

Stockholder Information:

Corporate Offices:
5673 Airport Road
Roanoke, Virginia 24012
540-362-4911

Internet Site: <http://www.AdvanceAutoParts.com>

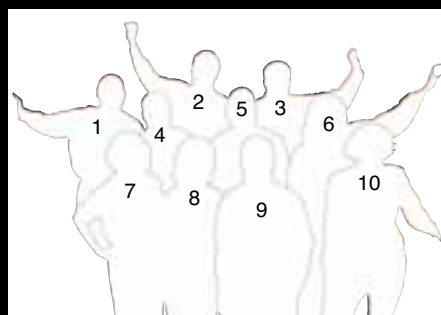
Annual Meeting:
May 20, 2003
Wyndham Roanoke Hotel
2801 Hershberger Road, NW
Roanoke, Virginia 24017

Registrar and Transfer Agent:
Mellon Investor Services, LLC
200 Galleria Parkway
Suite 1900
Atlanta, Georgia 30339
1-800-298-6813

TDD for Hearing-Impaired: 1-800-231-5469
Foreign Stockholders: 201-329-8660
TDD Foreign Stockholders: 201-329-8354

Common Stock:
Ticker Symbol: AAP
Listing: New York Stock Exchange

Independent Accountants:
Deloitte & Touche, LLP
1750 Tysons Blvd.
McLean, Virginia 22102



Pictured on front cover: 1. Thermon Knighten, Vice President, Store Merchandising 2. Axel Oberg, Manager, Warranty Claims 3. John Payne, Manager, Customer Contact Center 4. Gray Turner, Vice President, Commercial Sales 5. Jose Feliciano, Division Manager 6. Elayne McFalls, Senior Business Analyst-Logistics & Replenishment 7. Tammy Finley, Vice President, Team Member Relations 8. Arlene Sumner, Sales Associate 9. Brian Leavens, Store Manager 10. Darlene Demarest, Director, Lease Administration

**Advance/
Auto Parts** 
We're ready in Advance.

Advance Auto Parts 2002 Annual Review

ADVANCE AUTO PARTS 2002 annual REVIEW

**Advance/
Auto Parts** 

We're ready in Advance.



We're ready.

**We're
ready
with a
winning
team!**

In 2002, more than 190 million customers chose Advance Auto Parts for their automotive needs. Proof that when customers come through our doors, we have what it takes to win them over – and keep them coming back.

We're ready with quality parts at value prices. We're ready with friendly Team Members who know their stuff. We're ready with clean, conveniently located stores.

We're ready in Advance. Advance Auto Parts offers one of the largest selections of brand name and private label auto parts, accessories, and maintenance items in the automotive aftermarket. More than 120,000 items in all.

But it isn't enough to have the right products. We have to provide customers great value. Our recent category management initiatives are optimizing our pricing, increasing our product selection, improving our merchandising, and enhancing our inventory productivity.

We're ready in Advance. Our entire team is focused on our customers' needs. "Ring, ring" is our way of reminding Team Members to answer all calls within three rings. And a customer has to be greeted within 10 feet of entering our store for us to earn a "Perfect 10."

Once we make our customers feel welcome, we focus on solving their problem. Trained Team Members ask the right questions and give sound advice. They're also eager to test batteries, starters, alternators, sensors, and ignition modules. Whatever the customers' problem, we have a solution. No wonder they keep coming back.

We now have more than 2,400 attractive locations in 37 states. During 2002, we opened 110 new stores. And we also relocated 39 to more convenient sites in existing markets. We keep our stores looking great with our GOLD standard, having a "Grand Opening Look Daily."

But what really sets us apart is that we're a big company with small town values. Founded in 1929, Advance Auto Parts is built on honesty and integrity. Our Team Members care about their communities, proved by the \$8 million we've raised, with the help of our customers, for the Juvenile Diabetes Research Foundation since 1995. But they also care about their customers. And about each other.

We're ready in Advance.



5 Year Financials

	5-Year Compounded Growth	2002	2001	2000	1999	1998
(in thousands, except per share data)						
Statement of Operations Data:						
Net sales.....	28.1%	\$ 3,287,883	\$ 2,517,639	\$ 2,288,022	\$ 2,206,945	\$ 1,220,759
Gross profit (1)	33.6%	1,447,994	1,076,026	895,895	802,832	454,561
Comparable operating income (2)	39.8%	237,517	123,770	94,374	62,351	62,208
Comparable net income (3).....	56.5%	\$ 97,138	\$ 38,088	\$ 17,596	\$ 154	\$ 16,197
Comparable net income per diluted share (3).....		\$ 2.68	\$ 1.31	\$ 0.62	\$ 0.01	\$ 0.87
Weighted average diluted shares outstanding.....		36,188	29,158	28,611	28,269	18,606
Selected Store Data:						
Comparable store sales growth	5.5%	6.2%	4.4%	10.3%	7.8%	
Number of stores, end of period.....	2,435	2,484	1,729	1,617	1,567	
Stores with commercial delivery program, end of period	1,411	1,370	1,210	1,094	532	
Total retail store square footage, end of period (in thousands)	18,108	18,717	13,325	12,476	12,084	
Average net retail sales per store (4)	\$ 1,303	\$ 1,346	\$ 1,295	\$ 1,267	\$ 1,270	
Average net retail sales per square foot (5).....	\$ 174	\$ 175	\$ 168	\$ 164	\$ 172	
Balance Sheet Data:						
Inventory.....		\$ 1,048,803	\$ 982,000	\$ 788,914	\$ 749,447	\$ 726,172
Net working capital		462,896	442,099	318,583	355,608	310,113
Total assets.....		1,965,225	1,950,615	1,356,360	1,348,629	1,265,355
Total net debt (6)		722,506	972,368	582,539	627,467	485,476
Total stockholders' equity		468,356	288,571	156,271	133,954	159,091

Footnotes

- (1) Gross profit for fiscal 2001 excludes the non-recurring charge of \$9,099 associated with our supply chain initiatives recorded in the fourth quarter.
- (2) Comparable operating income excludes certain non-recurring charges as included in the following reconciliation of this measurement to our operating income presented under generally accepted accounting policies in our financial statements included in the accompanying annual report on form 10-K.

	2002	2001(a)	2000	1999	1998
Comparable operating income	\$ 237,517	\$ 123,770	\$ 94,374	\$ 62,351	\$ 62,208
Supply chain initiatives	-	(10,492)	-	-	-
Impairment of assets held for sale	-	(10,700)	(856)	-	-
Recapitalization expenses	-	-	-	-	(14,277)
Merger related restructuring	(597)	(3,719)	-	-	(6,774)
Merger and integration	(34,935)	(1,135)	-	(41,034)	(7,788)
Private company expenses	-	-	-	-	(845)
Stock option compensation	-	(8,611)	(729)	(1,082)	(695)
Operating income	\$ 201,985	\$ 89,113	\$ 92,789	\$ 20,235	\$ 31,829

- (a) Fiscal 2001 excludes only the non-recurring charges taken during the fourth quarter.
- For more information see the fiscal 2001 financial statements and accompanying footnotes.

- (3) Comparable net income excludes the nonrecurring items in footnote (1) and (2) above and the extraordinary items and cumulative effect of a change in accounting principle. The following is a reconciliation of comparable net income to net income presented under generally accepted accounting policies in our financial statements included in the accompanying annual report on form 10-K.

	2002	2001(a)	2000	1999	1998
Comparable net income	\$ 97,138	\$ 38,088	\$ 17,596	\$ 154	\$ 16,197
Add back non-recurring items from footnote (1) and (2)	(35,532)	(34,657)	(1,585)	(42,116)	(30,379)
Tax impact of non-recurring items	13,786	13,758	615	16,636	12,000
Extraordinary items, net of tax	(10,373)	(3,682)	2,933	-	-
Cumulative effect of a change in accounting principle, net of tax	-	(2,065)	-	-	-
Net income	\$ 65,019	\$ 11,442	\$ 19,559	\$ (25,326)	\$ (2,182)
Net income per diluted share	\$ 1.80	\$ 0.39	\$ 0.68	\$ (0.90)	\$ (0.12)

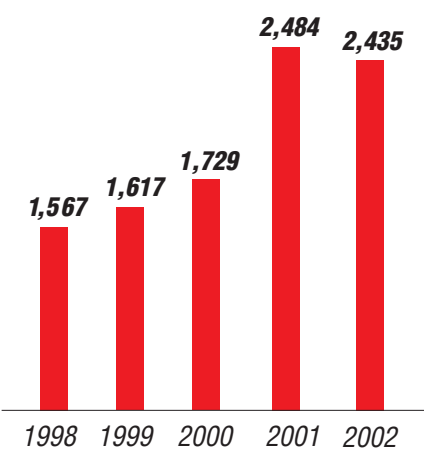
- (a) Fiscal 2001 excludes only the non-recurring charges taken during the fourth quarter.
- For more information see the fiscal 2001 financial statements and accompanying footnotes.

- (4) Average net retail sales per store is calculated as net sales of the retail segment divided by the average of the beginning and ending number of stores for the respective period. The 1998 amounts were calculated giving effect to the Parts America net retail sales and the number of stores for the period from November 1, 1998 through January 2, 1999. The 2001 amounts were calculated giving effect to the Discount net retail sales and the number of stores for the period from December 2, 2001 through December 29, 2001.

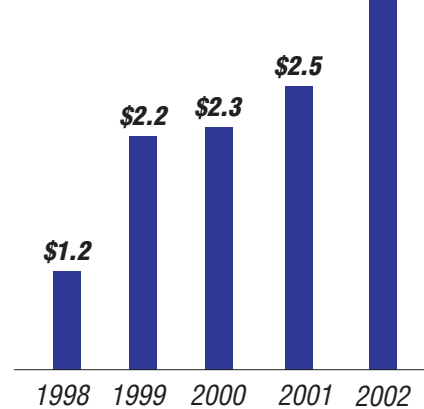
- (5) Average net retail sales per square foot is calculated as net sales of the retail segment divided by the average of the beginning and ending square footage for the respective period. The 1998 amounts were calculated giving effect to the Parts America net retail sales and square footage for the period from November 1, 1998 through January 2, 1999. The 2001 amounts were calculated giving effect to the Discount net retail sales and square footage for the period from December 2, 2001 through December 29, 2001.

- (6) Net debt includes total debt and bank overdrafts, less cash and cash equivalents.

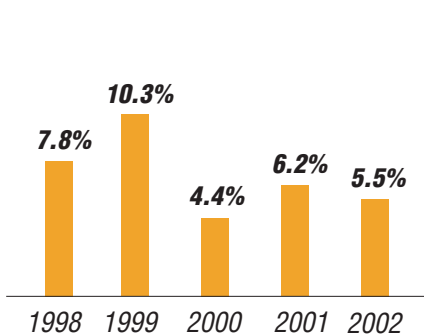
Number of Stores



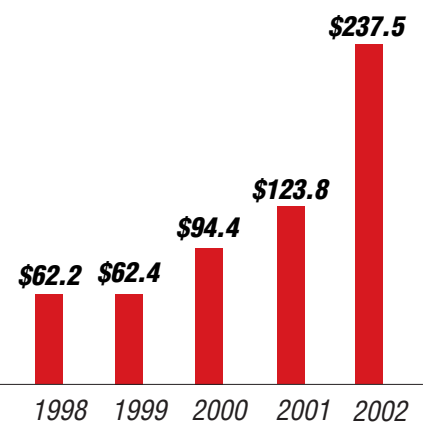
Net Sales (in billions)



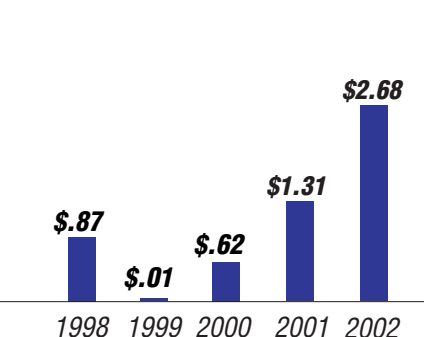
Comparable Store Sales



Comparable Operating Income (in millions)



Comparable Earnings per Share



Stockholders' letter

Dear Stockholders:

Our new advertising theme is "We're ready in Advance."

We also have a new logo with a racing flag that symbolizes our focus on winning. Our 2002 financial results are a clear indication that we are winning by satisfying more customers, and doing it profitably.

In 2002:

- Sales rose 30.6% to \$3.3 billion.
- Comparable store sales increased 5.5%, with approximately two-thirds of that gain coming from a rise in customer traffic.
- Comparable operating margins increased 230 basis points to 7.2%.
- Comparable earnings per share rose 105% to \$2.68 per diluted share.

- We generated \$165 million in free cash flow and paid down \$220 million in debt.

(Please see our reconciliation of comparable operating income and comparable earnings per share included on page 3 of this annual review.)

These outstanding results were achieved while we executed our Discount Auto Parts integration plan; acquired and converted 57 Trak Auto stores in the Washington, D.C. Metro market; continued to roll out our new point-of-sale (POS) and electronic parts catalog system known as APAL; launched our first wave of category management initiatives; and began to roll out our new store format we call 2010. As you can tell, we've been firing on all cylinders.

The Discount Auto Parts integration remains on track. We have completed the integration of all the stores outside of Florida, converted the Mississippi distribution center to our system, and remerchandised all the Florida stores,

and rolled out APAL to more than half of the Florida stores. We also launched our co-branded concept in the Florida markets, where stores will carry the Advance Discount Auto Parts™ name. This enables us to maximize the brand equity that Discount Auto Parts has built in Florida, yet takes it to the next level through enhanced customer service, improved inventory selection, and our proprietary state-of-the-art store systems. During 2003, we will continue the re-branding and complete the store conversions in Florida. We look forward to continued strong performance by these stores.

At the beginning of 2002, we launched our first wave of category management initiatives. By forming a stronger partnership with our suppliers, we are serving our customers better with an improved product selection, better merchandising, and enhanced promotional activity. To date we have completed approximately 20% of our merchandise categories, representing about half of our sales. We anticipate completing 50% of merchandising categories by mid-2003, which will drive sales, margins and inventory turns.

We are also rolling out the next generation of store systems to give our team members the best possible tools to serve our customers. The leading-edge APAL system puts at our team members' fingers everything they need to satisfy the customer, including detailed product information, helpful graphics, and a list of additional items customers will need to properly complete the job. Our

MPT -Management Planning and Training system enables our store managers to make sure their store has the right person...in the right place...at the right time...doing the right thing.

Along with enhancing our operations, we have made great strides in our corporate governance initiatives. Included in our nine member Board of Directors, we have three new distinguished and independent leaders, including Stephen M. Peck, General Partner of Wilderness Partners, L.P. and the Torrey Funds, L.L.C.; Francesca Spinelli, Ph.D., Senior Vice President, People of Radio Shack Corporation; and Gilbert T. Ray, retired partner of O'Melveny & Myers, L.L.P. We are confident that the leadership is in place to continue to drive Advance Auto Parts forward.

In February 2003, Nicholas F. Taubman, Chairman, and Garnett E. Smith, Vice Chairman, after more than 40 years building Advance Auto Parts, chose to take the final step in the leadership transition process and retired from our Board of Directors. Their legacy of integrity, hard work and dedicated leadership spearheaded our growth and brought us to the national arena. And they did it by putting our team members first. We thank Nick and Garnett for their years of service and for setting the highest standards by which we will measure ourselves going forward.

We are proud of our achievements in 2002, but all of us at Advance Auto Parts know that we need to continuously make improvements to better serve our customers. In 2003, we will focus on increasing sales in existing stores, expanding our operating margins, continuing to successfully integrate

Discount Auto Parts, and producing strong cash flow to pay down debt.

Finally, and most importantly, we would like to thank all of our Team Members for their hard work and dedication. It is truly a privilege to work with such a terrific and motivated team!

Jim Wade, President and Chief Financial Officer

Larry Castellani, Chairman and Chief Executive Officer

Carta a los accionistas

Estimados accionistas:

Nuestro nuevo lema publicitario es "We're ready in Advance" (Siempre Listos. En Advance). Además, tenemos un nuevo logotipo con una bandera de carreras que simboliza nuestro enfoque en triunfar. Nuestros resultados financieros de 2002 indican claramente que estamos ganando al satisfacer a más clientes, al tiempo que logramos rentabilidad.

En 2002:

- Las ventas aumentaron el 30.6% y alcanzaron \$3.3 mil millones.
- Las ventas de tiendas comparables aumentaron el 5.5%, dos tercios de los cuales se deben al aumento de circulación de clientes.
- Los márgenes de operación comparables aumentaron 230 puntos básicos, al 7.2%.
- Los dividendos por acción comparables aumentaron el 105%, a \$2.68 por acción diluida.
- Generamos \$165 millones en flujo de efectivo de libre disponibilidad y pagamos deudas por un valor de \$220 millones.

(Consulte nuestra conciliación de ingresos de operación y de dividendos por acción comparables incluidos en la página 3 de este informe anual.)

Logramos obtener estos resultados sobresalientes durante el plan de integración de Discount Auto Parts; la adquisición y la conversión de 57 tiendas Trak Auto en el mercado metropolitano de Washington, D.C.; la implementación de nuestro nuevo sistema de puntos de venta (point-of-sale, POS) y el catálogo de piezas electrónico conocido como APAL; el lanzamiento de la primera ola de iniciativas de gestión por categorías; y durante la implementación del nuevo formato de tiendas llamado 2010. Como puede ver, hemos estado trabajando a todo vapor.

La integración de Discount Auto Parts sigue en el camino trazado. Hemos completado la integración de todas las tiendas fuera de la Florida, hemos convertido el centro de distribución de Mississippi a nuestro sistema, renovado el merchandising de todas las tiendas de la Florida e implementado el sistema APAL en más de la mitad de las tiendas de la Florida. Además, lanzamos nuestro concepto de marca compartida en los mercados de la Florida, donde las tiendas llevarán el nombre de Advance Discount Auto Parts™. De esta forma, podemos

maximizar el valor de la marca que Discount Auto Parts ha creado en la Florida y, al mismo tiempo, alcanzar un nivel más alto a través de un mejor servicio al cliente, mejor selección de inventario y nuestros exclusivos sistemas para tiendas de última generación. Durante 2003, seguiremos unificando la marca y completaremos la transformación de las tiendas en la Florida. Esperamos que estas tiendas mantengan un fuerte desempeño.

A comienzos de 2002, lanzamos la primera ola de iniciativas de gestión por categorías. Al formar una sociedad más estrecha con nuestros proveedores, brindamos mejor servicio a nuestros clientes con una selección de productos más amplia, mejor merchandising y mayor actividad promocional. A la fecha, hemos completado aproximadamente el 20% de nuestras categorías de mercancía, lo que representa casi la mitad de nuestras ventas. Prevemos completar el 50% de las categorías de merchandising a mediados de 2003, lo que impulsará las ventas, los márgenes y la rotación de inventario.

Además, estamos implementando la próxima generación de sistemas de tiendas para que los integrantes de nuestros equipos cuenten con las mejores herramientas posibles para brindar servicio a nuestros clientes. El sistema avanzado de APAL brinda a los integrantes de nuestro equipo todo lo que necesitan a la mano para satisfacer al cliente, incluyendo la información detallada del producto, gráficos útiles y una lista de artículos adicionales que los clientes necesitarán para completar el trabajo correctamente. Nuestro sistema de gestión, planificación y capacitación MPT (Management Planning and Training) permite a nuestros gerentes de tiendas asegurarse de que su tienda tenga a la persona correcta... en el lugar correcto... en el momento correcto... haciendo lo correcto.

Además de mejorar nuestras operaciones, hemos hecho un gran avance en nuestras iniciativas de gestión corporativa. Nuestra Junta de Directores de nueve miembros incluye a tres distinguidos líderes nuevos independientes, Stephen M. Peck, Socio General de Wilderness Partners, L.P. y de Torrey Funds, L.L.C.; Francesca Spinelli, Ph.D., Vicepresidenta Senior, People of Radio Shack Corporation; y Gilbert T. Ray, socio retirado de O'Melveny & Myers, L.L.P. Confiamos contar con el liderazgo necesario para continuar impulsando hacia adelante a Advance Auto Parts.

En febrero de 2003, tras más de 40 años construyendo Advance Auto Parts, Nicholas F. Taubman, Presidente de la Junta de Directores, y Garnett E. Smith, Vicepresidente de la Junta de Directores, decidieron dar el último paso en el proceso de transición de liderazgo y se retiraron de la Junta de Directores. Su legado de integridad, arduo trabajo y liderazgo dedicado sirvió de punta de lanza para nuestro crecimiento, y nos introdujo de lleno en el ámbito nacional. Lo lograron pensando siempre primero en los miembros de nuestro equipo. Agradecemos a Nick y a Garnett por sus años de servicio y por establecer los más altos estándares, por los cuales nos seguiremos midiendo en el futuro.

Nos sentimos orgullosos de nuestros logros en 2002, pero en Advance Auto Parts todos sabemos que debemos mejorar continuamente para brindar un mejor servicio a nuestros clientes. En 2003, nos concentraremos en aumentar las ventas en las tiendas existentes, ampliar los márgenes de operación, continuar con la exitosa integración de Discount Auto Parts, y producir un fuerte flujo de efectivo para saldar las deudas.

Por último, y lo que es más importante, queremos agradecer a todos los miembros de nuestro equipo por su arduo trabajo y dedicación. ¡Es un verdadero privilegio trabajar con un equipo tan maravilloso y motivado!

Jim Wade, Presidente y Director Ejecutivo de Finanzas

Larry Castellani, Presidente de la Junta de Directores y Director Ejecutivo.



Pictured: **left to right:** Jim Wade; Larry Castellani

With more than 17 years of experience at Advance Auto Parts, Al Joyner has the background and leadership skills to head our MPT effort – Management Planning and Training. Al joined the company in 1985 as a part-time salesperson and since then he has taken on more and more responsibilities, including store manager and division manager. In 1998, he moved from the field to the corporate office where he developed the Corporate Store Support Center.

What is MPT?

MPT is our proprietary system designed to streamline our labor management and training processes. In order to serve our customers more effectively, we need the right people at the right time, doing the right thing. For example, during our busiest times such as Friday afternoons and Saturdays, we need more of our parts pros on duty to serve customers. During times when customer traffic is not as heavy, we can concentrate on making sure that our shelves have been replenished properly and that our stores maintain our GOLD Standard or "Grand Opening Look Daily."

How is MPT benefiting our customers?

At the core of MPT is our customer. MPT gives our store managers the tools to have knowledgeable and friendly sales people in our stores at the right time, to have well-stocked shelves to meet our customers' needs, and to have clean and inviting stores that our customers enjoy frequenting. We build our schedules by forecasting demand using store-specific criteria.

The MPT system will be fully automated during 2003 and we will be able to analyze each store's traffic patterns in 15-minute intervals. This information will allow us to increase staffing during peak customer traffic periods. During off-peak times, store managers will have the tools to prioritize tasks such as stocking and cleaning. As a result, we will make shopping more enjoyable for customers and increase Team Member productivity.

How does MPT help store managers?

MPT clearly defines all the tasks and the times associated with them to effectively and efficiently run an Advance Auto Parts store. The system gives them the opportunity to flex up when sales are strong or to flex down, if necessary. All in all, the system gives our store managers a clear vision of how to run their stores and how to allocate their team members' time to serve customers better.

How has MPT impacted the Company's financial results?

By using MPT, our stores have more effectively used our Team Members' time resulting in increased sales with a lower labor expense-to-sales ratio. As we continue to develop our MPT program, we believe we've only just begun to experience its benefits.

What are the next steps for MPT?

By the end of the first half of 2003 we expect all of our stores to be up and running on MPT, including our Advance Discount Auto Parts stores in Florida. Then we will take MPT to the next step by more fully automating the scheduling process, giving our store managers up-to-the-minute feedback on how they are managing their labor resources. Along with automating the process, Marcy Kegley, our industrial work measurements engineer, will be augmenting our store operations through process improvements. After a thorough review of all our store processes, she will be improving our operations by rolling out industry "Best Practices" on everything from housekeeping to truck loading and unloading. MPT is going to be an MVP for our store operations.

Al Joyner leading the MPT charge!

ADVANCE TALK



Our first commercial customer.

As you drive into Maiden & Sons Garage in Salem, Virginia, the first thing you notice is that the parking lot is full. Bob Maiden has run a successful repair business for more than 20 years and by the looks of the parking lot, business is really good.

With over 1,000 customers, Bob has built his business on a reputation for skillfully performing repairs at a fair price. He doesn't have to advertise. In fact, there are families with three generations of happy Maiden customers. To keep his customers coming back, Bob insists on quality parts and a company that stands behind that quality with a strong warranty.

Ask Bob why he buys his parts from Advance Auto Parts and he'll say, "The Advance way of doing business is the way we do business - It's all about taking care of the customer."

In 1995, Bob Maiden became our very first commercial delivery customer. He took a chance on us and has been loyal ever since. We quickly won him over with our quality brand-name parts, warranties that we stand behind, and fast and friendly service. Because Bob is so well respected, other professional service stations in the area quickly opted for the benefits of the Advance commercial program.

Bob respects our people as well. "Mike Whitley, Ross Jackson, and Christian Gibbs bend over backwards for us. They get us what we need, when we need it." That's the main reason Advance Auto Parts commercial delivery program is so successful. Each of our commercial Team Members is focused on satisfying their customers. That means those customers will call us first when they need a part.

"We have to go out and win our business every day," remarked Gray Turner, Vice President of Commercial Sales at Advance Auto Parts. "It's all about serving the customer, and we know it."

With more than \$1 billion in inventory in our stores and distribution centers, managing our supply chain is key to Advance Auto Parts' success. With more than 30 years of experience in logistics, Roy Martin, Senior Vice President, Logistics and Replenishment joined our team from Discount Auto Parts, taking on added responsibilities after the retirement of Ray Fralin, who managed Advance Auto Parts distribution system for more than 25 years.

What does a strong "supply chain" mean to Advance?

It means we will provide the most responsive and cost-effective logistics service in the automotive aftermarket. Our objective is to keep all our stores fully stocked with the products our customers want, when they want them. Managing the supply chain starts with working hand-in-hand with our suppliers to streamline their manufacturing process, and ends with the sale of that product. All the functional areas of our organization, from Store Operations to Merchandising to Inventory Management to Finance to Logistics to IT play key roles in keeping our supply chain operating at peak performance levels.

Advance has eight distribution centers that support more than 2,400 stores – how does your team manage to ship over 511 million products and make over 1.4 million deliveries per year?

Over 3,000 logistics team members are dedicated to keeping our stores well stocked with the right merchandise. These team members operate with a 100% paperless state-of-the-art inventory management system and a sophisticated distribution infrastructure, including miles of conveyor systems, pick-to-light and carousel order filling operations and other advanced material handling equipment. We also have over 500 delivery vehicles on the road virtually every day. These vehicles are driven by a team of professionals who drive over 37 million miles per year with one of the lowest accident-per-miles-driven rates in any industry.

How do you motivate all 3,000+ Team Members who work in the logistics operation?

That's the easy part, these folks care! They understand that the key to the Company's success is the success of our stores, and they know the stores can't operate without having the right merchandise. The logistics team knows it is a valuable player on a winning team.

How has the distribution system performed during the Discount Auto Parts (DAP) integration?

The integration has been a huge undertaking, but our team came through with flying colors. Aligning the merchandise in more than 500 Discount Auto Parts stores took about eight months. The logistics teams, primarily in Lakeland, Florida, handled more than 12 million pieces of returned merchandise and at least 20 million pieces of new merchandise sent to our stores. Because of this merchandise conversion, these stores now have a larger selection of quality merchandise to offer their customers. Our Florida logistics team worked seven-day shifts for weeks at a time to support the transition. We couldn't be prouder of their efforts and dedication.

What will your team be doing in 2003 to enhance its performance?

Our focus in 2003 is on leveraging our considerable resources, including people, facilities, systems, and equipment. One of our

more significant initiatives is implementing a pay-for-performance program where we will reward our Team Members for enhanced productivity. We believe we can grow our sales and store count without adding square footage while at the same time leveraging our logistics cost as a percent of sales.

Interview with Roy Martin – We're ready to serve our stores.



Pictured left to right: Mark Jones, Regional Director-Western; Tom Gearheart, Director of Distribution Operations; John Gower, Regional Director-Northern; Ken Dill, Vice President-Logistics Support; Ralph Lewis, Regional Director-Southern; Roy Martin, Senior Vice President Logistics/Replenishment



Juan Torre



David Coney



Harris Ford



Donna Watson



Steve Chesser



Banita Miller



Ellen Thielen

Lakeland team moving ahead!

We're ready for change and change has been the name of the game at our Lakeland Distribution Center. Because of the dedication and hard work of our Lakeland, Florida Team Members, the merchandising alignment process in our Florida stores reached its goal completion date on schedule. Representing the Lakeland team is Steve Chesser (Distribution Center Manager), David Coney (Returns), Harris Ford (Storage), Banita Miller (Receiving), Ellen Thielen (Human Resource Manager), Juan Torre (Shipping), Donna Watson (Production). Each of these individuals has an exemplary attitude and always goes above and beyond the call of duty.

READY with a WINNING strategy!

AT ADVANCE AUTO PARTS WE'RE FOCUSED ON FINDING WAYS TO SERVE OUR CUSTOMERS BETTER. WHETHER EXISTING CUSTOMERS OR NEW ONES, WE WANT THEM TO COME TO US FOR ALL THEIR AUTOMOTIVE NEEDS. Following are some of the customer-centered initiatives that we're focused on for 2003. *continued on page 10*



We're ready to go the extra mile.

Seven years ago, Bill McCrobie found an unusual truck part at Advance Auto Parts. He's been a loyal customer ever since.

"My dog Smokey loves to ride around with me," says Bill McCrobie, of Roanoke, VA. "And if the truck's not running, he's not a happy guy." Bill and Smokey tried several parts stores looking for an unusual thermostat and had just about given

up hope of finding it. "Then I came to Advance," he says. "And they found it right away."

That's when Bill got to know his local Advance store team. "They're my heroes," says Bill. "If they don't know an answer off the top of their head, they know where to find it." Bill and the team have become good friends over the last seven years. Swapping hunting stories and keeping Bill's old pick-up truck running right.

From installing a new battery, to finding just the right voltage meter and explaining how to use it, the folks at Advance keep customers like Bill and Smokey coming back to Advance. "I send everybody to Advance," says Bill. "They always go that extra mile."

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We're ready with a new look. Say you're driving down a busy street looking for a part for your vehicle. Whatever you need, you won't be able to miss our new store format. Its upbeat and winning colors and modern design were chosen to attract customers. We call it the 2010 store. Why 2010? Because it's the store that's taking Advance Auto Parts into the future.

Customers are drawn by:

- An exciting new logo with a waving racing flag
- New signage that highlights the quality of our parts and products at a value price
- More logical product displays that help customers find related items

One of the most significant changes is the removal of the barriers to our parts area. We changed our parts counter into numerous workstations to open up movement between the parts area and the selling floor. Now customers can easily see one of our biggest competitive advantages – our large selection of quality name-brand parts.

When asked about this new format, our customers said:

- "The new store format is clean, modern and bright."
- "It's very easy to find items."
- "Service is quick and friendly."
- "Advance Auto Parts has the best selection of parts."

The 2010 store is a big hit with our customers! It's such a success that all our new and remodeled stores will be 2010 stores. In fact, by the end of 2003 we'll be ready with 750 stores in this exciting new format, up from 360 at the end of last year.

We're ready with more parts – closer to our customers. When you need a part, you need it now. We're ready in Advance with more of the right inventory closer to our customers.

Customers in different locations need parts that are right for where they live. Developing a custom assortment of parts and products for each individual store is one of our most significant initiatives. By taking into account the vehicle

population, climate, and demographics surrounding each store, we're developing a specific and distinct inventory for all of our stores. It's our way of making sure the precise parts our customers will need will be in the stores nearest them. Inventory turns will then naturally increase.

We launched phase one of this program in our major markets during 2002. We developed a unique mix of harder-to-find parts and put them in our Local Advance Warehouses (L.A.W.s). These are stores with an expanded parts selection that feed inventory to other stores in their market, as needed.

To make this custom mix program happen, we've more than tripled the number of L.A.W.s, from six at the end of 2001 to 28 today. Each L.A.W.

carries approximately 10,000 harder-to-find parts specifically chosen for that market. Our efficient

We're examining each product category, determining the needs of our customers, and building

WE'RE EXAMINING EACH PRODUCT CATEGORY, DETERMINING THE NEEDS OF OUR CUSTOMERS, AND BUILDING STRONGER RELATIONSHIPS WITH OUR SUPPLIERS TO MEET THOSE NEEDS.

supply chain gets the product from the L.A.W. to the store that needs it several times every day. It's about being ready in Advance with the right merchandise, at the right place, at the right time to meet our customers' needs.

We're ready with category management. In 2002 we began the category management process.

stronger relationships with our suppliers to meet those needs.

We're already seeing gains in market share on each of the lines reviewed. We've experienced stronger sales growth, improving inventory turns and expanded contribution margins. As we continue

continued on next page



[a short tour of the new advance auto parts]



Our parts service counters are approachable, friendly and promote interaction between our customers and Team Members. Our upbeat graphics call out brand positioning statements.



Our signage highlights what we are all about - quality parts at low prices.



The signage calls out product destinations. We used automotive imagery for added visual interest and depth.



As a result of category management, we have enhanced our displays and improved our product adjacencies.



All of the enhancements, including layout, signage, and the new approach to the parts service area lead to better service for our customers. And our customers are telling us they really like it!

our review process we'll see more benefits: optimum pricing, enhanced in-store merchandising strategies, focused promotional activity, and better inventory allocations to meet our customer needs.

We've also developed financial performance measures for these categories and are on track for improvements in contribution margins for each of them. Through 2002, we reviewed 20% of our product categories, representing approximately 50% of our sales. By mid-year 2003, we anticipate having over 50% of our product categories complete.

Understanding the customer is key to the success of category management. Our customers know that we are the best place to buy parts, chemicals, and accessories and we're ready in Advance to keep it that way.



We're ready with a private label oil and antifreeze program. In 2002, we set a goal to build an oil and antifreeze private label program that would reflect the pride all our team members feel about the name Advance Auto Parts. For us, that means delivering quality, at a value price, to meet the needs of our price-sensitive customers.

We launched our private label oil program in 2002, with the antifreeze program following in the first quarter of 2003. We launched this program with two things in mind:

1. The quality had to be worthy of our name and be as good as the leading national brand.
2. The price needed to represent a significant value.

Private label is usually just concerned with price; but because these products carry our name, they have to represent quality as well.

We're ready with a winning strategy!

When customers think of Advance Auto Parts, the first thoughts should be positive—great parts, great people, great prices. And these positive images should last. To help build this good feeling, capitalize on our strong reputation, and introduce a new audience to Advance Auto Parts, we got busy, and we got creative. The advertising and branding you'll see during 2003 are designed to build brand awareness and convince consumers that Advance Auto Parts is the first and only place to shop.

We want our Team Members to sell this product with pride.

As we monitor the results of this program, we're ready in Advance for other opportunities that will enhance the brand of "Advance Auto Parts."

We're ready with a new advertising campaign. In February, 2003, we launched our new advertising campaign. "We're ready in Advance." We're very proud of this campaign, so proud that we're using it as the theme for this annual report.

Our advertising campaign helps Advance Auto Parts stand out in the customer's mind. They'll see that we're both a source for brand name auto parts at low prices, and a resource for expert advice and useful tips to help keep their vehicles running smoothly. Eye-catching television and attention-grabbing radio ads will drive sales and build a long-lasting, positive image of Advance Auto Parts as the place to buy auto parts.

Our goal is to be smart and strategic in how we spend our advertising dollars. This year we'll get the most out of our extensive market coverage by running our TV and radio advertising on national networks. It's the best way to reach the most people, and get them into our stores. And by running additional local advertising in selected

markets, we'll maximize our coverage and promote sales with key audiences including the significant Hispanic and urban markets.

Whether on television, on the radio, or in print, we want to make our message clear:

We're ready with prices that can't be beat.

We're ready with the right parts right now.

We're ready with people who know their stuff.

We're ready with brands you know and trust.

We're ready with a clean, well-run store.

We're ready with a smile and a helpful hand.

We're ready to back it up with a guarantee.

In short, we're able to serve our customer's every need because *We're ready in Advance!*

We're ready in Advance Discount Auto Parts—it takes a winning team. On November 28, 2001, we acquired the Discount Auto Parts chain and its 671 stores in Florida, Georgia, Louisiana, Mississippi, Alabama, and South Carolina. "2002 was a year of business unusual, not business as usual," said Kurt Schumacher, our Senior Vice President of Store Operations — Florida, "because integrating a chain that size takes a monumental effort from the whole team. And our team stepped up to the plate and hit a grand slam. We're all proud of what they accomplished."

This is what we achieved through the integration of Discount Auto Parts:

- The greatest retention rate of our Team Members we have ever experienced
- Comparable store sales gain of 4.7%, compared to 2.4% in 2001
- An above-budgeted contribution to operating profits
- The integration of all stores outside the Florida market including converting the merchandise, systems, and the physical store. These stores generated double-digit gains in comparable stores sales for the year
- Closing 109 stores that overlapped with existing Advance Auto Parts stores and recaptured, as planned, 40% of sales at our

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Jonathan Jennings, Store Manager, District Heights

Jeffrey T. Smith, Division Manager

TRAK'S 100 DAYS

after

Advance Auto Parts

before

SUPER TRAK WAREHOUSE

Countdown, Trak Auto

From start to finish it took 100 days to integrate 57 Trak Auto stores into Advance Auto Parts stores. That's an average of less than two days per store.

How did we do it? It took a coordinated plan, a team effort, and hard work. Once financial terms and conditions were agreed upon, we converted stores at the amazing rate of approximately five per week. Each conversion went far beyond the physical building. Most of our focus was on the heart of our operations — our store Team Members, since most were new to the Advance family. Under the leadership of Ken Wirth, our Senior Vice President of Store Operations, Northeast and Len Schilz, our Regional Vice President, Team Members were trained on our products and systems. And we spent a lot of time helping them understand our deep commitment to customer satisfaction.

"Trak Auto was a terrific tuck-in opportunity for us," remarked Jim Wade, President and Chief Financial Officer of Advance Auto Parts. "The stores were in great locations and had a strong customer base. Their team was ready to serve their customers and we were ready to give the team everything they needed to serve even more — expanded inventory selection, competitive prices, training, and state-of-the-art systems."

The respect went both ways. "We could not have handed our operations over to a more experienced group of professionals," said Ray Moore, former Vice President of Trak Auto. "I know that the Advance Auto Parts team will take good care of our customers and our Team Members for many years to come."

Most of the stores we acquired were in the under-served Washington, D.C. market. This was an area we had surrounded, but had not yet penetrated. We now have the largest number of stores in the market which are producing strong sales gains of over 30%.

Opportunities like the Trak Auto acquisition don't come along every day. However, with further consolidation in the automotive aftermarket, we're ready in Advance for similar tuck-in acquisition opportunities in the future.

Kevin Bethell, Division Manager, right with Team Member, Iris Shaw.

Gina Baylor, Store Manager, Takoma Park

We're ready with APAL!

With more than 31,000 types of vehicles needing parts, it isn't easy to find a specific part unless you have APAL — Advance Parts and Accessories Look-Up. This state-of-the-art electronic catalog and POS system is packed with a parts library, technical information and product graphics. It puts all the information our Team Members need at their fingertips so they can get our customers what they want and need.



We offer a good, better, best product alternative for many parts applications to meet customers needs and budgets.

Why Platinum Pro® Spark Plugs?

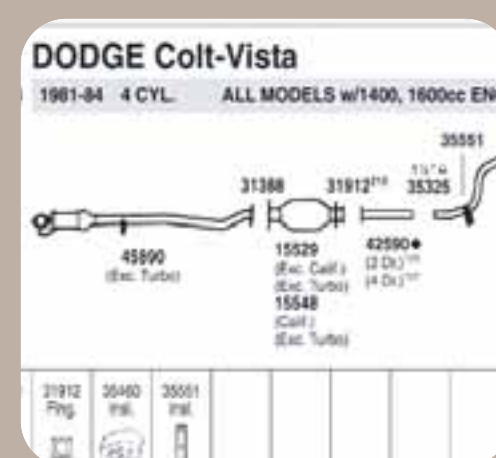


Quicker starts, fewer misfires, faster acceleration and smoother idle!

Platinum is one of the most durable metals used in spark plug tips today.

Due to its durability, it virtually reduces all gap erosion, which will give you better performance and the benefits of:

To help our customers make smart decisions, our Team Members can bring up information on the product with just a click. The description of the product's features and benefits will help our customers make the right decision based on their driving requirements.



Not only can we retrieve information on products, we can show our customers an advanced graphic of the product. The visuals come in handy when a customer may not know the name of the part. For example, with an exhaust system the customer may not know the difference between an exhaust pipe and a crossover pipe, or between a muffler and a resonator. The graphics can also be a helpful tool in determining the position of the needed part on the vehicle. This enhanced search tool helps us sell the right product and reduce unnecessary returns.



But we don't stop with just finding the right part. With one keystroke we can display all the items needed to complete the repair project successfully. We know there's nothing worse than starting a repair job and realizing that you forgot something.

APAL was designed to keep our customers satisfied and that's what being ready in Advance is all about.

We're ready with a great team at Advance Discount Auto Parts



Pictured: **left to right:** Joe Villavicencio; Kurt Schumacher; Doug Snyder; Tommy Merk

The Discount Auto Parts Team Members have worked tirelessly to make the integration process a big success. It's no surprise when you consider the experience of the people making it happen. Like Kurt Schumacher, Senior Vice President, Store Operations-Florida, who, between Discount and Advance, has gained 12 years of valuable expertise. Tommy Merk, Regional Vice President, has 14 years of combined service. And Regional Vice Presidents Doug Snyder and Joe Villavicencio have both been a part of the family for 20 years. Thanks to their strong leadership, our Team Members are producing on-plan results through the integration process.



Pictured: Andy Perez, left with Judd Poindexter

The best leaders learn from experience. For Andy Perez that meant getting a very early start.

Andy started his career at Discount Auto Parts as a part-time sales person at the age of 17. He was a store manager at 20, the youngest in the chain. At 23 he was running the highest volume store in the Discount Auto Parts chain. And at 25 he was promoted to division manager. Thanks to his talent, drive and ability to motivate others, Andy has been chosen to represent all of the hard working Discount Auto Parts Team Members adopted into the Advance Auto Parts family as part of the acquisition in November 2001.

"What I like most about my job is the people," says Andy. "We're all like a big family. After all, we spend a lot of time working together." The acquisition means Andy's family got a lot bigger. "Now we've got more opportunities and more people who really care. We have more high-quality parts to sell and more Team Members to sell them and that is a recipe for success," says Andy.

Andy credits his family, as well as his mentor, Regional Vice President Joe Villavicencio, with his success. At the age of 7, Andy and his family came to the United States as refugees from Cuba. They were determined to make it in America and this determination has spurred Andy forward. Through his career at Discount Auto Parts, Joe Villavicencio continued to develop and promote Andy. Andy credits Joe for demonstrating the qualities of a good leader, including the ability to coach, motivate, and build confidence in all the Team Members with whom he works.

Advance
Discount Auto Parts
We're ready in Advance.

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surrounding stores

- Completing 100% of the merchandise mix alignment in the Florida market, which totaled 75,000 new Plan-O-Grams (377 stores with 200 new Plan-O-Grams), using 275,000 hours of labor
- Converting over 50% of the in-store operating systems in the Florida market, with the completion anticipated in 2003
- Re-branding of the stores in the Florida market to "Advance Discount Auto Parts." In 2002, we physically converted 51 stores and anticipate that all the stores will be completely converted to Advance Discount Auto Parts in the next two to three years
- Converting the Mississippi distribution center to the Advance Auto Parts system with more than 300% increase in its utilization

The integration of Discount Auto Parts is progressing well because of good communication. We communicated where we are going and how we are going to get there. When we hit a bump in the road, we communicate the problem and come up with a solution. We keep everyone focused on serving the customer better. All our Team Members know that they are the ones who make our customers come back for all their automotive needs. That's what makes us ready in Advance to be a winning team.

We're ready to make Advance Auto Parts a special place to work. This company was built on the belief that Team Members should be treated like family. That philosophy continues to permeate everything we do. We know that the success of the Company is clearly attributable to our Team Members.

During 2002, our human resources team worked diligently on new programs and enhanced benefits to continue making Advance Auto Parts a special place to work.

The new initiatives include:

- A Team Member stock purchase plan – Through regular payroll deductions, thousands of Team Members have become owners of Advance Auto Parts.
- An expanded 401K plan – We are offering our Team Members enhanced education and communication about their options, a wider selection of investment alternatives, a competitive match, and more enrollment opportunities.
- Improved medical network – In late 2001 we changed our medical insurance to a leading company that has a vast network of providers in all areas of the country.

Our focus on developing our team is the initiative we're most proud of. At Advance Auto Parts we know that each of our team members has much to contribute. That's why we want to help all of them reach their potential. We're accomplishing this through training and goal setting, as well as a structured performance management process. In addition, a formalized succession management program was also implemented to provide greater opportunities for the growth of our Team Members.

"At Advance Auto Parts - The Best Part is Our People" and we're working hard to maintain that spirit!

Officers & Board of Directors



Board of Directors pictured: **left to right:** Peter J. Fontaine; Garnett E. Smith; Gilbert T. Ray; William J. Salter; Lawrence P. Castellani; Ronald P. Spogli; Mark J. Doran; Stephen M. Peck; John M. Roth; Nicholas F. Taubman; Francesca Spinelli

BOARD OF DIRECTORS:

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Advance Auto Parts, Inc.

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Principal, Freeman Spogli & Co.

Peter J. Fontaine⁽¹⁾
Former Chief Executive Officer and
Chairman of the Board, Discount Auto Parts, Inc.

Stephen M. Peck^(1*)
General Partner, Wilderness Partners, L.P.
and The Torrey Funds, L.L.C.

Gilbert T. Ray^(3*)
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John M. Roth^(2,3)
Principal, Freeman Spogli & Co.

William J. Salter⁽²⁾
Retired President of the Specialty Retail
Division, Sears, Roebuck and Co.

Francesca Spinelli^(2*)
Senior Vice President, People
Radio Shack Corporation

Ronald P. Spogli
Co-Founder and Principal
Freeman Spogli & Co.

Committee Membership:
1 Audit
2 Compensation
3 Corporate Governance and
Nominating Committee
* Chair

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Jimmie L. Wade
President and Chief Financial Officer

David R. Reid
Executive Vice President and
Chief Operating Officer

Paul W. Klasing
Executive Vice President, Merchandising
and Marketing

Robert E. Hedrick
Senior Vice President, Human Resources

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Senior Vice President, Merchandising

Jeffrey T. Gray
Senior Vice President, Controller,
Assistant Secretary

Conley P. Kyle
Senior Vice President, Store Operations – Midwest

Donald L. Lockard, Jr.
Senior Vice President, Store Operations – West

Eric M. Margolin
Senior Vice President, General Counsel and
Secretary

Geoffrey R. McCarty
Senior Vice President, Advertising

Roy Martin
Senior Vice President,
Logistics and Replenishment

Kurt R. Schumacher
Senior Vice President, Store Operations – Florida

S. Lynn Stevens
Senior Vice President and
Chief Information Officer

Joe H. Vaughn, Jr.
Senior Vice President, Operations Support

Anthony R. Weatherly
Senior Vice President, Store Operations – South

Kenneth A. Wirth, Jr.
Senior Vice President, Store Operations – Northeast

In appreciation for their Dedicated Leadership of Advance Auto Parts

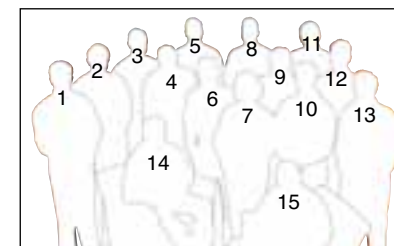
On February 12, 2003, Nicholas F. Taubman, Chairman of the Board, and Garnett E. Smith, Vice Chairman of the Board, took the final step in the leadership transition process by retiring from our Board of Directors. Their legacy of integrity, hard work and unwavering commitment to customer service will remain forever ingrained in the hearts of our 33,000 Team Members.

Nick and Garnett grew Advance Auto Parts from a small regional chain of home and auto supply stores to one of the leading specialty retailers in the United States, with more than 2,400 stores. They built Advance Auto Parts on the ideals of honesty, integrity, and the Golden Rule. Their strong character made Advance a successful company and a special place to work.

Many of us at Advance Auto Parts remember Nick and Garnett rolling up their sleeves and helping unload the weekly delivery truck or relieving a store manager so he could be with his family on a holiday or a special occasion. This selfless commitment to the team gives them a special place in our hearts.

Thank you Nick and Garnett for your dedicated leadership, values and service to Advance Auto Parts. You have set the highest standard by which we will measure ourselves going forward. You will always be part of the Advance Auto Parts family. Gentlemen, we will not disappoint you!

With Deep Appreciation,
The Advance Auto Parts Family



Senior Management Team pictured:
1. Kurt R. Schumacher 2. Roy Martin
3. Donald L. Lockard, Jr. 4. Robert E.
Hedrick 5. Jeffrey T. Gray 6. Kenneth A.
Wirth, Jr. 7. S. Lynn Stevens 8. Joe H.
Vaughn, Jr. 9. Anthony R. Weatherly
10. Geoffrey R. McCarty 11. David R.
Reid 12. Paul W. Klasing 13. Eric M.
Margolin 14. Michael N. Coppola
15. Conley P. Kyle

