic income per common share:			
Net income per common share	$ 1.50	$ 1.69	$ 1.57
Weighted-average common shares outstanding	124,526	114,667	113,253
Income per common share-assuming dilution:			
Net income per common share-assuming dilution	$ 1.48	$ 1.67	$ 1.55
Adjusted weighted-average common shares outstanding	125,413	116,080	115,119

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Comprehensive Income
Balance at December 31, 2005	112,389	$ 1,124	$ 360,325	$ 784,320	$ --	$ 1,145,769	
Net income	--	--	--	178,085	--	178,085	$ 178,085
Other comprehensive income	--	--	--	--	--	--	--
Comprehensive income							$ 178,085
Issuance of common stock under employee benefit plans	387	4	12,169	--	--	12,173	
Issuance of common stock under stock option plans	1,153	11	15,959	--	--	15,970	
Tax benefit of stock options exercised	--	--	8,538	--	--	8,538	
Share based compensation	--	--	3,561	--	--	3,561	
Balance at December 31, 2006	113,929	$ 1,139	$ 400,552	$ 962,405	$ --	$ 1,364,096	
Net income	--	--	--	193,988	--	193,988	$ 193,988
Other comprehensive loss	--	--	--	--	(6,800)	(6,800)	(6,800)
Comprehensive income							$ 187,188
Issuance of common stock under employee benefit plans	367	4	11,543	--	--	11,547	
Issuance of common stock under stock option plans	965	10	17,114	--	--	17,124	
Tax benefit of stock options exercised	--	--	6,835	--	--	6,835	
Share based compensation	--	--	5,687	--	--	5,687	
Balance at December 31, 2007	115,261	$ 1,153	$ 441,731	$ 1,156,393	$ (6,800)	$ 1,592,477	
Net income	--	--	--	186,232	--	186,232	$ 186,232
Other comprehensive loss	--	--	--	--	(4,713)	(4,713)	(4,713)
Comprehensive income							$ 181,519
Issuance of common stock under employee benefit plans	546	5	13,710	--	--	13,715	
Issuance of common stock under stock option plans	876	9	18,277	--	--	18,286	
Issued in CSK acquisition	18,146	181	465,645	--	--	465,826	
Tax benefit of stock options exercised	--	--	1,573	--	--	1,573	
Share based compensation	--	--	8,822	--	--	8,822	
Balance at December 31, 2008	134,829	$ 1,348	$ 949,758	$ 1,342,625	$ (11,513)	$ 2,282,218	

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

Years ended December 31,	2008	2007	2006
OPERATING ACTIVITIES			
Net income	$ 186,232	$ 193,988	$ 178,085
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization on property and equipment	107,345	78,943	64,938
Amortization of intangible items	5,653		
Premium on 6 ¾% exchangeable notes	(352)	--	--
Amortization of debt issuance costs	4,084	--	--
Deferred income taxes	11,031	(6,341)	(1,017)
Share based compensation programs	13,554	12,777	11,029
Other	8,226	5,007	1,812
Changes in operating assets and liabilities:			
Accounts receivable	(7,437)	(8,555)	(9,426)
Inventory	(142,333)	(68,823)	(91,427)
Accounts payable	50,410	62,279	25,737
Other	62,129	30,143	6,197
Net cash provided by operating activities	298,542	299,418	185,928
INVESTING ACTIVITIES			
Cash component of acquisition price of CSK Automotive, Inc., net of cash acquired	(33,767)	--	--
Purchases of property and equipment	(341,679)	(282,655)	(228,871)
Proceeds from sale of property and equipment	1,246	2,327	875
Payments received on notes receivable	5,342	5,202	5,174
Purchase of short-term investments	--	(21,724)	--
Other	1,261	(3,468)	(2,379)
Net cash used in investing activities	(367,597)	(300,318)	(225,201)
FINANCING ACTIVITIES			
Proceeds from issuance of long-term debt	619,047	16,450	88,950
Payment of debt issuance costs	(43,239)	--	--
Principal payments on long-term debt and capital leases	(539,791)	(26,460)	(80,189)
Debt prepayment costs	(7,157)	--	--
Issuance cost of equity exchanged in CSK acquisition	(1,218)	--	--
Tax benefit of stock options exercised	2,184	6,835	8,538
Net proceeds from issuance of common stock	22,995	21,727	20,493
Other	(20)	--	--
Net cash provided by financing activities	52,801	18,552	37,792
Net (decrease)/increase in cash and cash equivalents	(16,254)	17,652	(1,481)
Cash and cash equivalents at beginning of year	47,555	29,903	31,384
Cash and cash equivalents at end of year	$ 31,301	$ 47,555	$ 29,903
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income taxes paid	$ 74,227	$ 93,040	$ 98,650
Interest paid, net of capitalized interest	17,824	3,727	4,536

See accompanying 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 in 38 states.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation. On July 11, 2008, the Company completed the acquisition of CSK Auto Corporation ("CSK"), one of the largest specialty retailers of auto parts and accessories in the Western United States and one of the largest such retailers in the United States, based on store count. The results of CSK's operations have been included in the Company's consolidated financial statements since the acquisition date.

REVENUE RECOGNITION

Over-the-counter retail sales are recorded when the customer takes possession of the merchandise. Sales to professional installers, also referred to as "commercial sales," are recorded upon same-day delivery of the 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 the merchandise from a regional distribution center with same-day delivery to the jobber customer's location. All sales are recorded net of estimated allowances, discounts and taxes.

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.

ACCOUNTS RECEIVABLE

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make required payments. The Company considers the following factors when determining if collection is reasonably assured: customer credit-worthiness, past transaction history with the customer, current economic industry trends and changes in customer payment terms.

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. The replacement cost of inventory was $1,630,549,000 and $888,299,000 as of December 31, 2008 and 2007, respectively.

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 the Company's 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 material vendor concessions are recognized as a reduction to the cost of inventory. Amounts receivable from vendors also includes amounts due to the Company for changeover merchandise and product returns. The Company regularly reviews vendor receivables for collectibility and assesses the need for a reserve for uncollectible amounts based on an evaluation of the Company's vendors' financial positions and corresponding abilities to meet financial obligations. Management does not believe there is a reasonable likelihood that the Company will be unable to collect the amounts receivable from vendors and the Company did not record a reserve for uncollectible amounts in the consolidated financial statements at December 31, 2008 and 2007.

DEBT ISSUANCE COSTS

Deferred debt issuance costs of $39.2 million, net of amortization, are included in Other assets as of December 31, 2008. Deferred debt issuance costs are being amortized using the straight-line method over the term of the corresponding long-term debt issue and are included in interest expense in our Consolidated Statements of Income.

INVESTMENTS

The Company determines the appropriate classification of marketable equity securities at the time of purchase and reevaluates such designation as of each balance sheet date. Available-for-sale securities are stated at fair value, with the unrecognized gains and losses, net of tax, reported in accumulated other comprehensive income (loss). Available-for-sale securities, consisting of the Company's investment in the stock of CSK, in the amount of $10.8 million, stated at fair value, are included in Other Current Assets on the Company's balance sheet at December 31,

2007. Upon completion of the Company's acquisition of CSK on July 11, 2008, the investment in CSK stock was included as a component of the purchase price of CSK and allocated preliminarily to the assets acquired and liabilities assumed of CSK. The Company did not own any available-for-sale securities on December 31, 2008.

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 and includes depreciation related to assets recorded under capital lease agreements. 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.

Property and equipment consists of the following:

(In thousands)	Original Useful Lives	December 31, 2008	December 31, 2007
Land		$ 281,814	$ 220,950
Buildings and building improvements	15 – 39 years	638,976	501,598
Leasehold improvements	3 – 25 years	268,574	189,097
Furniture, fixtures and equipment	3 – 20 years	556,706	429,217
Vehicles	5 – 10 years	127,709	102,665
Construction in progress		65,753	36,252
		1,939,532	1,479,779
Less: accumulated depreciation and amortization		489,639	389,619
Net property and equipment		$ 1,449,893	$ 1,090,160

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, 2008, 2007 and 2006 were $2,318,000, $2,554,000 and $2,639,000, respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS

The accompanying consolidated balance sheets at December 31, 2008, and December 31, 2007, include goodwill and other intangible assets recorded as the result of previous acquisitions. Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, requires the Company to assess goodwill and indefinite lived intangible assets for impairment rather than systematically amortize goodwill against earnings. The Company reviews goodwill and indefinite lived intangible assets for impairment annually or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. 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, 2008, and December 31, 2007.

OPERATING 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 a significant economic penalty. The calculation for straight-line rent expense is based on the same lease term.

NOTES RECEIVABLE

The Company had notes receivable from vendors and other third parties amounting to $28,221,000 and $32,119,000 at December 31, 2008 and 2007, respectively. The notes receivable, which bear interest at rates ranging from 0% to 10%, are due in varying amounts through August 2017.

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 its 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.

WARRANTY COSTS

The Company offers warranties on the merchandise it sells with warranty periods ranging from 30 days to lifetime, limited warranties. The risk of loss arising from warranty claims is typically the obligation of the Company's vendors, but for a small portion of merchandise sold, the Company bears the risk of loss associated with the cost of warranty claims. Estimated warranty costs, which are recorded as obligations at the time of sale, are based on the historical failure rate of each individual product line. The Company's historical experience has been that failure rates are relatively consistent over time and that the ultimate cost of warranty claims to the Company has been driven by volume of units sold as opposed to fluctuations in failure rates or the variation of the cost of individual claims. To the extent vendors provide upfront allowances in lieu of accepting the obligation for warranty claims and the allowance is in excess of the related warranty expense, the excess is recorded as a reduction to cost of sales.

DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Company's accounting policies for derivative financial instruments are based on whether the instruments meet the criteria for designation as cash flow or fair value hedges. A designated hedge of the exposure to variability in the future cash flows of an asset or a liability qualifies as a cash flow hedge. A designated hedge of the exposure to changes in fair value of an asset or a liability qualifies as a fair value hedge. The criteria for designating a derivative as a hedge includes the assessment of the instrument's effectiveness in risk reduction, matching of the derivative instrument to its underlying transaction and the probability that the underlying transaction will occur. For derivatives with cash flow hedge accounting designation, the Company reports the after-tax gain or loss from the effective portion of the hedge as a component of accumulated other comprehensive income (loss) and reclassifies it into earnings in the same period or periods in which the hedged transaction affects earnings, and within the same income statement line item as the impact of the hedged transaction. For derivatives with fair value hedge accounting designation, the Company would recognize gains or losses from the change in fair value of these derivatives, as well as the offsetting change in the fair value of the underlying hedged item, in earnings.

The Company currently holds derivative financial instruments to manage interest rate risk. The Company has designated these derivative financial instruments as cash flow hedges. The derivative financial instruments are recorded at fair value and are included in other long-term liabilities. Derivative instruments recorded at fair value as liabilities totaled $18.9 million as of December 31, 2008. The Company did not hold any derivative instruments at December 31, 2007. On a quarterly basis, the Company measures the effectiveness of the derivative financial instruments by comparing the present value of the cumulative change in the expected future interest to be paid or received on the variable leg of the instruments against the expected future interest payments on the corresponding variable rate debt. In addition, the Company compares the critical terms, including notional amounts, underlying indexes and reset dates of the derivative financial instruments with the respective variable rate debt to ensure all terms agree. Any ineffectiveness would be reclassified from accumulated other comprehensive income (loss) to interest expense. As of December 31, 2008, the Company had no ineffectiveness on its derivative financial instruments. See Note 8 for further information concerning these derivative instruments accounted for as hedges.

INCOME TAXES

The Company accounts for income taxes using the liability method in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities using enacted tax rules currently scheduled to be in effect for the year in which the differences are expected to reverse, and also includes the amount of tax carryforwards. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period of the enactment date. The Company records a valuation allowance against deferred tax assets to the extent it is more likely than not the amount will not be realized, based upon evidence available at the time of the determination, and any change in the valuation allowance is recorded in the period of a change in such determination.

ADVERTISING COSTS

The Company expenses advertising costs as incurred. Advertising expense charged to operations amounted to $65,640,000, $40,472,000 and $34,929,000 for the years ended December 31, 2008, 2007 and 2006, 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.

SHARE-BASED COMPENSATION PLANS

The Company currently sponsors share-based employee benefit plans and stock option plans. In accordance with Statement of Financial Accounting Standards No. 123R, *Share Based Payment* ("SFAS No. 123R"), the Company recognizes compensation expense for its share-based payments based on the fair value of the awards on the date of the grant. Share-based payments include stock option awards issued under the Company's employee stock option plan, director stock option plan, stock issued through the Company's employee stock purchase plan and stock awarded to employees through other benefit programs. See Note 11 for further information concerning these plans.

LITIGATION RESERVES

O'Reilly is currently involved in litigation incidental to the ordinary conduct of the Company's business. The Company records reserves for litigation losses in instances where a material adverse outcome is probable and the Company is able to reasonably estimate of the probable loss. The Company reserves for an estimate of material legal costs to be incurred on pending litigation matters. Although we cannot ascertain the amount of liability that we may incur from any of these matters, we do not currently believe that, in the aggregate, these matters will have a material adverse effect on our consolidated financial position, results or operations or cash flows. In addition, O'Reilly is involved in resolving legacy governmental investigations that were being conducted against CSK prior to the acquisition. Further detail regarding such matters is described in Note 14.

CLOSED STORE LIABILITIES

The Company maintains reserves for closed stores and other properties that are no longer being utilized in current operations and accounts for these costs in accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. The Company provides for these liabilities using a credit-adjusted discount rate to calculate the present value of the remaining noncancelable lease payments, occupancy costs and lease termination fees after the close date, net of estimated sublease income. In conjunction with the acquisition of CSK, the Company's reserves include purchase accounting liabilities related to acquired properties that are no longer being utilized in the acquired business and the Company's planned exit activities. See Note 7 for further information concerning these liabilities.

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 5,184,000, 1,613,000 and 448,000 for the years ended December 31, 2008, 2007 and 2006, 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 Company has entered into various derivative financial instruments to mitigate the risk of interest rate fluctuations on its variable rate long-term debt. If the market interest rate on the Company's net derivative positions with counterparties exceeds a specified threshold, the counterparty is required to transfer cash in excess of the threshold to the Company. Conversely, if the market value of the net derivative positions falls below a specified threshold, the Company is required to transfer cash below the threshold to the counterparty. The Company is exposed to credit loss in the event of nonperformance by counterparties on derivative contracts used in these hedging activities. The counterparties to the Company's derivative contracts are major financial institutions and the Company has not experienced nonperformance by any of its counterparties.

The carrying value of the Company's non-derivative financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and long-term debt and excluding the 6¾% exchangeable notes, as reported in the accompanying consolidated balance sheets, approximates fair value. The carrying value of the Company's derivative financial instruments have been adjusted to fair value in the accompanying consolidated balance sheets.

NEW ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, *Fair Value Measurements* ("SFAS No. 157"), which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The provisions of SFAS No. 157 for financial assets and liabilities, as well as any other assets and liabilities that are carried at fair value on a recurring basis in financial statements, are effective for financial statements issued for fiscal years beginning after November 15, 2007 (fiscal year 2008 for us). FASB Staff Position FAS 157-2, Effective Date of FASB Statement No. 157, delayed the effective date of SFAS No. 157 for most nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008 (fiscal year 2009 for us). The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on the Company's consolidated financial position, results of operations or cash flows. The Company does not anticipate the adoption of SFAS No. 157 for nonfinancial assets will have a material impact on its consolidated financial position, results of operations or cash flows.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* ("SFAS No. 159"). SFAS No. 159 permits entities to choose to measure selected financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The provisions of SFAS No. 159 are effective as of the beginning of the Company's 2008 fiscal year. As the Company elected not to measure any eligible items using the fair value option in accordance with SFAS No. 159, the adoption of SFAS No. 159 did not have a material impact on its consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 141, *Business Combinations* (revised 2007) ("SFAS No. 141©"). SFAS No. 141(R) applies to any transaction or other event that meets the definition of a business combination. Where applicable, SFAS No. 141(R) establishes principles and requirements for how the acquirer recognizes and measures identifiable assets acquired, liabilities assumed, noncontrolling interest in the acquiree and goodwill or gain from a bargain purchase. In addition, SFAS No. 141(R) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is to be applied prospectively for fiscal years beginning after December 15, 2008. The Company does not expect the initial adoption of SFAS No. 141(R) to have a material impact; however, the impact of SFAS No. 141(R) on a future business combination could be material and would be evaluated at that time.

In December 2007, the FASB issued Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* ("SFAS 160"), which is effective for fiscal years beginning after December 15, 2008. SFAS 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS 160 applies to all entities that prepare consolidated financial statements, but will affect only those entities that have an outstanding noncontrolling interest in one or more subsidiaries or that deconsolidate a subsidiary. The provisions of SFAS 160 will be effective for the Company beginning January 1, 2009, and will be applied prospectively. The Company does not expect the adoption of SFAS 160 will have a material impact on its consolidated financial position, results of operations or cash flows.

In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133* ("SFAS No. 161"), which requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit-risk-related contingent features contained within derivatives. SFAS No. 161 also requires entities to disclose additional information about the amounts and location of derivatives located within the financial statements, how the provisions of FASB Statement No. 133 have been applied, and the impact that hedges have on an entity's financial position, financial performance and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company will adopt the provisions of SFAS No. 161 beginning with its March 2009 interim consolidated financial statements.

In May 2008, the FASB issued Financial Statements Pronouncements Accounting Principles Board Opinion No. 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)* ("FSP APB 14-1"). The FSP APB 14-1 clarifies the accounting for convertible debt instruments that may be settled in cash (including partial cash settlement) upon conversion and specifies that issuers of such instruments should separately account for the liability and equity components of certain convertible debt instruments in a manner that reflects the issuer's nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 requires bifurcation of a component of the debt, classification of that component in equity and the accretion of the resulting discount on the debt to be recognized as part of interest expense in the Company's consolidated statement of operations. FSP APB 14-1 is effective for fiscal years and interim periods beginning after December 15, 2008, with early application prohibited. The Company will adopt the provisions of FSP APB 14-1 beginning with its March 2009 interim consolidated financial statements; however the Company does not anticipate that the adoption of FSP APB 14-1 will have a material impact on its consolidated financial position, results of operations or cash flows.

In May 2008, the FASB issued SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* ("SFAS 162"). This standard is intended to improve financial reporting by identifying a consistent framework or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411. "The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles."

NOTE 2 – BUSINESS COMBINATION

On July 11, 2008, the Company completed the acquisition of CSK, one of the largest specialty retailers of auto parts and accessories in the Western United States and one of the largest such retailers in the United States, based on store count. Pursuant to the merger agreement, each share of CSK common stock outstanding immediately prior to the merger was canceled and converted into the right to receive 0.4285 of a share of O'Reilly common stock and $1.00 in cash. To fund the transaction, the Company entered into a credit agreement for a $1.2 billion asset-based revolving credit facility arranged by Bank of America, N.A., which the Company used to refinance debt, fund the cash portion of the acquisition, pay for other transaction-related expenses and provide liquidity for the combined Company going forward. The results of CSK's operations have been included in the Company's consolidated financial statements since the acquisition date.

At the date of the acquisition, CSK had 1,342 stores in 22 states, operating under four brand names: Checker Auto Parts, Schuck's Auto Supply, Kragen Auto Parts and Murray's Discount Auto Parts. This acquisition allowed the Company to enter into twelve new states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Michigan, Nevada, New Mexico, Oregon, Utah and Washington, and a number of new markets. As of December 31, 2008, the Company had converted 51 CSK stores to O'Reilly brands, merged 35 CSK stores with existing O'Reilly locations, closed six CSK stores and opened four new CSK stores.

PURCHASE PRICE ALLOCATION

The preliminary purchase price of CSK's acquired operations as of the date of acquisition was comprised of:

(In thousands)

O'Reilly stock exchanged for CSK shares	$ 459,308
Cash payment to CSK shareholders	42,253
CSK shares purchased by O'Reilly prior to merger	21,724
Fair value of options and unvested restricted stock exchanged	7,736
Direct costs of the acquisition	10,973
Total purchase price	$ 541,994

The acquisition was accounted for under the purchase method of accounting with O'Reilly Automotive, Inc. as the acquiring entity in accordance with SFAS No. 141, "Business Combinations" ("SFAS No. 141"). Accordingly, the consideration paid by the Company to complete the acquisition has been allocated preliminarily to the assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition. The allocation of purchase price is based upon certain external valuations and other analyses, including the review of legal reserves for legacy governmental investigations being conducted against CSK and its former officers as discussed further in Note 14, that have not been finalized as of the date of this filing. Accordingly, the purchase price allocations are preliminary and are subject to future adjustments during the maximum one-year allocation period as defined in SFAS No. 141. The Company has adjusted its initial acquisition cost and purchase price allocation to reflect adjustments to the fair values of common stock issued, as discussed further below, certain assets, reserves associated with plans to involuntarily terminate certain team members of CSK, estimated legal reserves and store closure reserves.

O'Reilly exchanged 18,104,371 shares of common stock pursuant to the formula prescribed in the merger agreement and as described above. In accordance with Emerging Issues Task Force ("EITF") 99-12, *Determination of the Measurement Date for the Market Price of Acquirer Securities Issued in a Purchase Business Combination*, the value of the O'Reilly stock exchanged for CSK shares of $25.37 per share was determined based on the average close price of O'Reilly stock beginning two days before and ending two days after June 9, 2008. The June 9, 2008, measurement date reflects the last day when the number of O'Reilly shares issuable in the transaction became fixed such that subsequent applications of the formula in the merger agreement did not result in a change in the total number of shares exchanged. The fair value of options exchanged in the merger of $6.7 million was based on CSK's 3.69 million outstanding options on July 11, 2008, multiplied by the exchange ratio adjusted to reflect the $1.00 per share cash consideration. The weighted-average fair value per option of $3.82 was determined using a Black-Scholes valuation model with the following weighted-average assumptions:

Risk free interest rate	2.5%
Expected life	2.3 Years
Expected volatility	29.9%
Expected dividend yield	0%

The fair value O'Reilly shares exchanged for CSK's unvested restricted stock outstanding at July 11, 2008, of $1.1 million was based on the fair value per share of $25.37 on the June 9, 2008 measurement date. Direct costs of the acquisition include investment-banking fees, legal and accounting fees, and other external costs directly related to the acquisition.

The preliminary purchase price allocations, adjusted from its initial purchase price allocation, as discussed above, as of the date of acquisition are as follows:

(In thousands)	
Inventory	$ 546,052
Other current assets	77,307
Property and equipment	126,670
Goodwill	670,508
Deferred income taxes	134,074
Other intangible assets	65,270
Other assets	9,241
Total assets acquired	$ 1,629,122
Senior credit facility	$ 343,921
Term loan facility	86,700
Capital lease obligations	15,212
Other current liabilities	467,773
6 ¾% senior exchangeable notes	103,920
Other liabilities	69,602
Total liabilities assumed	1,087,128
Net assets acquired	$ 541,994

Preliminary estimated fair values of intangible assets acquired as of the date of acquisition are as follows:

(In thousands)	Intangible assets	Weighted-Average Useful Lives *(In years)*
Trademarks and trade names	$ 13,000	1.4
Favorable property leases	52,270	10.7
Total intangible assets	$ 65,270	

The estimated values of operating leases with unfavorable terms compared with current market conditions totaled approximately $49.9 million. These liabilities have an estimated weighted-average useful life of approximately 7.7 years and are included in other liabilities. Favorable and unfavorable lease assets and liabilities will be amortized to rent expense over their expected lives which approximates the period of time that the favorable or unfavorable lease terms will be in effect. Trademarks and trade names have preliminary useful lives of one to three years and will be amortized coinciding with the anticipated conversion of CSK store brands to the O'Reilly brand over that period. See Note 3 "Goodwill and Other Intangible Assets."

The allocation of the purchase price includes $35.8 million of accrued liabilities for estimated costs to exit certain activities of CSK, including $27.6 million of employee separation costs, $4.1 million of exit costs associated with the planned closure of 33 CSK stores, and $4.1 million of exit costs associated with the planned closure of other administrative office and distribution facilities. These activities have been accounted for in acordance with EITF No. 95-3, *Recognition of Liabilities in Connection with a Purchase Business Combination*. Management began to formulate its exit plans prior to the completion of the acquisition. The employee separation costs include anticipated payments, as required under various pre-existing employment arrangements with CSK employees at the time of acquisition, related to the planned involuntarily termination of employees performing overlapping or duplicative functions which the Company expects to occur within the first two years after the acquisition date. Evaluation of involuntary team member terminations is substantially complete.

As of December 31, 2008, management of the Company had not finalized all exit plans associated with store closures and other facilities related to the CSK acquisition. The store closure plans are preliminary pending the completion of evaluations of the physical and market condition of acquired locations and the Company expects to finalize the plans within the first year after the acquisition date, which may result in adjustments to the allocation of the acquisition purchase price that may impact other current liabilities and goodwill.

The CSK senior credit facility and term loan facility required repayment upon merger or acquisition and the entire amounts outstanding under both facilities were repaid by the Company on the July 11, 2008, acquisition date. The excess of the preliminary purchase price over the estimated fair values of tangible and identifiable intangible assets acquired and liabilities assumed was recorded as goodwill. Goodwill is not amortizable for financial statement purposes.

UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following pro forma financial information presents the combined historical results of the combined Company as if the acquisition had occurred as of the beginning of the respective periods:

(In thousands, except per share data)	Pro Forma Results of Operations for the Year Ended December 31, 2008	Pro Forma Results of Operations for the Year Ended December 31, 2007
Sales	$ 4,494,475	$ 4,371,979
Net income	$ 176,385	$ 176,165
Net income per common share	$ 1.32	$ 1.33
Net income per common share-assuming dilution	$ 1.31	$ 1.31
Weighted-average common shares outstanding	134,023	132,612
Adjusted weighted-average common shares outstanding – assuming dilution	134,910	134,389

This pro forma information is not intended to represent or be indicative of actual results had the acquisition occurred as of the beginning of each period, nor is it necessarily indicative of future results and does not reflect potential synergies, integration costs, or other such costs or savings. Certain pro forma adjustments have been made to net income to give effect to: estimated charges to conform CSK's method of accounting for inventory to LIFO, adjustments to selling, general and administrative expenses to remove the amortization on eliminated CSK historical identifiable intangible assets and deferred liabilities, expenses to amortize the value of identified intangibles acquired in the acquisition (primarily trade names, trademarks and leases), rent and depreciation adjustments to reflect O'Reilly's purchase of properties under its synthetic lease facility, adjustments to interest expense to reflect the elimination of preexisting O'Reilly and CSK debt, estimated interest expense on O'Reilly's new asset-based credit facility and other minor adjustments. The pro forma information presented above for the year ended December 31, 2008, includes certain acquisition related charges, net of tax, of $4.4 million, $2.6 million, and $5.7 million for debt prepayment costs, interim facility commitment fees, and the acceleration of CSK's stock options and restricted stock as a result of the change in control, respectively. The pro forma information for the year ended December 31, 2007, has not been adjusted to give effect to these charges.

NOTE 3 – GOODWILL AND OTHER INTANGIBLE ASSETS

During the year ending December 31, 2008, the Company recorded goodwill of approximately $670.5 million in connection with the acquisition of CSK. See Note 2 "Business Combination". For the years ended December 31, 2008, December 31, 2007, and December 31, 2006, the Company recorded amortization expense of $9.2 million, $0.2 million, and $0.2 million, respectively, related to amortizable intangible assets, which are included in other assets on the accompanying consolidated balance sheets. The components of the Company's amortizable and unamortizable intangible assets were as follows on December 31, 2008 and December 31, 2007:

	Cost		Accumulated Amortization	
(In thousands)	Dec. 31, 2008	Dec. 31, 2007	Dec. 31, 2008	Dec. 31, 2007
Amortizable intangible assets				
Favorable leases	$ 52,270	$ --	$ 3,690	$ --
Trade names and trademarks	13,000	--	5,312	--
Other	819	731	547	394
Total amortizable intangible assets	$ 66,089	$ 731	$ 9,549	$ 394
Unamortizable intangible assets				
Goodwill	$ 720,508	$ 50,447		
Total unamortizable intangible assets	$ 720,508	$ 50,447		

In addition, the Company has recorded a liability for the preliminary estimated values of operating leases with unfavorable terms, acquired in the acquisition of CSK, totaling approximately $49.9 million, which is included in the other liabilities section of the 2008 consolidated balance sheet. These leases have an estimated weighted-average useful life of approximately 7.7 years. During the year ending December 31, 2008, the Company recognized an amortized benefit of $3.9 million related to these unfavorable operating leases.

At December 31, 2008, estimated net amortization of the Company's intangible assets and liabilities for each of the next five years is as follows:

(In thousands)	
2009	$ 7,001
2010	2,229
2011	995
2012	969
2013	799
	$ 11,993

The change in the net goodwill for the years ended December 31, 2008, and December 31, 2007, is as follows:

(In thousands)	
Balance at December 31, 2006	$ 49,065
Other	1,382
Balance at December 31, 2007	50,447
Acquisition of CSK Automotive, Inc.	670,508
Other	(447)
Balance at December 31, 2008	$ 720,508

NOTE 4 – LONG-TERM DEBT

Outstanding long-term debt was as follows on December 31, 2008, and December 31, 2007:

(In thousands)	December 31, 2008	December 31, 2007
Capital leases	$ 14,927	$ 469
Series 2001-B Senior Notes	--	25,000
Series 2006-A Senior Notes	--	75,000
6 ¾% Senior Exchangeable Notes	103,568	--
FILO revolving credit facility	125,000	--
Tranche A revolving credit facility	489,200	--
Total debt and capital lease obligations	732,695	100,469
Current maturities of debt and capital lease obligations	8,131	25,320
Total long-term debt and capital lease obligations	$ 724,564	$ 75,149

On July 11, 2008, in connection with the acquisition of CSK (see Note 2 "Business Combination"), the Company entered into its ABL Credit Agreement for a five-year $1.2 billion asset-based revolving credit facility arranged by Bank of America, N.A. ("BA"), which the Company used to refinance debt, fund the cash portion of the acquisition, pay for other transaction-related expenses and provide liquidity for the combined Company going forward.

The ABL Credit Agreement is comprised of a five-year $1.075 billion tranche A revolving credit facility and a five-year $125 million first-in-last-out revolving credit facility (FILO tranche) both of which mature on July 11, 2013. As part of the ABL Credit Agreement, the Company has pledged virtually all of its assets as collateral and is subject to an ongoing consolidated leverage ratio covenant. On the date of the transaction, the amount of the borrowing base available, as described in the ABL Credit Agreement, under the credit facility was $1.050 billion of which the Company borrowed $588 million. The Company used borrowings under the credit facility to repay certain existing debt of CSK, repay the Company's $75 million 2006-A Senior Notes and purchase all of the properties that had been leased under the Company's synthetic lease facility. As of December 31, 2008, the amount of the borrowing base available under the credit facility was $1.124 billion of which the Company had outstanding borrowings of $614.2 million. The available borrowings under the credit facility are also reduced by stand-by letters of credit issued by the Company primarily to satisfy the requirements of workers compensation, general liability and other insurance policies. As of December 31, 2008, the Company had stand-by letters of credit outstanding in the amount of $55.6 million and the aggregate availability for additional borrowings under the credit facility was $454.2 million.

Borrowings under the tranche A revolver currently bear interest, at the Company's option, at a rate equal to either a base rate plus 1.50% per annum or LIBOR plus 2.50% per annum, with each rate being subject to adjustment based upon certain excess availability thresholds. Borrowings under the FILO tranche currently bear interest, at the Company's option, at a rate equal to either a base rate plus 2.75% per annum or LIBOR plus 3.75% per annum, with each rate being subject to adjustment based upon certain excess availability thresholds. At December 31, 2008, the Company had borrowings of $164 million under its revolver and swing line facilities, which were not covered under an interest rate swap agreement, with interest rates ranging from 3.125% to 4.75% at December 31, 2008. The base rate is equal to the higher of the prime lending rate established by BA from time to time and the federal funds effective rate as in effect from time to time plus 0.50%, subject to adjustment based upon remaining available borrowings. Fees related to unused capacity under the credit facility are assessed at a rate of 0.50% or 0.375% of the remaining available borrowings under the facility, subject to adjustment based upon remaining unused capacity. In addition, the Company paid customary commitment fees, letter of credit fees, underwriting fees and other administrative fees in respect to the credit facility.

On July 24, 2008, October 14, 2008, and November 24, 2008, the Company entered into interest rate swap transactions with Branch Banking and Trust Company ("BBT"), Bank of America, N.A. ("BA") and SunTrust Bank ("SunTrust"). The Company entered into these interest rate swap transactions to mitigate the risk associated with its floating interest rate based on LIBOR on an aggregate of $450 million of its debt that is outstanding under its ABL Credit Agreement, dated as of July 11, 2008. The Company is required to make certain monthly fixed rate payments calculated on the notional amounts, while the applicable counter party is obligated to make certain monthly floating rate payments to the Company referencing the same notional amount. The interest rate swap transactions effectively fix the annual interest rate payable on these notional amounts of the Company's debt, which may exist under the ABL Credit Facility plus an applicable margin under the terms of the same credit facility. The counterparties, transaction dates, effective dates, applicable notional amounts, effective index rates and maturity dates of each of the interest rate swap transactions are in the table below:

Counterparty	Transaction Date	Effective Date	Notional Amount *(In thousands)*	Effective Index Rate	Spread at Dec. 31, 2008	Effective Interest Rate at Dec. 31, 2008	Maturity Date
BBT	7/24/2008	8/1/2008	$ 100,000	3.425%	3.75%	7.175%	8/1/2010
BA	7/24/2008	8/1/2008	75,000	3.830	2.50	6.330	8/1/2011
SunTrust	7/24/2008	8/1/2008	25,000	3.830	3.75	7.580	8/1/2011
SunTrust	7/24/2008	8/1/2008	50,000	3.830	2.50	6.330	8/1/2011
BBT	10/14/2008	10/17/2008	25,000	2.990	2.50	5.490	10/17/2010
BBT	10/14/2008	10/17/2008	25,000	3.010	2.50	5.510	10/17/2010
BA	10/14/2008	10/17/2008	25,000	3.050	2.50	5.550	10/17/2010
SunTrust	10/14/2008	10/17/2008	25,000	2.990	2.50	5.490	10/17/2010
BA	10/14/2008	10/17/2008	50,000	3.560	2.50	6.060	10/17/2011
SunTrust	11/24/2008	11/28/2008	50,000	1.950	2.50	4.450	11/28/2009
			$ 450,000				

On July 11, 2008, the Company executed the Third Supplemental Indenture (the 'Third Supplemental Indenture") to the Notes, in which it agreed to become a guarantor, on a subordinated basis, of the $100 million principal amount of 6¾% Exchangeable Senior Notes due 2025 (the "Notes") originally issued by CSK pursuant to an Indenture (the "Original Indenture"), dated as of December 19, 2005, as amended and supplemented by the First Supplemental Indenture (the "First Supplemental Indenture") dated as of December 30, 2005, and the Second Supplemental Indenture, dated as of July 27, 2006, (the "Second Supplemental Indenture") by and between CSK Auto Corporation, CSK Auto, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee. On December 31, 2008, and effective as of July 11, 2008, the Company entered into the Fourth Supplemental Indenture ("Fourth Supplemental Indenture") in order to correct the definition of Exchange Rate in the Third Supplemental Indenture.

EITF No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock*, provides guidance for distinguishing between permanent equity, temporary equity, and assets and liabilities. The embedded exchange feature in the Notes provides for the issuance of common shares to the extent the Company's exchange obligation exceeds the debt principal. The share exchange feature and the embedded put options and call options in the debt instrument meet the requirements of EITF No. 00-19 to be accounted for as equity instruments. As such, the share exchange feature and the embedded options have not been accounted for as derivatives. Incremental net shares for the Notes exchange feature were not included in the diluted earnings per share calculation for the year ended December 31, 2008, as the impact would have been antidilutive.

The Notes are exchangeable, under certain circumstances, into cash and shares of the Company's common stock. The Notes bear interest at 6.75% per year until December 15, 2010, and 6.5% until maturity on December 15, 2025. Prior to their stated maturity, the Notes are exchangeable by the holders only under certain circumstances. Prior to their stated maturity, these Notes are exchangeable by the holder only under the following circumstances (as more fully described in the indenture under which the Notes were issued):

- During any fiscal quarter (and only during that fiscal quarter) commencing after July 11, 2008, if the last reported sale price of our common stock is greater than or equal to 130% of the applicable exchange price of $36.17 for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter;
- If the Notes have been called for redemption by the Company; or
- Upon the occurrence of specified corporate transactions, such as a change in control.

If the 6¾% Notes are exchanged, the Company will deliver cash equal to the lesser of the aggregate principal amount of notes to be exchanged and the Company's total exchange obligation and, in the event the Company's total exchange obligation exceeds the aggregate principal amount of notes to be exchanged, shares of the Company's common stock in respect of that excess. The total exchange obligation reflects the exchange rate whereby each $1,000 in principal amount of the notes is exchangeable into an equivalent value of 25.97 shares of our common stock and $60.61 in cash.

The noteholders may require the Company to repurchase some or all of the notes for cash at a repurchase price equal to 100% of the principal amount of the notes being repurchased, plus any accrued and unpaid interest on December 15, 2010; December 15, 2015; or December 15, 2020, or on any date following a fundamental change as described in the indenture. The Company may redeem some or all of the notes for cash at a redemption price of 100% of the principal amount plus any accrued and unpaid interest on or after December 15, 2010, upon at least 35-calendar days notice.

The Company leases certain equipment under capital lease agreements. The lease agreements have terms ranging from 36 to 60 months, expiring on dates ranging from July 2009 to September 2013. Future minimum lease payments under capital leases totaled approximately $13,962,000 and $469,000 at December 31, 2008 and 2007, respectively, which have been classified as long-term debt in the accompanying consolidated financial statements. The Company assumed capital lease liabilities totaling $13,022,000 in its acquisition of CSK; in addition the Company acquired additional equipment under capital leases in the amount of $4,847,000 during the period ended December 31, 2008. The Company did not acquire any equipment under capital leases during the period ended December 31, 2007. The Company acquired $943,000 of assets under the capital lease during the periods ended December 31, 2006.

The Company assumed certain building capital leases, which have lease agreements with terms ranging from 48 to 300 months, expiring on dates ranging from October 2010 to April 2015. The present value of future minimum lease payments under building capital leases totaled approximately $1,930,000 at December 31, 2008, which has been classified as long-term debt in the accompanying consolidated financial statements. The Company assumed building capital lease liabilities totalling $2,190,000 in its acquisition of CSK.

Principal maturities of long-term debt and capital lease obligations are as follows:

(In thousands)

2009	$ 8,131
2010	3,614
2011	1,912
2012	835
2013	614,533
Thereafter	103,670
	$ 732,695

NOTE 5 – RELATED PARTIES

The Company leases certain land and buildings related to 49 of its O'Reilly Auto Parts stores under fifteen-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 five 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 21 of its O'Reilly Auto Parts stores under fifteen-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 6). Rent payments under these operating leases totaled $3,542,000, $3,446,000 and $3,413,000 in 2008, 2007 and 2006, respectively.

NOTE 6 – COMMITMENTS

LEASE COMMITMENTS

On September 28, 2007, the Company completed a second amended and restated master agreement to its $49 million Synthetic Operating Lease Facility with a group of financial institutions. The terms of such lease facility provided for an initial lease period of seven years, a residual value guarantee of approximately $39.7 million at December 31, 2007 and purchase options on the properties. The lease facility also contained a provision for an event of default whereby the lessor, among other things, may require the Company to purchase any or all of the properties. The second amended and restated Facility had been accounted for as an operating lease under SFAS No. 13 and related interpretations, including FASB Interpretation No. 46R. On July 11, 2008, the Company, in connection with the acquisition of CSK, purchased all the properties included in its Synthetic Operating Lease Facility in the amount of $49.3 million, thus terminating the facility. The purchase was funded through borrowings under a new asset-based revolving credit facility. See Note 4 "Long-Term Debt" and Note 2 "Business Combination."

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, 2008, 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:

(In thousands)	Related Parties	Non-related Parties	Total
2009	$ 3,661	$ 209,821	$ 213,482
2010	3,080	191,319	194,399
2011	2,869	172,806	175,675
2012	2,836	152,630	155,466
2013	2,760	125,279	128,039
Thereafter	7,600	631,110	638,710
	$ 22,806	1,482,965	1,505,771

Rental expense amounted to $142,363,000, $55,358,000 and $49,245,000 for the years ended December 31, 2008, 2007, and 2006, respectively.

OTHER COMMITMENTS

The Company had construction commitments, which totaled approximately $130.1 million, at December 31, 2008.

NOTE 7 – STORE CLOSING COSTS

The Company maintains reserves for closed stores and other properties that are no longer being utilized in current operations and accounts for these costs in accordance with SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. The Company provides for closed property operating lease liabilities using a credit-adjusted discount rate to calculate the present value of the remaining noncancelable lease payments, occupancy costs and lease termination fees after the closing date, net of estimated sublease income. The closed property lease liabilities are expected to be paid over the remaining lease terms. The Company estimates sublease income and future cash flows based on the Company's experience and knowledge of the market in which the closed property is located, the Company's previous efforts to dispose of similar assets and existing economic conditions. Adjustments to closed property reserves are made to reflect changes in estimated sublease income or actual exit costs from original estimates. Adjustments are made for changes in estimates in the period in which the changes become known.

In connection with the acquisition of CSK, the Company recorded $4.1 million of exit costs associated with the planned closure of 33 CSK stores and assumed CSK's existing closed stores liabilities of $3.0 million related to 127 locations that were closed prior to the Company's acquisition of CSK. The estimates of exit costs associated with planned closures of CSK stores are preliminary and subject to adjustment.

Following is a summary of store closure reserves at December 31, 2008, and 2007:

(In thousands)	December 31, 2008	December 31, 2007
Balance at January 1:	$ 1,841	$ 2,264
CSK liabilities assumed, as of July 11, 2008	2,984	--
Planned CSK closures	4,141	--
Additions and accretion	764	380
Payments	(2,591)	(776)
Revisions to estimates	235	(27)
Balance at December 31:	$ 7,374	$ 1,841

NOTE 8 – DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On July 24, 2008, October 14, 2008, and November 24, 2008, the Company entered into interest rate swap transactions with BBT, BA and SunTrust to mitigate cash flow risk associated with the floating interest rate based on the one month LIBOR rate on an aggregate of $450 million of the debt outstanding under the ABL Credit Agreement, dated as of July 11, 2008. The swap transactions have been designated as cash flow hedges with interest payments designed to offset the interest payments for borrowings under the ABL Credit Agreement that correspond to notional amounts of the swaps. In accordance with FASB No. 133, Accounting for Derivative Instruments and Hedging Activities, the fair value of the Company's outstanding hedges are recorded as a liability in the accompanying consolidated balance sheets at December 31, 2008. Changes in fair market value are recorded in other comprehensive income (loss), and any changes resulting from ineffectiveness of the hedge transactions would be recorded in current earnings. The Company's hedging instruments have been deemed to be highly effective as of December 31, 2008. The fair value of the swap transactions at December 31, 2008, was a payable of $18.8 million ($11.5 million net of tax). The net amount is included as a component of other comprehensive loss.

NOTE 9 – FAIR VALUE MEASUREMENTS

The Company adopted SFAS No. 157 at the beginning of its 2008 fiscal year. SFAS No. 157 clarifies the definition of fair value, describes the method used to appropriately measure fair value in accordance with generally accepted accounting principles and expands fair value disclosure requirements. This statement applies whenever other accounting pronouncements require or permit fair value measurements.

The fair value hierarchy established under SFAS No. 157 prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

LEVEL 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis.

LEVEL 2 – Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace.

LEVEL 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value from the perspective of a market participant.

The fair value of the interest rate swap transactions are based on the discounted net present value of the swap using third party quotes (level 2). Changes in fair market value are recorded in other comprehensive income (loss), and changes resulting from ineffectiveness are recorded in current earnings.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in SFAS 157.

A) MARKET APPROACH – prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities

B) COST APPROACH – amount that would be required to replace the service capacity of an asset (replacement cost)

C) INCOME APPROACH – techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models)

Assets and liabilities measured at fair value on a recurring basis are as follows:

(In thousands)	December 31, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Valuation Technique
Net derivative contracts	$ (18,874)	$ --	$ (18,874)	$ --	(c)

The estimated fair values of the Company's financial instruments, which are determined by reference to quoted market prices, where available, or are based on comparisons to similar instruments of comparable maturities, are as follows:

	December 31, 2008		December 31, 2007	
(In thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Obligations under 6 ¾% senior exchangeable notes	$ 103,568	$ 99,750	$ --	$ --

NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE LOSS

Unrealized holding gains on available-for-sale securities, consisting of the Company's investment in CSK common stock prior to the Company's completion of the acquisition of CSK, as well as unrealized losses from interest rate swaps that qualify as cash flow hedges are included in accumulated other comprehensive income (loss). The adjustment to accumulated other comprehensive loss for the year ended December 31, 2008, totaled $8.0 million with a corresponding tax liability of $3.3 million resulting in a net of tax effect of $4.7 million. The adjustment to accumulated other comprehensive loss for the year ended December 31, 2007, totaled $10.9 million with a corresponding tax liability of $4.1 million resulting in a net of tax effect of $6.8 million.

Changes in accumulated other comprehensive income (loss) for the years ended December 31, 2006, December 31, 2007, and December 31, 2008, consisted of the following:

(In thousands)	Unrealized Gains on Securities	Unrealized Losses on Cash Flow Hedges	Accumulated Other Comprehensive Loss
Balance at December 31, 2006	$ --	$ --	$ --
Period change	(6,800)	--	(6,800)
Balance at December 31, 2007	(6,800)	--	(6,800)
Period change	6,800	(11,513)	(4,713)
Balance at December 31, 2008	$ --	$ (11,513)	$ (11,513)

Comprehensive income for the years ended December 31, 2008, December 31, 2007, and December 31, 2006, was $181.5 million $187.2 million, and $178.1 million, respectively.

The following is a summary of available-for-sale securities included in Other Current Assets on the Company's balance sheet at December 31, 2007:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value *(Net Carrying Amount)*
Equity securities	$ 21,724	$ --	$ (10,933)	$ 10,791
	$ 21,724	$ --	$ (10,933)	$ 10,791

Available-for-sale securities held by the Company are securities that are publicly traded in active markets and are valued based on quoted closing prices as of December 31, 2007. The Company did not hold any available-for-sale securities at December 31, 2008.

NOTE 11 – SHARE-BASED EMPLOYEE COMPENSATION PLANS AND OTHER BENEFIT PLANS

STOCK OPTIONS

The Company's employee stock-based incentive plans provides for the granting of stock options to certain key employees of the Company for the purchase of common stock of the Company. A total of 24,000,000 shares have been authorized for issuance under this plan. Options are granted at an exercise price that is equal to the closing market price of the Company's common stock on the date of the grant. Options granted under the plan expire after ten years and typically vest 25% a year, over four years. Under SFAS No. 123R, the Company records compensation expense for the grant date fair value of option awards evenly over the vesting period under the straight-line method. A summary of the shares subject to currently issued and outstanding stock options under this plan is as follows:

	Shares	Weighted - Average Exercise Plan	Weighted - Average Remaining Contractual Terms *(In Years)*	Aggregate Intrinsic Value
Outstanding at December 31, 2007	6,244,840	$ 20.38		
Granted	4,747,575	26.26		
Exchanged CSK options	1,742,278	29.05		
Exercised	(848,054)	21.48		
Forfeited	(615,663)	30.31		
Outstanding at December 31, 2008	11,270,976	$ 25.25	7.08	$ 69,646,090
Vested or expected to vest at December 31, 2008	10,196,979	$ 24.91	6.84	$ 66,743,536
Exercisable at December 31, 2008	4,368,702	$ 23.12	4.92	$ 48,823,812

The Company maintains a stock based incentive plan for non-employee directors of the Company pursuant to which the Company may grant stock options. Up to 1,000,000 shares of common stock have been authorized for issuance under this plan. Options are granted at an exercise price that is equal to the market value of the Company's common stock on the date of the grant. Options granted under the plan expire after seven years and vest fully after six months. Under SFAS No. 123R, the Company records compensation expense for the grant date fair value of option awards evenly over the vesting period under the straight-line method. A summary of the shares subject to currently issued and outstanding stock options under this plan is as follows:

	Shares	Weighted - Average Exercise Plan	Weighted - Average Remaining Contractual Terms *(in Years)*	Aggregate Intrinsic Value
Outstanding at December 31, 2007	215,000	$ 18.09		
Granted	65,000	24.88		
Exercised	(40,000)	10.33		
Forfeited	--	--		
Outstanding at December 31, 2008	240,000	$ 23.04	6.56	2,054,875
Vested or expected to vest at December 31, 2008	240,000	$ 23.04	6.56	2,054,875
Exercisable at December 31, 2008	150,000	$ 23.12	5.97	1,731,275

At December 31, 2008, approximately 303,000 and 335,000 shares were available for future grants under the employee stock option plan and director stock option plan, respectively. For the year ended December 31, 2008, the Company recognized stock option compensation expense related to these plans of $7,991,000 and a corresponding income tax benefit of $3,072,000. For the year ended December 31, 2007, the Company recognized stock option compensation expense related to these plans of $4,882,000 and a corresponding income tax benefit of $1,801,000.

The fair value of each stock option grant is estimated on the date of the grant using the Black-Scholes option-pricing model. The Black-Scholes model requires the use of assumptions, including expected volatility, expected life, the risk free rate and the expected dividend yield. Expected volatility is based upon the historical volatility of the Company's stock. Expected life represents the period of time that options granted are expected to be outstanding. The Company uses historical data and experience to estimate the expected life of options granted. The risk free interest rate for periods within the contractual life of the options are based on the United States Treasury rates in effect for the expected life of the options. The following weighted-average assumptions were used for grants issued for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
Risk-free interest rate	2.91%	4.47%	4.01%
Expected life *(Years)*	4.2	4.4	4.7
Expected volatility	26.8%	33.7%	35.1%
Expected dividend yield	0%	0%	0%

The weighted-average grant-date fair value of options granted during the years ended December 31, 2008, 2007 and 2006 were $7.01, $11.81 and $11.72, respectively. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 were $6,600,000, $19,511,000 and $22,985,000, respectively. The Company recorded cash received from the exercise of stock options of $18,625,000, $17,124,000 and $15,970,000, in the years ended December 31, 2008, 2007 and 2006, respectively. The remaining unrecognized compensation cost related to unvested awards at December 31, 2008, was $39,146,000 and the weighted-average period of time over which this cost will be recognized is 3.19 years.

In conjunction with the acquisition of CSK, the Company exchanged 1,742,278 stock options for all the outstanding stock options held by CSK. Per the terms of the CSK stock option plan, the vesting of all the outstanding stock options was accelerated upon change in control. This was recorded as part of the purchase price of CSK's acquired operations (see Note 2 Business Combination for further information).

EMPLOYEE STOCK PURCHASE PLAN

The Company's employee stock purchase plan permits all eligible employees to purchase shares of the Company's common stock at 85% of the fair market value. Participants may authorize the Company to withhold up to 5% of their annual salary to participate in the plan. The stock purchase plan authorizes up to 2,750,000 shares to be granted. During the year ended December 31, 2008, the Company issued 208,293 shares under the purchase plan at a weighted average price of $22.61 per share. During the year ended December 31, 2007, the Company issued 156,466 shares under the purchase plan at a weighted average price of $29.12 per share. During the year ended December 31, 2006, the Company issued 165,306 shares under the purchase plan at a weighted average price of $27.36 per share. SFAS No. 123R requires compensation expense to be recognized based on the discount between the grant date fair value and the employee purchase price for shares sold to employees. During the year ended December 31, 2008, the Company recorded $831,000 of compensation cost related to employee share purchases and a corresponding income tax benefit of $319,000. During the year ended December 31, 2007, the Company recorded $804,000 of compensation cost related to employee share purchases and a corresponding income tax benefit of $290,000. At December 31, 2008, approximately 133,000 shares were reserved for future issuance.

OTHER EMPLOYEE BENEFIT PLANS

The Company sponsors a contributory profit sharing and savings plan that covers substantially all employees who are at least 21 years of age and have at least six months of service. The Company has agreed to make matching contributions equal to 100% of the first 2% of each employee's wages that are contributed and 25% of the next 4% of each employee's wages that are contributed. The Company may also make additional discretionary profit sharing contributions to the plan on an annual basis as determined by the Board of Directors. The Company's matching and profit sharing contributions under this plan are funded in the form of shares of the Company's common stock. A total of 4,200,000 shares of common stock have been authorized for issuance under this plan. During the year ended December 31, 2008, the Company recorded $4,159,000 of compensation cost for contributions to this plan and a corresponding income tax benefit of $1,599,000. During the year ended December 31, 2007, the Company recorded $6,849,000 of compensation cost for contributions to this plan and a corresponding income tax benefit of $2,527,000. During the year ended December 31, 2006, the Company recorded $6,429,000 of compensation cost for contributions to this plan and a corresponding income tax benefit of $2,372,000. The Company issued 321,162 shares in 2008 to fund the 2007 profit sharing and matching contributions at an average grant date fair value of $26.72. The Company issued 197,431 shares in 2007 to fund the 2006 profit sharing and matching contributions at an average grant date fair value of $32.90. The Company issued 204,000 shares in 2006 to fund the 2005 profit sharing and matching contributions at an average grant date fair value of $34.34. A portion of these shares related to profit sharing contributions accrued in prior periods. At December 31, 2008, approximately 542,000 shares were reserved for future issuance under this plan.

On July 11, 2008 in conjunction with the acquisition of CSK, the Company became the sponsor for a 401(k) plan that is available to all CSK team members who are at least 21 years of age. The Company matches from 40% to 60% of participant contributions in 10% increments, based on years of service, up to 4% of the participant's base salary. The Company matching contributions vest after one year of plan participation or three years of Company service. The Company's matching contributions since the July 11, 2008 acquisition date through December 31, 2008 totaled $0.9 million. The CSK 401(k) plan was merged with the Company's profit sharing and savings plan effective January 1, 2009.

The Company has in effect a performance incentive plan for the Company's senior management under which the Company awards shares of restricted stock that 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. A total of 650,000 shares of common stock have been authorized for issuance under this plan. Shares awarded under this plan are valued based on the market price of the Company's common stock on the date of grant and compensation cost is recorded over the vesting period. The Company recorded $494,000 of compensation cost for this plan for the year ended December 31, 2008 and recognized a corresponding income tax benefit of $190,000. The Company recorded $459,000 of compensation cost for this plan for the year ended December 31, 2007 and recognized a corresponding income tax benefit of $169,000. The Company recorded $416,000 of compensation cost for this plan for the year ended December 31, 2006 and recognized a corresponding income tax benefit of $154,000. The total fair value of shares vested (at vest date) for the years ended December 31, 2008, 2007 and 2006 were $497,000, $478,000 and $503,000, respectively. The remaining unrecognized compensation cost related to unvested awards at December 31, 2008 was $457,000. The Company awarded 16,830 shares under this plan in 2008 with an average grant date fair value of $26.96. The Company awarded 16,189 shares under this plan in 2007 with an average grant date fair value of $34.02. The Company awarded 18,698 shares under this plan in 2006 with an average grant date fair value of $33.12. Compensation cost for shares awarded is recognized over the three-year vesting period. Changes in the Company's restricted stock for the year ended December 31, 2008 were as follows:

	Shares	Weighted - Average Aggregate Grant Date Fair Value
Non-vested at December 31, 2007	15,123	$ 30.80
Granted during the period	16,830	26.96
Vested during the period	(16,157)	31.19
Forfeited during the period	(415)	27.63
Non-vested at December 31, 2008	15,381	$ 29.13

At December 31, 2008, approximately 480,000 shares were reserved for future issuance under this plan.

SUPPLEMENTAL RETIREMENT PLAN AGREEMENT

In conjunction with the CSK acquisition on July 11, 2008, the Company assumed a supplemental executive retirement plan agreement with CSK's former Chairman and Chief Executive Officer, Maynard Jenkins, which provides supplemental retirement benefits for a period of 10 years beginning on the first anniversary of the effective date of termination of his employment. Mr. Jenkins retired on August 15, 2007. The benefit amount in this agreement is fully vested and payable to Mr. Jenkins at a rate of $600,000 per annum. The Company has accrued the entire present value of this obligation of approximately $4.0 million as of the July 11, 2008 acquisition date. Payments of $0.6 million were made to Mr. Jenkins since the July 11, 2008, acquisition date.

NOTE 12 – 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, 2008	Years ended December 31, 2007	Years ended December 31, 2006
Numerator (basic and diluted):			
Net income	$ 186,232	$ 193,988	$ 178,085
Denominator:			
Denominator for basic income per common share– weighted-average shares	124,526	114,667	113,253
Effect of stock options (See Note 11)	887	1,413	1,866
Denominator for diluted income per common share- adjusted weighted-average shares and assumed conversion	125,413	116,080	115,119
Basic net income per common share	$ 1.50	$ 1.69	$ 1.57
Net income per common share-assuming dilution	$ 1.48	$ 1.67	$ 1.55

NOTE 13 – 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, and also include the tax effect of carryforwards. Significant components of the Company's deferred tax assets and liabilities are as follows at December 31:

(In thousands)	2008	2007
Deferred tax assets:		
Current:		
Allowance for doubtful accounts	$ 1,763	$ 1,202
Unrealized loss on short term investments	--	4,133
Unrealized loss on cash flow hedges	7,361	--
Other accruals	57,518	14,440
Noncurrent:		
Tax credits	9,294	--
Net operating losses	38,560	--
Other accruals	22,380	17,800
Total deferred tax assets	136,876	37,575
Deferred tax liabilities:		
Current:		
Inventories	2,614	26,010
Noncurrent:		
Property and equipment	40,896	40,431
Other	571	4,610
Total deferred tax liabilities	44,081	71,051
Net deferred tax liabilities	$ 92,795	$ (33,476)

The provision for income taxes consists of the following:

(In thousands)	Current	Deferred	Total
2008:			
Federal	$ 90,544	9,313	99,857
State	14,725	1,718	16,443
	$ 105,269	11,031	116,300
2007:			
Federal	$ 110,302	$ (5,847)	$ 104,455
State	9,539	(494)	9,045
	$ 119,841	$ (6,341)	$ 113,500
2006:			
Federal	$ 96,824	$ (938)	$ 95,886
State	8,373	(79)	8,294
	$ 105,197	$ (1,017)	$ 104,180

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

(In thousands)	2008	2007	2006
Federal income taxes at statutory rate	$ 105,887	$ 107,620	$ 98,793
State income taxes, net of federal tax benefit	10,633	5,880	5,387
Other items, net	(220)	--	--
	$ 116,300	$ 113,500	$ 104,180

The excess 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.

As of December 31, 2008, the Company had net operating losses for federal income tax purposes of $110.8 million (for which a portion are also available for state tax purposes) and general business tax credit carryforwards available for federal and state tax purposes of $2.5 million and $4.3 million, respectively. The Company also has an alternative minimum tax credit carryforward for federal tax purposes of $2.5 million. The net operating losses generally expire in years ranging from 2021 to 2027, and the tax credits generally expire in years ranging from 2019 to 2028. The alternative minimum tax credit carryforward does not expire.

The Company adopted the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48") on January 1, 2007. This interpretation provides guidance on measurement, recognition and derecognition of benefits, classification, interest and penalties, accounting in interim periods, disclosure and transition and requires that income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized. No adjustment was required in the liability for unrecognized income tax benefits as a result of the implementation of FIN 48. As of December 31, 2007, and December 31, 2008, the Company had recorded a reserve for unrecognized tax benefits (including interest and penalties) of $19.7 million and $34.3 million, respectively, of which, would affect the Company's effective tax rate if recognized, generally net of federal tax affect. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of December 31, 2007, and December 31, 2008, the Company had accrued approximately $2.8 million, and $3.9 million, respectively, of interest and penalties related to uncertain tax positions before the benefit of the deduction for interest on state and federal returns. During the years ended December 31, 2007, and December 31, 2008, the Company recorded tax expense related to an increase in its liability for interest and penalties of $1.3 million and $1.4 million, respectively. Although unrecognized tax benefits for individual tax positions may increase or decrease during 2009, the Company expects a reduction of $1.6 million of unrecognized tax benefits during the one-year period subsequent to December 31, 2008, resulting from settlement or expiration of the statute of limitations.

The O'Reilly U.S. federal income tax returns for tax years 2005 and beyond remain subject to examination by the Internal Revenue Service ("IRS"). The IRS concluded an examination of the O'Reilly consolidated 2002, 2003 and 2004 federal income tax returns in the first quarter of 2007. The statute of limitations for the O'Reilly federal income tax returns for tax years 2004 and prior have expired. The statute of limitations for the O'Reilly U.S. federal income tax return for 2005 will expire on September 15, 2009, unless otherwise extended. The IRS is currently conducting an examination of the O'Reilly consolidated return for the tax years 2006 and 2007. The O'Reilly state income tax returns remain subject to examination by various state authorities for tax years ranging from 2001 through 2007.

CSK has had net operating losses in various years dating back to the tax year 1993. For CSK, the statute of limitation for a particular tax year for examination by the IRS is three years subsequent to the last year in which the loss carryover is finally used. The IRS is conducting an examination of the CSK consolidated federal tax return for the fiscal years ending January 30, 2005, January 29, 2006 and February 4, 2007. The statute of limitation for a particular tax year for examination by various states is generally three to four years subsequent to the last year in which the loss carryover is finally used.

A summary of the changes in the gross amount of unrecognized tax benefits, excluding interest and penalties, for the years ended December 31, 2007, and December 31, 2008, is shown below:

(In thousands)	December 31, 2008	December 31, 2007
Balance as of January 1, 2008	$ 16,952	$ 13,245
Addition based on tax positions related to the current year	5,638	3,484
Addition based on tax positions related to prior years	--	827
Addition based on tax positions related to CSK acquisition	8,620	--
Reduction due to lapse of statute of limitations	(810)	(604)
Balance as of December 31, 2008	$ 30,400	$ 16,952

NOTE 14 – LEGAL MATTERS

O'REILLY LITIGATION

O'Reilly is currently involved in litigation incidental to the ordinary conduct of the Company's 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 its consolidated financial position, results or operations or cash flows. In addition, O'Reilly is involved in resolving the governmental investigations that were being conducted against CSK prior to its acquisition by O'Reilly. Further detail regarding such matters is described below.

CSK PRE-ACQUISITION MATTERS

Investigations by the SEC and Department of Justice respecting certain historical accounting practices of CSK, as previously reported and as described below, continue. O'Reilly expects to continue to incur ongoing legal expenses related to the governmental investigations and indemnity obligations and has reserved $7.3 million as an assumed liability in the Company's preliminary allocation of the purchase price of CSK. O'Reilly has incurred approximately $1.0 million of such legal costs related to the government investigations and indemnity obligations in the 4th quarter of 2008 and $1.3 million in the reporting year.

GOVERNMENTAL INVESTIGATIONS

The SEC investigation that began in 2006 related to certain historical accounting practices of CSK continues. On May 1, 2008, CSK received a notification from the Staff of the Pacific Regional Office (the "Staff") of the SEC relating to that investigation. On November 6, 2008, the Staff informed O'Reilly that the Securities and Exchange Commission (the "Commission") agreed with the recommendation of Staff to bring charges against CSK, including charges that CSK violated certain provisions of the federal securities laws, including Section 10(b) of the Exchange Act and Rule 10b-5 (the antifraud provisions). O'Reilly is in discussions with the Staff to try to resolve CSK's pre-merger matters with the Staff and the Commission but cannot predict whether and when it will be able to reach a resolution.

In addition, the U.S. Attorney's office in Phoenix (the "USAO") and the U.S. Department of Justice in Washington, D.C. (the "DOJ") is continuing the investigation related to pre-acquisition historical accounting practices of CSK. At this time, O'Reilly is cooperating with requests from the DOJ to resolve CSK's pre-merger matters.

INDEMNIFICATION MATTERS

Several of CSK's former directors or officers and current or former employees have been or may be interviewed as part of or become the subject of criminal, administrative and civil investigations and lawsuits. We are involved in working toward resolution of these matters involving such persons. Under Delaware law, the charter documents of the CSK entities and certain indemnification agreements, we may have an obligation to indemnify and are currently incurring expenses on the behalf of these persons in relation to pending matters. Some of these indemnification obligations may not be covered by our directors' and officers' insurance policies.

These regulatory proceedings and other proceedings are subject to many uncertainties, and, given their complexity and scope, their final outcome cannot be predicted at this time. It is possible that in a particular quarter or annual period the Company's results of operations and cash flow could be materially affected by an ultimate unfavorable resolution of these regulatory proceedings or matters subject to indemnification depending, in part, upon the results of operations or cash flow for such period. However, at this time, management believes that the ultimate outcome of all of these regulatory proceedings and matters subject to indemnification that are pending, after consideration of applicable reserves and potentially available insurance coverage benefits, should not have a material adverse effect on the Company's consolidated financial condition, results of operations and cash flows.

NOTE 15 – SHAREHOLDER RIGHTS PLAN

On May 7, 2002, the Board of Directors adopted a shareholder rights plan whereby one right was distributed for each share of common stock, par value $.01 per share, of the Company held by stockholders of record (the "Rights") as of the close of business on May 31, 2002. The Rights initially entitle stockholders to buy a unit representing one one-hundredth of a share of a new series of preferred stock of the Company for $160 and expire on May 30, 2012. The Rights generally will be exercisable only if a person or group acquires beneficial ownership of 15% or more of the Company's common stock or commences a tender or exchange offer upon consummation of which such person or group would beneficially own 15% or more of the Company's common stock. If a person or group acquires beneficial ownership of 15% or more of the Company's common stock, each Right (other than Rights held by the acquiror) will, unless the Rights are redeemed by the Company, become exercisable upon payment of the exercise price of $160 for an amount of common stock of the Company having a market value of twice the exercise price of the Right. A copy of the Rights Agreement was filed on June 3, 2002, with the Securities and Exchange Commission, as Exhibit 4.2 to the Company's report on Form 8-K.

DIRECTORS AND EXECUTIVE COMMITTEE

DAVID O'REILLY
Chairman of the Board

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

JOE GREENE
Director

PAUL LEDERER
Director

JOHN MURPHY
Director

RON RASHKOW
Director

GREG HENSLEE
Chief Executive Officer and Co-President

TED WISE
Chief Operating Officer and Co-President

TOM MCFALL
Executive Vice President and Chief Financial Officer

GREG JOHNSON
Senior Vice President of Distribution

JEFF SHAW
Senior Vice President of Store Operations/Sales

MIKE SWEARENGIN
Senior Vice President of Merchandise

TRICIA HEADLEY
Vice President and Corporate Secretary/Secretary to Board

TONY BARTHOLOMEW
Vice President of Sales

GREG BECK
Vice President of Purchasing

BRAD BECKHAM
Vice President of Eastern Division

KEITH CHILDERS
Vice President of CSK Store Operations Integration

TOM CONNOR
Vice President of Distribution Eastern Division

KEN COPE
Vice President of Central Division

CHARLIE DOWNS
Vice President of Real Estate and Expansion

PHYLLIS EVANS
Vice President of Store Administration

LARRY ELLIS
Vice President of Distribution Western Division

ALAN FEARS
Vice President of Jobber Sales and Acquisitions

JEFF GROVES
Vice President of Legal and Claim Services and General Counsel

BRETT HEINTZ
Vice President of Retail Systems

JAIME HINOJOSA
Vice President of Southern Division

STEVE JASINSKI
Vice President of Information Systems

RANDY JOHNSON
Vice President of Store Inventories

BRAD KNIGHT
Vice President of Pricing

GREG LANGDON
Vice President of Southwest Division

KENNY MARTIN
Vice President of Northern Division

WAYNE PRICE
Vice President of Risk Management

DOUG RUBLE
Vice President of Marketing/Advertising

BARRY SABOR
Vice President of Loss Prevention

RO SALAZAR
Vice President of Northwest Division

TOM SEBOLDT
Vice President of Merchandise

PHIL THOMPSON
Vice President of Human Resources

MIKE WILLIAMS
Vice President of Advanced Technology

SHAREHOLDER INFORMATION

CORPORATE ADDRESS

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

REGISTRAR AND TRANSFER AGENT

Computershare Investor Services
P.O. Box 43078
Providence, RI 02940-3078

Inquiries regarding stock transfers, lost certificates or address changes should be directed to Computershare Investor Services at the above address.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Ernst & Young LLP
One Kansas City Place
1200 Main Street, Suite 2000
Kansas City, Missouri 64105-2143

ANNUAL MEETING

The annual meeting of shareholders of O'Reilly Automotive, Inc. will be held at 10:00 a.m. local time on May 5, 2009, at the Double Tree Hotel, 2431 North Glenstone Ave in Springfield, Missouri. Shareholders of record as of February 27, 2009, 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 Thomas McFall, Executive Vice President of Finance and Chief Financial Officer, at the corporate address.

TRADING SYMBOL

The Company's common stock is traded on The Nasdaq Global Select Market under the symbol ORLY.

NUMBER OF SHAREHOLDERS

As of February 27, 2009, O'Reilly Automotive, Inc. had approximately 62,000 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.:

BB&T CAPITAL MARKETS – Anthony Cristello
CREDIT SUISSE – Gary Balter
DEUTSCHE BANK RESEARCH – Michael Baker
FRIEDMAN, BILLINGS, & RAMSEY INVESTMENT – Stephen Chick
GOLDMAN SACHS RESEARCH – Matthew J. Fassler
JPMORGAN SECURITIES – Christopher Horvers
BAS-ML – Alan Rifkin
MORGAN STANLEY – Gregory Melich
RAYMOND JAMES & ASSOCIATES – Dan Wewer
RBC CAPITAL MARKETS – Scot Ciccarelli
ROCHDALE SECURITIES – Jaison Blair
SANFORD BERSTEIN – Colin McGranahan
SIDOTI & COMPANY – Scott Stember
STIFEL NICOLAUS & COMPANY, INCORPORTATED – David Schick
UBS EQUITIES – Brian Nagel
WACHOVIA SECURITIES – Peter Benedict
WILLIAM BLAIR & COMPANY – Jack Murphy

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 Global Select 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.

	2008		2007	
	High	Low	High	Low
First Quarter	$ 32.68	$ 24.08	$ 35.20	$ 31.45
Second Quarter	30.50	22.32	38.84	32.58
Third Quarter	30.38	21.92	38.20	31.44
Fourth Quarter	31.18	20.00	34.72	30.43
For the Year	32.68	20.00	38.84	30.43

BOARD OF DIRECTORS

TERM EXPIRING IN 2009

JOHN MURPHY
Director Since 2003
Audit Committee -
Chairman Corporate
Governance/Nominating
Committee

CHARLIE O'REILLY
Vice Chairman
of the Board

RONALD RASHKOW
Director Since 2003
Audit Committee
Compensation
Committee

TERM EXPIRING IN 2010

JOE GREENE
Director Since 1993
Corporate
Governance/Nominating
Committee - Chairman

LARRY O'REILLY
Vice Chairman
of the Board

ROSALIE O'REILLY-WOOTEN
Director

TERM EXPIRING IN 2011

JAY BURCHFIELD
Director Since 1997
Compensation
Committee - Chairman
Corporate
Governance/Nominating
Committee

PAUL LEDERER
Lead Director
1993 - July 1997;
Since February 2001
Audit Committee
Compensation
Committee

DAVID O'REILLY
Chairman of the Board

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, 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."

PROFITABLE GROWTH.

IT'S WHERE WE'VE BEEN. IT'S WHERE WE'RE HEADING.

O'Reilly AUTO PARTS

233 SOUTH PATTERSON SPRINGFIELD, MISSOURI 65802 417.862.3333 WWW.OREILLYAUTO.COM