QuickLinks -- Click here to rapidly navigate through this document

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D)
OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE YEAR ENDED	**COMMISSION FILE NO.**
December 31, 2002	0-12385

AARON RENTS, INC.

(Exact name of registrant as specified in its charter)

GEORGIA	**58-0687630**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
309 E. PACES FERRY ROAD, N.E. **ATLANTA, GEORGIA** (Address of principal executive offices)	**30305-2377** (Zip Code)

Registrant's telephone number, including area code: **(404) 231-0011**

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS
Common Stock, $.50 Par Value
Class A Common Stock, $.50 Par Value

Securities registered pursuant to Section 12(g) of the Act: **NONE**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of June 28, 2002, the last business day of the registrant's most recently completed second fiscal quarter, based on the closing sale prices of the registrant's common shares as reported by the New York Stock Exchange on such date: $395,977,411. See Item 12.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

TITLE OF EACH CLASS	SHARES OUTSTANDING AS OF MARCH 28, 2003
Common Stock, $.50 Par Value	17,983,652
Class A Common Stock, $.50 Par Value	3,731,706

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2002 Annual Report to Shareholders for the year ended December 31, 2002 are incorporated by reference into Part II of this Form 10-K.

Portions of the registrant's definitive proxy statement for the 2003 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

PART I.

ITEM 1. BUSINESS

General

Aaron Rents, Inc. is a leading U.S. company engaged in the combined businesses of the rental, lease ownership and specialty retailing of residential and office furniture, consumer electronics, household appliances and accessories, with 714 systemwide stores, which includes both our company-operated and franchised stores, in 43 states and Puerto Rico as of December 31, 2002. Our major operating divisions are the Aaron's Sales & Lease Ownership division, the Aaron Rents' Rent-to-Rent division, and the MacTavish Furniture Industries division, which supplies nearly one-half of the furniture and related accessories rented and sold in our stores. Our strategic focus is on expanding our higher growth sales and lease ownership business, through opening new company-operated stores and expanding our franchise program.

At December 31, 2002, we had 644 sales and lease ownership stores, including 387 company-operated sales and lease ownership stores, 25 company-operated Sight & Sound stores and 232 franchised stores in 43 states and Puerto Rico. There were 70 rent-to-rent stores in our rent-to-rent division in 16 states at December 31, 2002. Revenues from our sales and lease ownership division (which includes franchise revenues) accounted for 72% of our total revenues in 2001 and 81% of total revenues in 2002.

An overview of our three divisions follows.

Aaron's Sales & Lease Ownership. Our sales and lease ownership division focuses on providing durable household goods to lower to middle income consumers with limited or no access to traditional credit sources such as bank financing, installment credit or credit cards. Our sales and lease ownership program enables these customers to obtain quality-of-life enhancing merchandise that they might otherwise not be able to afford without incurring additional debt or long-term obligations.

We franchise our sales and lease ownership stores in selected markets where we have no immediate plans to enter. We believe that our franchise program:

- allows us to grow more quickly
- achieves economies of scale in purchasing, manufacturing and advertising for our sales and lease ownership stores
- increases exposure to our brand
- provides us new revenues from franchise fees and royalties

We have added 205 company-operated and 96 franchised sales and lease ownership stores along with 25 Sight & Sound stores since the beginning of 1999. We estimate that we will open approximately 30 company-operated and approximately 50 franchised sales and lease ownership stores in 2003.

Aaron Rents' Rent-to-Rent. Our rent-to-rent division rents new and rental return merchandise to individuals and businesses, with a focus on renting residential and office furniture to business customers. We have been in the rent-to-rent business for over 47 years and are the second largest furniture rent-to-rent company in the United States. The rent-to-rent business continued to experience a decline in 2002 due to a weak economy and reduced corporate spending. In response, we closed 29 rent-to-rent stores since the beginning of 2001 and took other steps to improve this division's profitability. Our rent-to-rent division remains an important source of net earnings and cash flow to us.

Business customers, which represent an increasing portion of rental customers, rent residential furniture in order to provide furnishings for relocated employees or those on temporary assignment.

Business customers also enter into rental agreements for office furniture to meet seasonal, temporary or start-up needs.

MacTavish Furniture Industries. Aaron Rents is the only major furniture rental company in the United States that manufactures its own furniture. By manufacturing our own specially designed residential and office furniture through our MacTavish Furniture Industries division, we believe we enjoy an advantage over many of our competitors. Manufacturing enables us to control the quality, cost, timing, styling and quantity of our furniture rental products. We operate five furniture plants, three bedding facilities and two lamp manufacturing facilities, which supply nearly one-half of the furniture and related accessories we rent or sell.

Industry Overview

The Rent-to-Own Industry

The rent-to-own industry is a growing segment of the retail industry that offers an alternative to traditional methods of obtaining furniture, electronics and appliances. According to industry sources, there are approximately 8,000 rent-to-own stores in the United States. Annual industry-wide revenues are believed to be approximately $5.3 billion.

In a typical rent-to-own transaction, the customer has the option to acquire merchandise over a fixed term, usually 12 to 24 months, by normally making weekly rental payments. The customer may cancel the agreement at any time by returning the merchandise to the store, with no further rental obligation. If the customer rents the item to the full term, he obtains ownership of the item, though he can choose to buy it at any time.

The rent-to-own concept is particularly popular with consumers who cannot pay the full purchase price for merchandise at once or who lack the credit to qualify under conventional financing programs. It is also popular with consumers who, despite good credit, do not wish to incur additional debt, have only a temporary need for the merchandise or want to try out a particular brand or model before buying it.

Aaron's Sales and Lease Ownership versus Traditional Rent-to-Own

We believe that our sales and lease ownership model is unique. By providing customers with the option either to purchase merchandise or to lease merchandise with the opportunity to obtain ownership, we blend elements of rent-to-own and traditional retailing. We enable cash or credit-constrained customers to obtain quality-of-life enhancing merchandise that they otherwise might not be able to afford without incurring additional debt or long-term obligations. In addition to these core customers, our concept is also popular with consumers who have only a temporary need for the merchandise or want to try out a particular brand or model before buying it. We believe our sales and lease ownership program is a more effective method of retailing our merchandise to lower to middle income consumers than a typical rent-to-own business or the more traditional method of credit installment sales.

Our sales and lease ownership model is distinctive from a typical rent-to-own business in that we encourage our customers to obtain ownership of their rental merchandise. More of the initial renters of our merchandise obtain ownership versus rent-to-own businesses in general. We believe our sales and lease ownership model offers the following unique characteristics:

- ***Flexible payment methods***—we offer our customers the opportunity to pay by cash, credit card or check, compared with the more common cash payment method at rent-to-own stores. Approximately 40% of our customers pay by check or credit card.

- ***Fewer payments***—our typical plan offers monthly payments versus an industry standard of weekly payments. Our agreements also usually provide for a shorter term until the customer obtains ownership.

- ***Lower total cost***—our agreement terms typically provide a lower cost of ownership to the customer.

- ***Wider merchandise selection***—we generally offer a larger selection of higher-quality merchandise.

- ***Larger store layout***—our stores are typically 9,000 square feet, nearly twice the size of typical rent-to-own stores.

Our sales and lease ownership model also has attractive features in common with traditional retailers. We offer an up-front "cash and carry" purchase option on selected merchandise at prices that are competitive with traditional retailers. Our merchandise selection and store size are more typical of traditional retailers. However, unlike most traditional retailers, our sales and lease ownership transactions are not credit installment contracts.

The Rent-to-Rent Industry

The furniture component of the rent-to-rent industry is believed to be greater than $600 million in annual rental revenues. The demand for rental products is believed to be related to the mobility of the population, which relies upon rented merchandise to fulfill temporary needs. The industry is highly competitive and has consolidated, with only a handful of companies accounting for a substantial share of the market.

The rent-to-rent industry serves both individual and business customers who generally have immediate, temporary needs for office or residential merchandise but who generally do not seek to own the merchandise. Residential merchandise is rented to:

- individuals seeking to rent merchandise for their own homes and apartments

- apartment complex managers seeking to provide furnished apartments

- third party companies that provide interim housing for their corporate clients

Office merchandise is rented by customers ranging from small businesses and professionals who are in need of office furnishings but need to conserve capital, to large corporations with temporary or seasonal needs.

In the typical rent-to-rent transaction, the customer agrees to rent one or more items for a minimum of three months, which may be extended by the customer on a month-to-month basis. Although many rental agreements give the customer the option of purchasing the rented item, most customers do not enter into the transaction with the desire to own the rented merchandise.

Operating Strategies

Aaron Rents seeks to enhance profitability through operating strategies which differentiate us from our competitors and improve efficiencies by striving to:

- ***Differentiate Aaron's Sales & Lease Ownership concept.*** We believe that the success of our sales and lease ownership operation is attributable to our distinctive approach to the business that sets us apart from our rent-to-own and credit retail competitors. We have pioneered innovative approaches to meeting changing customer needs that differ from our competitors' such as offering lease ownership agreements which result in a lower "all-in" price, larger and more attractive store showrooms, a wider selection of higher-quality merchandise and up-front cash and carry purchase options on selected merchandise at prices that are competitive with

traditional retailers. Most sales and lease ownership customers make their payments in person, and we use these frequent visits to strengthen customer relationships and make sales and lease ownership customers feel welcome in our stores.

- ***Offer high levels of customer service and satisfaction.*** We foster relationships with our customers to attract recurring business and encourage them to rent merchandise for the full agreement term by providing high levels of service and satisfaction. Aaron Rents demonstrates its commitment to superior customer service by providing customers quick delivery of rented merchandise, in many cases by same or next day delivery, and repair service at no charge to the customer. We have also established an employee training program designed to enhance the customer relations skills of our employees which we call Aaron's University, and a 13-

course curriculum for both company-operated and franchised store managers.

- ***Promote our brand name.*** Our marketing programs target the prime customer base for our products, such as our "Dream Products" merchandise which we advertise through our "Drive Dreams Home" sponsorship of NASCAR championship racing. Sponsorship of other sporting events also reach this market. We typically distribute mass mailings of promotional material every two weeks, with the goal of reaching households within a specified radius of each store at least 24 times per year or about 13 million flyers mailed monthly nationwide. In concentrated geographic markets, and for special promotions, we also utilize local television and radio advertising.

- ***Capitalize on our existing rent-to-rent business.*** We strive to increase revenues in our existing rent-to-rent stores, particularly in the business sector, while managing that division's costs and expenses to make best use of its net earnings and cash flow for the development of our higher-growth operations. We believe that our ability to deliver furniture and equipment to our business customers quickly and efficiently gives us an advantage over general furniture retailers who often require several weeks to effect delivery. In addition, we locate warehouses next to each showroom, permitting store managers to exercise greater control over inventory, merchandise condition and pickup and deliveries. This results in more efficient and consistent service for the customer. The rent-to-rent business continued to experience a decline in 2002 due to the weak economy and ongoing reduced corporate spending. Nevertheless, we believe that our rent-to-rent business will continue to provide us with cash flow to finance a portion of the planned expansion of the sales and lease ownership division. In addition, we believe that as the economy rebounds there may be growth opportunities in the rent-to-rent market, particularly in the business sector.

- ***Manage merchandise through our manufacturing and distribution capabilities.*** We believe that our furniture manufacturing operations and network of 11 distribution centers give us a strategic advantage over our competitors. Manufacturing enables us to control the quality, cost, styling, durability and quantity of a substantial portion of our rental furniture merchandise, and provides us a reliable source of rental furniture. In 2002, we completed an expansion of our large manufacturing facility in Cairo, Georgia, adding 100,000 square feet to almost double its capacity, and opened a new lamp manufacturing plant in Tampa, Florida. In addition, we closed a furniture plant in Sugarland, Texas which allowed us to expand the distribution center that is located in the same facility. Our distribution system allows us to deliver merchandise promptly to our stores and manage inventory levels more efficiently. During 2002, we opened four regional distribution centers in Phoenix, Arizona; Carolina Puerto Rico; Oklahoma City, Oklahoma; and Madison, Tennessee, enhancing our nationwide distribution system, and we plan to open two other distribution centers over the next year.

- ***Utilize proprietary management information systems.*** We have developed proprietary computerized information systems to systematically pursue collections and merchandise returns and to match inventory with demand. Each of our stores, including franchised sales and lease ownership

stores, is linked by computer directly to our corporate headquarters, which enables us to monitor the performance of each store on a daily basis. Our separate systems are tailored to meet the distinct needs of our sales and lease ownership and rent-to-rent operations.

Growth Strategies

We seek to increase our revenues and profitability through our growth strategies. Our growth strategies are to:

- ***Open additional company-operated sales and lease ownership stores.*** Our strategy is to open sales and lease ownership stores in existing and selected new geographic markets where we can cluster stores to realize the benefits of economies of scale in marketing and distribution and other operating efficiencies. In accordance with this strategy we added 23 store locations in 2002.

- ***Increase revenues and net earnings from existing sales and lease ownership stores.*** We experienced same store revenue growth of 13.0% in 2002, 7.7% in 2001 and 7.4% in 2000. We expect revenues and net earnings to continue to grow as a large number of stores opened in the past few years mature.

- ***Seek acquisitions in both new and existing sales and lease ownership markets.*** We will continue to explore acquisitions of other rent-to-own operations as another way to increase our growth.

- ***Award additional sales and lease ownership franchises.*** We believe that our franchise program allows us to grow more quickly and increase our brand exposure in new markets. In addition, the larger number of systemwide sales and lease ownership stores enables us and our franchisees to realize economies of scale in purchasing, manufacturing and advertising for our sales and lease ownership stores. Franchise fees and royalties also represent a growing source of company revenues. In 2002 we added 23 franchise locations and had a backlog at year-end 2002 of 213 stores licensed and scheduled to open over the next few years.

Operating Divisions

Sales and Lease Ownership

We established our Aaron's Sales & Lease Ownership division in 1987. At December 31, 2002, we had 412 company-operated sales and lease ownership stores, including 25 Sight & Sound stores, in 25 states and Puerto Rico and 232 franchised sales and lease ownership stores in 36 states. During 2002, we completed the acquisition of Sight'n Sound Appliance Centers, Inc., a specialty retailer of furniture, appliances and consumer electronics with 25 stores in Oklahoma and Kansas. Operating under a new Sight & Sound name, these stores are offering both retail sales to customers as well as the sales and lease ownership transaction for those customers who do not qualify for credit financing.

We believe that the decline in the number of furniture stores that focus on credit installment sales to lower to middle income consumers has created a market opportunity for us to offer our unique sales and lease ownership concept. The traditional retail consumer durable goods market is much larger than the rental market, leaving substantial potential for growth for our sales and lease ownership division. We believe that the segment of the population targeted by our sales and lease ownership division comprises up to approximately 43% of all households in the United States and that the needs of consumers in that segment generally are underserved.

We have developed a distinctive concept for our sales and lease ownership stores with specific merchandising selection and store layout, pricing and agreement terms for the customers we want to attract. We believe that these features create a store and sales and lease ownership concept that is significantly different from the operations of rent-to-own stores, our traditional rent-to-rent business, and the operations of home furnishings retailers who finance merchandise.

The typical Aaron's Sales & Lease Ownership store layout consists of a combination showroom and warehouse of 8,000 to 10,000 square feet, with an average of approximately 9,000 total square feet. In selecting new locations for sales and lease ownership stores, we generally look for sites in well-maintained strip shopping centers strategically located within ten miles of established working class neighborhoods and communities with good access. Many of our stores are placed near existing competitors' stores. Each sales and lease ownership store usually maintains at least two trucks and crews for pickups and deliveries, and generally offers same or next day delivery for addresses located within 15 miles of the store. We emphasize a broad selection of brand name products for our electronics and appliance items, and offer customers a wide selection of furniture, including furniture manufactured by our MacTavish Furniture Industries division. Our sales and lease ownership stores also offer computers and jewelry.

We believe that our sales and lease ownership stores offer lower merchandise prices than similar items offered by rent-to-own operators, and substantially equivalent to the "all-in" contract price of similar items offered by home furnishings retailers who finance merchandise. Approximately 80% of our sales and lease ownership agreements are monthly as compared to the industry standard of weekly agreements, and our agreements also usually provide for a shorter term until the customer obtains ownership. Customers can have the item serviced free of charge or replaced at any time during the rental agreement. Merchandise from the agreements that do not go to term is either re-rented or sold. We also offer, for selected merchandise, an up-front cash and carry purchase option at prices that are competitive with traditional retailers.

Sales and Lease Ownership Franchise Program

We began franchising Aaron's Sales & Lease Ownership stores in selected markets in 1992, and have continued to attract franchisees. We do not anticipate that franchised stores will compete with company-operated stores, as we mainly award franchises in markets where we are not present and have no current plans to expand. As of December 31, 2002, we have 232 franchise stores open and development agreements with franchisees to open 213 stores in the future. We believe that our relations with our franchisees are good.

Franchisees are approved on the basis of the applicant's business background and financial resources. We generally seek franchisees who will enter into development agreements for several stores, although many franchisees currently operate a single store. Most franchisees are involved in the day-to-day operations of the stores.

We enter into franchise agreements with our franchisees to govern the opening and operation of franchised stores. Under our current standard agreement, we require the franchisee to pay a franchise fee of $35,000 per store. Agreements are for a term of 10 years, with one 10-year renewal option, and require royalty payments to us of 5% of the franchisee's weekly cash collections. For all franchise agreements entered into or renewed after December 31, 2002 the royalty payments will increase to 6%.

We assist each franchisee in selecting the proper site for each store. Because of the importance of location to the Aaron's Sales & Lease Ownership concept, one of our pre-opening directors visits the intended market and helps guide the franchisee through the selection process. Once a site is selected, we help in designing the floor plan, including the proper layout of the showroom and warehouse. In addition, we provide assistance in assuring that the design and decor of the showroom is consistent with our requirements. We also lease the exterior signage to the franchisee, and assist with placing pre-opening advertising, ordering initial inventory and obtaining delivery vehicles.

We have an arrangement with a syndicate of banks to provide financing to qualifying franchisees to assist with establishing and operating their stores. An inventory financing plan to provide franchisees with the capital to purchase inventory is a primary component of the financing program. For qualified established franchisees, we have arranged for these institutions to provide a revolving credit line to

allow franchisees the flexibility to expand. We guarantee a portion of amounts outstanding under the franchisee financing programs.

All franchisees are required to complete a comprehensive training program and to operate their franchised sales and lease ownership stores in compliance with our policies, standards and specifications, including such matters as decor, rental agreement terms, hours of operation, pricing and merchandise. Franchisees in general are not required to purchase their rental merchandise from us, although most do so in order to take advantage of bulk purchasing discounts and favorable delivery terms. Many franchisees also purchase their rental furniture from our MacTavish Furniture Industries division.

We conduct a financial audit of our franchise stores every six to 12 months and also conduct regular operational audits—generally visiting each franchise store almost as often as we visit our company-operated stores. In addition, our proprietary management information system links each franchised store to corporate headquarters.

Rent-to-Rent

We have been in the rent-to-rent business for over 47 years and are the second largest furniture rent-to-rent company in the United States. Our rent-to-rent business accounted for approximately 27% of total revenues for 2001 and 19% for 2002. We rent new and rental return merchandise to both individuals and businesses, with a growing focus on renting residential and office furniture to business customers. As of

December 31, 2002, we operated 70 rent-to-rent stores in 16 states.

Our typical rent-to-rent store layout consists of a combination showroom and warehouse comprising about 19,000 square feet. Each residential showroom features attractive displays of dining-room, living-room and bedroom furniture in a number of styles, fabrics, materials and colors. Office rental showrooms feature lines of desks, chairs, conference tables, credenzas, sofas and accessories. We believe that locating a warehouse next to each showroom permits store managers to exercise greater control over inventory, merchandise condition and pickup and deliveries, resulting in more efficient and consistent service for the customer.

Items held for rent, whether new or rental return, are available for purchase and lease purchase at all rent-to-rent stores. Each rent-to-rent store generally offers next day delivery for addresses located within 50 miles of the store, and maintains at least one truck and a crew for pickups and deliveries. We believe that our ability to obtain and deliver furniture and equipment to customers quickly and efficiently gives us an advantage over general furniture retailers who often require several weeks to effect delivery.

We generally sell rental return merchandise at stores at or above its book value, or cost less depreciation, plus selling expenses—a price which is usually lower than the price for comparable new merchandise. Most merchandise held for sale in stores may also be acquired through a lease purchase option. Because new merchandise is sold at the same location as rental return merchandise, we have the opportunity to sell both new and rental return merchandise to customers who may have been attracted to the store by the advertising and price appeal of rental return merchandise. The ability to sell new and rental return merchandise at the same location allows for more efficient use of facilities and personnel and minimizes overhead.

Furniture Manufacturing

We believe that our manufacturing capability gives us a strategic advantage over our competitors by enabling us to control the quality, cost, timing, styling, durability and quantity of our furniture rental products. As the only major furniture rental company that manufactures its own furniture, we believe that our 666,000 square feet of manufacturing facilities provide us more flexibility in scheduling

production runs and in meeting inventory needs than rental companies that do not manufacture their own furniture and are dependent upon third party suppliers.

Our MacTavish Furniture Industries division has manufactured furniture for our stores since 1971. The division has five furniture manufacturing plants, three bedding manufacturing facilities and two lamp manufacturing facilities which supply nearly one-half of the furniture and accessories we rent or sell. We believe our manufacturing plants have the capacity to meet our needs for the foreseeable future.

Our MacTavish division manufactures:

- upholstered living-room furniture, including contemporary sofas, sofabeds, chairs and modular sofa and ottoman collections in a variety of natural and synthetic fabrics and leathers
- bedding, including standard sizes of mattresses and box springs
- office furniture, including desks, credenzas, conference tables, bookcases and chairs
- designer lamps, tables and accessories, which we also manufacture for selected national retailers

MacTavish has designed special features for the furniture it manufactures which we believe make its furniture less expensive to produce, more durable and better equipped for frequent transportation than furniture purchased from third parties. These features include:

- standardization of components
- reduction of parts and features susceptible to wear or damage
- more resilient foam
- durable, soil-resistant fabrics and sturdy frames for longer life and higher residual value
- devices which allow sofas to stand on end for easier and more efficient transport

MacTavish also manufactures replacement covers of all styles and fabrics of its upholstered furniture for use in reconditioning rental return furniture.

The principal raw materials we use in furniture manufacturing are fabric, foam, fiber, wire-innerspring assemblies, plywoods and hardwoods. All of these materials are purchased in the open market from sources not affiliated with us. We are not dependent on any single supplier, and none of the raw materials are in short supply.

Marketing and Advertising

In our sales and lease ownership operations, we rely heavily on national and local television advertising, direct mail and direct delivery of promotional materials. We focus our television advertising on our successful "Dream Products" program. This program features "dream" products such as big screen televisions, home theater systems, leather upholstery, stainless steel refrigerators and top brand name washers and dryers. To help promote the Dream Products program we established a relationship with NASCAR, which reaches a prime audience in our targeted demographic. Our initial relationship was a title sponsorship of the NASCAR Busch Grand National Car Race at the Atlanta Motor Speedway the nationally televised "Aaron's 312," named for Aaron's three reasons to obtain merchandise and its unique 12-month plan. We also sponsor the Aaron's 312 Nascar Busch Series Race and the Aaron's 499 Nascar Winston Cup Series Race at the Talladega Superspeedway along with other sporting events. In addition, we established a limited sponsorship of driver Michael Waltrip's #99 Aaron's Dream Machine in the Busch Grand National Series.

Sales and lease ownership stores are located within neighborhood communities, and typically distribute mass mailings of promotional material every two weeks, with the goal of reaching households

within a specified radius of each store at least 24 times per year—or about 13 million flyers mailed monthly nationwide. In addition, delivery personnel are trained to leave promotional material at the door of each residence within five doors of the delivery destination. In concentrated geographic markets, and for special promotions, we also utilize local television and radio advertising.

We market our rent-to-rent operations through outside sales staff to local apartment communities, calling on leasing agents, resident managers, and property managers. This group heavily influences individual referral business as well as corporate relocation professionals. We also market to interim housing providers that offer temporary housing to corporations that relocate personnel around the country. We have regional and national marketing staff that focuses on this growing segment of the rent-to-rent industry. We also rely on the use of brochures, newspapers, radio, television, direct mail, trade publications, yellow pages, and the internet (*http://www.aaronrentsfurniture.com; www.aaronrents.com; www.shopaarons.com*, which information is not incorporated into this Annual Report on Form 10K) to reach customers. We believe this advertising increases Aaron Rents' brand recognition.

Store Operations

Management

Our Aaron's Sales & Lease Ownership division has four vice presidents who are primarily responsible for monitoring individual store performance and inventory levels within the respective regions. Our rent-to-rent division is organized geographically into two residential and one office region, each supervised by a vice president. Presidents manage the sales and lease ownership and rent-to-rent divisions.

Stores are directly supervised by 31 sales and lease ownership regional managers and 9 rent-to-rent regional managers. At the individual store level, the store manager is responsible for:

- customer and credit relations
- deliveries and pickups
- warehouse and inventory management
- certain marketing efforts

Store managers are also responsible for inspecting rental return furniture to determine whether it should be sold as is, rented again as is, repaired and sold, or reconditioned for additional rental. A significant portion of the store manager's compensation is dependent upon store revenues and profits.

Executive management directs and coordinates:

- purchasing
- financial planning and control
- franchise operations
- manufacturing
- employee training
- new store site selection and construction for the company-operated stores

Our internal audit department conducts periodic audits of every store, including audits of company-operated sales and lease ownership stores several times each year, and semi-annual audits of rent-to-rent stores and franchised sales and lease ownership stores. Our business philosophy has always emphasized strict cost containment and fiscal controls. Executive and store level management monitor

expenses to contain costs. We pay all invoices from company headquarters in order to enhance fiscal accountability. We believe that careful attention to the expense side of our operations has enabled us to maintain financial stability and profitability.

Management Information Systems

We use computer-based management information systems to facilitate cash collections, merchandise returns and inventory monitoring. Through the use of proprietary software we have developed, each of our stores is linked by computer directly to corporate headquarters, which enables us to monitor the performance of each store on a daily basis. Different systems are used to run the sales and lease ownership and rent-to-rent operations due to the significant differences in the businesses. At the store level, the store manager is better able to track merchandise on the showroom floor and in the warehouse to minimize delivery times, assist with product purchasing and match customer needs with available inventory.

Rental Agreement Approval, Renewal and Collection

One of the keys to the success of our sales and lease ownership operation is our ability to achieve timely cash collections. Individual store managers use our computerized information system on a daily basis to track cash collections. They contact customers within a few days of when their lease payments are due in order to encourage customers to keep their agreement current and in force, rather than having to return the merchandise for non-payment, and to renew their agreements for an additional period. Careful attention to cash collections is particularly important in the sales and lease ownership operations, where the customer typically has the option to cancel the agreement at any time and each payment is considered a renewal of the agreement rather than a collection of a receivable.

Each rent-to-rent store performs a credit check on most of its residential and business customers. We generally perform no formal credit check with respect to sales and lease ownership customers other than to verify employment or other reliable sources of income and personal references supplied by the customer. All of our agreements for residential and office merchandise require payments in advance, and the merchandise normally is repossessed if a payment is significantly in arrears.

Net bad debt losses from rent-to-rent rentals as a percentage of rent-to-rent rental revenues were approximately 1.6%, 2.7% and 2.1% for the years ended December 31, 2002, 2001 and 2000, respectively. We do not extend credit to sales and lease ownership customers. For the same periods, net merchandise shrinkage as a percentage of combined rental revenues was 2.2%, 2.5%, and 2.5%, respectively. We believe that our collection and repossession policies comply with applicable legal requirements, and we discipline any employee that we discover deviating from such policies.

Customer Service

We believe that customer service is one of the most important elements in the success of our sales and lease ownership and rent-to-rent businesses. Customer satisfaction is critical because the customer usually has the option of returning the rented merchandise at any time. Our goal is to make our customers feel positive about Aaron Rents and its products from the moment they enter our showrooms. Items are serviced at no charge to the customer, and quick, free delivery is available in many cases. In order to increase rentals at existing stores, we foster relationships with existing customers to attract recurring business, and many new rental and lease ownership agreements are attributable to repeat customers.

Because of the importance of customer service, we believe that a prerequisite for successful operations and growth is skilled, effective employees who value our customers and project a genuine desire to serve customers needs. Our Aaron's Sales & Lease Ownership division has nine training facilities where store managers and employees cover all areas of our operations, with a heavy emphasis

on customer service. We also have a training program we call Aaron's University designed to provide a uniform customer service experience regardless of the store location or whether its is company- operated or franchised. Standardizing operating procedures throughout our system is a primary focus of Aaron's University. We have a 13-course curriculum for sales and lease ownership managers. The rent-to-rent division's sales and management training programs have similar training conducted at our Atlanta headquarters. Our policy of promoting from within aids in employee retention and commitment to customer service and other business philosophies, which also allows us to realize greater benefits from our employee training programs.

Purchasing and Distribution

Our product mix is determined by store managers in consultation with regional managers and regional vice presidents, based on an analysis of customer demands. In our rent-to-rent division, furniture is the primary merchandise category, accounting for approximately 92% of rent-to-rent revenues for the year ended December 31, 2002.

The following table shows the percentage of sales and lease ownership division revenues from fiscal year ended December 31, 2002 attributable to different merchandise categories:

Merchandise Category	Percentage of 2002 Revenues
Electronics and appliances	54%
Furniture	35%
Computers	10%
Other	1%

We purchase the majority of our merchandise directly from manufacturers, with the balance from local distributors. One of our largest suppliers is our own MacTavish Furniture Industries division, which supplies nearly one-half of the furniture we rent or sell. We have no long-term agreements for the purchase of merchandise and believe that our relationships with suppliers are good.

Rent-to-rent stores receive merchandise directly from vendors who ship to the stores' attached warehouses. Sales and lease ownership operations utilize distribution centers to control merchandise. All company-operated sales and lease ownership stores receive merchandise directly from our 11 distribution centers located in Auburndale, Florida; Dallas and Sugarland, Texas; Duluth, Georgia; Columbus, Ohio; Baltimore, Maryland; Winston-Salem, North Carolina; Phoenix, Arizona; Carolina, Puerto Rico; Oklahoma City, Oklahoma; and Madison, Tennessee. We plan to open two other distribution centers over the next year. Most of our stores are within a 250-mile radius of a distribution center, assuring timely shipment of supplies to the stores and fast delivery of orders to customers.

Sales and lease ownership stores typically have smaller warehouses with less merchandise storage space than our rent-to-rent stores. Vendors ship directly to the distribution centers.

We realize freight savings from truckload discounts and more efficient distribution of merchandise by using distribution centers. We use our own tractor-trailers, local delivery trucks, and various contract carriers to make weekly deliveries to individual stores.

Competition

Aaron Rents' businesses are highly competitive. We compete in the rent-to-rent market with national and local companies and, to a lesser extent, with apartment owners who purchase furniture for rental to tenants. We believe that CORT Business Services Corporation is our most significant rent-to-rent competitor. We also compete in the rent-to-own and credit retail markets. Our two largest competitors in the rent-to-own market are Rent-A-Center, Inc. and Rent-Way, Inc.

Although definitive industry statistics are not available, we believe that Aaron Rents is one of the largest furniture rental companies in the United States. We also believe that we generally have a favorable competitive position in that industry because of our manufacturing capabilities, prompt delivery, competitive pricing, brand recognition and commitment to customer service.

Government Regulation

We believe that 47 states specifically regulate rent-to-own transactions, including states in which we currently operate Aaron's Sales & Lease Ownership stores. Most of these states have enacted disclosure laws which require rent-to-own companies to disclose to their customers the total number of payments, total amount and timing of all payments to acquire ownership of any item, any other charges that may be imposed by them and miscellaneous other items. The most restrictive states limit the total amount that a customer may be charged for an item to twice the "retail" price for the item, or regulate the amount of "interest" that rent-to-own companies may charge on rent-to-own transactions, generally defining "interest" as rental fees paid in excess of the "retail" price of the goods. Our long-established policy in all states is to disclose the terms of our rental purchase transactions as a matter of good business ethics and customer service.

At the present time, no federal law specifically regulates the rent-to-own industry. Federal legislation has been proposed from time to time to regulate the industry, and bills supported by the rent-to-own industry group are currently under consideration in both houses of Congress. We cannot predict whether any such legislation will be enacted and what the impact of such legislation would be on us. Although we are unable to predict the results of any regulatory initiatives, we do not believe that existing and proposed regulations will have a material adverse impact on our sales and lease ownership or other operations.

Our sales and lease ownership store franchise program is subject to Federal Trade Commission, or FTC, regulation and various state laws regulating the offer and sale of franchises. Several state laws also regulate substantive aspects of the franchisor-franchisee relationship. The FTC requires us to furnish to prospective franchisees a franchise offering circular containing prescribed information. A number of states in which we might consider franchising also regulate the sale of franchises and require registration of the franchise offering circular with state authorities. We believe we are in material compliance with all applicable franchise laws.

Employees

At December 31, 2002, Aaron Rents had approximately 4,800 employees. None of our employees are covered by a collective bargaining agreement, and we believe that our relations with our employees are good.

Information on Segments and Geographic Areas

We currently only operate in the United States and Puerto Rico. Information on our four reportable segments—sales and lease ownership, rent-to-rent, franchise and manufacturing—is set forth in Note L to our Consolidated Financial Statements. See Item 8 of Part II.

Available Information

We make available free of charge on or through our Internet website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our Internet address is *www.aaronrents.com*.

CERTAIN FACTORS AFFECTING FORWARD LOOKING STATEMENTS

Certain written and oral statements made by our Company may constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995, including statements made in this report and other filings with the Securities and Exchange Commission. Generally, the words "anticipate," "believe," "expect," "intend", "estimate," "project," "will," and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future including growth in store openings and franchises awarded, market share, and statements expressing general optimism about future operating results are forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from the Company's historical experience and the Company's present expectations or projections. As and when made, management believes that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. For a discussion of some of these risks and uncertainties see the following risk factors:

Our growth strategy depends on opening new company-operated stores. Our ability to expand our store base is influenced by factors beyond our control, which may impair our growth strategy and impede our revenue growth.

Opening new company-operated stores is an important part of our growth strategy. Our ability to continue opening new stores depends, among other things, upon our ability to:

- finance the opening and operating of new stores
- locate new stores at reasonable rental rates
- hire and train management and personnel to staff the new stores

If we cannot address these challenges successfully, we may not be able to expand our business at the rate we currently contemplate, or increase our revenues.

If we cannot manage the costs of opening new stores, our profitability may be hurt.

Since the beginning of 2001, we added a total of 124 company-operated sales and lease ownership stores. These new openings include most of the approximately 80 locations we acquired in 2000 and early 2001 formerly operated by one of the nation's largest furniture retailers. Opening large numbers of new stores requires significant start-up expenses, and new stores are often not profitable until their second year of operation. Consequently, opening many stores over a short period can materially decrease our net earnings for a time this effect is sometimes called "new store drag." During 2002, we estimate that start-up expenses for new stores reduced our pre-tax earnings by approximately $7 million, or .20 per diluted share. We cannot be certain that we will be able to fully recover these significant costs in the future.

Our competitors could impede our ability to attract new customers, or attract current customers away from us.

Our businesses are highly competitive. In the sales and lease ownership market, our competitors include national, regional and local operators of rent-to-own stores and credit retailers. We compete in the rent-to-rent market with national and local companies and, to a lesser extent, with apartment owners who purchase furniture for rental to tenants. Some of our competitors have significantly greater financial and operating resources, and in certain markets, greater name recognition, than us. Greater

financial resources may allow our competitors to grow faster than us, including through acquisitions. This in turn may allow them to enter new markets before we can, which may decrease our opportunities in those markets. Greater name recognition, or better public perception of a competitor's reputation, may help them attract market share away from us, even in our established markets.

Because our rent-to-rent division is dependent on business customers, slowdowns in corporate spending may decrease our revenues.

Our rent-to-rent division depends on business customers for a significant percentage of its rental revenues. Because businesses are likely to curb spending during economic downturns, the revenues of our rent-to-rent business may be adversely affected during these periods. Revenues from our rent-to-rent division decreased 20% in 2002 compared with 2001 revenues. We cannot assure you that revenues from our rent-to-rent division will increase in the future.

We may not be able to attract qualified franchisees, which may slow the growth of our business.

Our growth strategy is partially dependent upon our franchisees developing new franchised sales and lease ownership stores. We generally seek franchisees who meet our stringent business background and financial criteria, and who are willing to enter into development agreements for several stores. A number of factors, however, could inhibit our ability to find qualified franchisees, including general economic downturns, or legislative or litigation developments that make the rent-to-own industry less attractive to potential franchisees. These developments could also adversely affect our franchisees' ability to obtain adequate capital to develop and operate new stores on time, or at all. Our inability to find qualified franchisees could slow our growth.

Qualified franchisees who can conform to our standards and requirements are also important to the overall success of our business. Our franchisees, however, are independent contractors and not employees, and consequently we cannot control them to the same extent as our company-operated stores. Our franchisees may fail in key areas, which could in turn slow our growth, reduce our franchise revenues and systemwide revenues, or damage our image and reputation.

We are subject to laws that regulate franchisor-franchisee relationships. Our ability to develop new franchised stores and enforce our rights against franchisees may be adversely affected by these laws, which could impair our growth strategy and cause our franchise revenues to decline.

As a franchisor, we are subject to both regulation by the Federal Trade Commission and state laws regulating the offer and sale of franchises. Because we plan to expand our business partly by selling more franchises, our failure to obtain or maintain approvals to sell franchises could significantly impede our growth strategy. In addition, our failure to comply with franchise regulations could cause us to lose franchise fee and ongoing royalty revenues. Moreover, state laws that regulate substantive aspects of our relationships with franchisees may limit our ability to terminate or otherwise resolve conflicts with our franchisees.

Our sales and lease ownership operations are subject to considerable government regulation. Adverse changes in these laws could expose us to significant compliance costs or burdens or expose us to material litigation, which could leave us liable for a significant judgment or force us to change our business.

We believe that 47 states specifically regulate rent-to-own transactions, including states in which we currently operate Aaron's Sales & Lease Ownership stores. At the present time, no federal law specifically regulates the rent-to-own industry, although federal legislation has been proposed from time to time to regulate the industry and industry-supported bills are currently under consideration in both houses of Congress. Any adverse changes in existing laws, or the passage of new adverse legislation by the states or the federal government, could materially increase both our costs of complying with laws and the risk that we could be sued or be subject to government sanctions if we are not in compliance. In addition, new burdensome legislation might force us to change our business model, and might render our sales and lease ownership operations a less desirable business to engage in.

Most of the states that regulate rent-to-own transactions have enacted disclosure laws which require rent-to-own companies to disclose to their customers the total number of payments, total amount and timing of all payments to acquire ownership of any item, any other charges that may be imposed by them and miscellaneous other items. The most restrictive states limit the total amount that a customer may be charged for an item to twice the "retail" price for the item, or regulate the amount of "interest" that rent-to-own companies may charge on rent-to-own transactions, generally defining "interest" as rental fees paid in excess of the "retail" price of the goods. We cannot guarantee that the federal government or states will not enact additional or different legislation that would be disadvantageous to us.

In addition to the risk of lawsuits related to the disclosure laws that regulate rent-to-own transactions, we could be subject to lawsuits alleging violations of state laws and regulations and consumer tort law, including fraud and consumer protection laws because of the consumer-oriented nature of the rent-to-own industry and the currently applicable laws. A large judgment could adversely affect our financial condition and results of operations. Moreover, an adverse outcome from a lawsuit even one against one of our competitors instead of against us could result in changes in the way we and others in the industry do business, which may involve significant costs or decreased revenues or profitability.

Our Chairman and Chief Executive Officer owns a controlling interest in our stock. He may vote his shares in ways with which you may disagree.

R. Charles Loudermilk, Sr., our founder, Chairman of the Board and Chief Executive Officer, owns or controls over 60% of our voting Class A stock. As a result, Mr. Loudermilk will continue to be able to elect all our directors and effectively control Aaron Rents through his voting power. He may vote his shares in ways with which you may disagree, and this voting concentration may discourage, delay or prevent a change in control or acquisition of Aaron Rents, even one that you believe is beneficial to you as a shareholder. Also, future sales by Mr. Loudermilk of a substantial number of common shares could adversely affect the trading price of our shares.

Any loss of the services of our key executives, or our inability to attract and retain qualified managers, could have a material adverse impact on our operations.

We believe that we have benefited substantially from Mr. Loudermilk's leadership, and that the loss of his services at any time in the near future could hurt our business and operations. We are also dependent on the continued services of the rest of our management team, including our key executives. The loss of these individuals without adequate replacement could also injure our business. Although we have employment agreements with some of our key executives, they are generally terminable on short notice and we do not carry key man life insurance on any of our officers.

Additionally, we need a growing number of qualified managers to operate our stores successfully. If we are unable to attract and retain qualified individuals or our costs to do so increase significantly, our operations would be materially adversely affected.

ITEM 2. PROPERTIES

We lease space for substantially all of our store and warehouse operations under operating leases expiring at various times through 2015. Most of the leases contain renewal options for additional periods ranging from one to fifteen years at rental rates generally adjusted on the basis of the consumer price index or other factors.

The following table sets forth certain information regarding our furniture manufacturing plants, bedding facilities, lamp manufacturing facilities and distribution centers:

LOCATION	PRIMARY USE	SQUARE FT.
Cairo, Georgia	Furniture Manufacturing	300,000
Coolidge, Georgia	Furniture Manufacturing	87,000
Coolidge, Georgia	Furniture Manufacturing	45,000
Coolidge, Georgia	Furniture Manufacturing	41,000
Duluth, Georgia	Furniture Manufacturing	23,000
Sun Valley, California	Lamp and Accessory Manufacturing	52,000
Tampa, Florida	Lamp and Accessory Manufacturing	50,000
Buford, Georgia	Bedding Facility	32,000
Sugarland, Texas	Bedding Facility	20,000
Orlando, Florida	Bedding Facility	16,000
Auburndale, Florida	Sales & Lease Ownership Distribution Center	85,000
Baltimore, Maryland	Sales & Lease Ownership Distribution Center	99,000
Columbus, Ohio	Sales & Lease Ownership Distribution Center	99,000
Dallas, Texas	Sales & Lease Ownership Distribution Center	92,000
Duluth, Georgia	Sales & Lease Ownership Distribution Center	67,000

Sugarland, Texas	Sales & Lease Ownership Distribution Center	129,000
Winston/Salem, North Carolina	Sales & Lease Ownership Distribution Center	87,500
Carolina, Puerto Rico	Sales & Lease Ownership Distribution Center	20,000
Madison, Tennessee	Sales & Lease Ownership Distribution Center	38,000
Oklahoma City, Oklahoma	Sales & Lease Ownership Distribution Center	97,000
Phoenix, Arizona	Sales & Lease Ownership Distribution Center	93,000

Our executive and administrative offices occupy approximately 40,000 square feet in an 11-story, 87,000 square-foot office building that we own in Atlanta. We lease most of the remaining space to third parties under leases with remaining terms averaging three years. To meet the needs of Aaron Rents' strong growth, a two story building with over 50,000 square feet of new office space was completed during 2001 in the Atlanta suburb of Kennesaw to accommodate our financial and information technology operations. In 2002, the Company sold this land and building to a partnership controlled by the majority shareholder, and is leasing the property back over 15 years, with two five year renewal options. See Note E to our Consolidated Financial Statements. We believe that all of our facilities are well maintained and adequate for their current and reasonably foreseeable uses.

ITEM 3. LEGAL PROCEEDINGS

In February 2003, the Florida District Court of Appeals, First District, affirmed per curiam the decision of the Circuit Court for Escambia County, Florida, First District, granting Aaron Rents summary judgment in its favor in *VanWhy v. Aaron Rents, Inc.* (No. 001278-CA-01 filed July 26, 2000). The plaintiffs in that case alleged technical violations of the Florida Consumer Collection Practices Act and related claims, sought certification as a class action and alleged statutory damages of $500 per violation. With Aaron Rents' victory in the appellate court, this case has now been concluded.

Aaron Rents has moved for summary judgment in another case pending in the Circuit Court for Escambia County, Florida, First District, *Kimberly King v. Aaron Rents, Inc.* (No. 2001-CA-2277 filed November 9, 2001). The *King* case involves facts and claims substantially identical to the *VanWhy* case described above, with the exception that the *King* case also alleges violations of the Florida Unfair Deceptive Trade Practices Act. We do not know of any reason why the result in this case should be any different than in the *VanWhy* case discussed above; however, given the novelty of the action and the uncertainty of consumer class actions, there can be no assurance that such will be the case.

From time to time, we are party to various other legal proceedings arising in the ordinary course of business. The Company is not currently a party to any other legal proceeding the result of which it believes could have a material adverse impact upon its business, financial position or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

(a) The information presented under the caption "Common Stock Market Prices & Dividends" in the Company's Annual Report to Shareholders for the year ended December 31, 2002 is incorporated herein by reference. The market quotations stated herein reflect inter-dealer prices, without retail mark-up, mark-down or commissions and may not necessarily represent actual transactions.

(b) As of March 14, 2003, there were 273 holders of record of the Common Stock and 125 holders of record of the Class A Common Stock.

(c) The information presented under "Note E: Credit Facilities" in the Company's Annual Report to Shareholders for the year ended December 31, 2002 is incorporated herein by reference. During the year ended December 31, 2002, the Company paid two semi-annual cash dividends. No assurance can be provided that such dividends will continue.

(d) Information concerning the Company's equity compensation plans is set forth in Item 12 of Part III of this Annual Report on Form 10-K.

ITEM 6. SELECTED FINANCIAL DATA

The information presented under the caption "Selected Financial Information" in the Company's Annual Report to Shareholders for the year ended December 31, 2002 is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information presented under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report to Shareholders for the year ended December 31, 2002 is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information presented under the captions "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note E: Credit Facilities" in the Company's Annual Report to Shareholders for the year ended December 31, 2002 is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information presented under the captions "Consolidated Balance Sheets," "Consolidated Statements of Earnings," "Consolidated Statements of Shareholders' Equity," "Consolidated Statements of Cash Flows," "Notes to Consolidated Financial Statements," and "Report of Independent Auditors" in the Company's Annual Report to Shareholders for the year ended December 31, 2002 is incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 2002, with respect to the identity, background and Section 16 filings of directors and executive officers of the Company, is incorporated herein by reference to this item.

ITEM 11. EXECUTIVE COMPENSATION

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 2002, with respect to executive compensation, is incorporated herein by reference in response to this item.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 2002, with respect to the ownership of common stock by certain beneficial owners and management, is incorporated herein by reference to this item.

For purposes of determining the aggregate market value of the Company's voting and non-voting common stock held by non-affiliates, shares held by all directors and officers of the Company have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which person or entities may be "affiliates" of the Company as defined by the Securities and Exchange Commission.

The following table sets forth aggregate information as of December 31, 2002 about the Company's compensation plans under which our equity securities are authorized for issuance.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity Compensation Plans Approved by Shareholders	1,338,000	$ 14.21	1,817,000
Equity Compensation Plans Not Approved by Shareholders	N/A	N/A	N/A

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information contained in the Company's definitive Proxy Statement, which the Company will file with the Securities and Exchange Commission no later than 120 days after December 31, 2002, with respect to certain relationships and related transactions, is incorporated herein by reference in response to this item.

ITEM 14. CONTROLS AND PROCEDURES

Within the 90 day period prior to the filing date of this report, an evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), of the effectiveness of the Company's disclosure controls and procedures as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934. Based on that evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective as of the date of that evaluation. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date that Company management conducted its last evaluation of internal controls.

PART IV

ITEM 15. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A) 1. CONSOLIDATED FINANCIAL STATEMENTS

The following financial statements and notes thereto of Aaron Rents, Inc. and Subsidiaries, and the related Report of Independent Auditors are incorporated in Item 8 by reference from the Company's Annual Report to Shareholders for the year ended December 31, 2002.

	REFERENCE PAGE ANNUAL REPORT TO SHAREHOLDERS
Consolidated Balance Sheets—December 31, 2002 and 2001	20
Consolidated Statements of Earnings—Years ended December 31, 2002, 2001 and 2000	21
Consolidated Statements of Shareholders' Equity—Years ended December 31, 2002, 2001 and 2000	21
Consolidated Statements of Cash Flows—Years ended December 31, 2002, 2001 and 2000	22
Notes to Consolidated Financial Statements	23 - 31
Report of Independent Auditors	31

2. CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

All schedules have been omitted because they are inapplicable or the required information is included in the financial statements or notes thereto.

3. EXHIBITS

EXHIBIT NO.	DESCRIPTION OF EXHIBIT
3(a)	Amended and Restated Articles of Incorporation of the Company, filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 (the "March 31, 1996 10-Q"), which exhibit is by this reference incorporated herein.
3(b)	Amended and Restated By-laws of the Company, filed as Exhibit 3(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997, which exhibit is by this reference incorporated herein.
4	See Exhibits 3 (a) through 3 (b).
10(a)	Aaron Rents, Inc. 1996 Stock Option and Incentive Award Plan, filed as Exhibit 4(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998 (the "March 31, 1998 10-Q"), which exhibit is incorporated by this reference.*
10(b)	Aaron Rents, Inc. Employees Retirement Plan and Trust, filed as Exhibit 4(a) to the Company's Registration Statement on Form S-8, file number 33-62538, filed with the Commission on May 12, 1993, which exhibit is by this reference incorporated herein.*
10(c)	Aaron Rents, Inc. 1990 Stock Option Plan, filed as Exhibit 4(a) to the Company's Registration Statement on Form S-8, file number 33-62536, filed with the Commission on May 12, 1993, which exhibit is by this reference incorporated herein.*

10(d)	Second Amended and Restated Revolving Credit and Term Loan Agreement, dated January 6, 1995, filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1994 (the "December 31, 1994 10-Q"), which exhibit is by this reference incorporated herein.
10(e)	Third Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated September 30, 1996, filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, which exhibit is by reference incorporated herein.

10(f)	Fifth Amendment to Second Amended and Restated Revolving Credit and Term Loan Agreement, dated December 17, 1997, filed as Exhibit 10(a) to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 10-K"), which exhibit is incorporated by this reference.
10(g)	Letter Agreements dated December 30, 1997 between SunTrust Bank, Atlanta and the Company, and letter agreements dated December 30, 1997 between First Chicago NBD and the Company regarding Interest Rate Swap Transactions, filed as Exhibit 10(b) to the Company's 1997 10-K, which exhibit is incorporated by this reference.
10(h)	Loan Facility Agreement and Guaranty by and among Aaron Rents, Inc., SunTrust Bank, Atlanta, as Servicer and each of the Participants Party Hereto, Dated January 20, 1998, filed as Exhibit 10(a) to the Company's March 31, 1998 10-Q, which exhibit is incorporated by this reference.
10(i)	Amendment No. 1 to Loan Facility Agreement and Guaranty dated as of March 13, 1998, filed as Exhibit 10(b) to the Company's March 31, 1998 10-Q, which exhibit is incorporated by this reference.
10(j)	Amended and Restated Loan Facility Agreement and Guaranty and related Servicing Agreement dated as of November 3, 1999, filed as Exhibit 10(j) to the Company's Annual Report on Form 10-K for the year ended December 31, 1999 (the "1999" 10-K"), which exhibit is incorporated by this reference.
10(k)	Amended and Restated Loan Facility Agreement and Guaranty dated as of June 20, 2000, filed as Exhibit 10(k) to the Company's December 31, 2000 10-K, which exhibit is incorporated by this reference.
10(l)	Loan Facility Agreement and Guaranty by and among Aaron Rents, Inc. and SouthTrust Bank dated August 31, 2000, filed as Exhibit 10(l) to the Company's December 31, 2000 10-K, which exhibit is incorporated by this reference.
10(m)	Loan Agreement between Fort Bend County Industrial Development Corporation and Aaron Rents, Inc. relating to the Industrial Development Revenue Bonds (Aaron Rents, Inc. Project), Series 2000 dated October 1, 2000, filed as Exhibit 10(m) to the Company's December 31, 2000 10-K, which exhibit is incorporated by this reference.
10(n)	Letter of Credit and Reimbursement Agreement between Aaron Rents, Inc. and First Union National Bank dated as of October 1, 2000, filed as Exhibit 10(n) to the Company's December 31, 2000 10-K, which is incorporated by this reference.
10(o)	Term Loan Agreement among Aaron Rents, Inc. Puerto Rico as borrower, Aaron Rents, Inc. as Guarantor and SunTrust Bank as Administrative Agent dated November 21, 2000, filed as Exhibit 10(o) to the Company's December 31, 2000 10-K, which exhibit is incorporated by this reference.

10(p)	Revolving Credit Agreement among Aaron Rents, Inc. as borrower, Aaron Rents, Inc. Puerto Rico as co-borrower and SunTrust Bank as Administrative Agent dated March 30, 2001 filed as Exhibit 10(a) to the Company's March 31, 2001 10-Q, which is incorporated by this reference.
10(q)	Loan Facility Agreement and Guaranty by and among Aaron Rents, Inc. and SunTrust Bank and each of the Participants Party Hereto dated March 30, 2001 filed as Exhibit 10(b) to the Company's March 30, 2001 10-Q, which is incorporated by this reference.
10(r)	Aaron Rents, Inc. 2001 Stock Option and Incentive Award Plan, filed as Exhibit 4(a) to the Company's Registration Statement on Form S-8, file number 333-76026, filed with the Commission on December 28, 2001 which exhibit is by this reference incorporated herein.*
10(s)	Amended and Restated Master Agreement by and among Aaron Rents, Inc., SunTrust Bank and SouthTrust Bank, dated October 31, 2001 filed as part of this Annual Report on Form 10-K.
10(t)	Note Purchase Agreement between Aaron Rents, Inc. and certain other obligors and the purchasers dated as of August 15, 2002 and Form of Senior Note filed as exhibit 10(t) to the Company's September 30, 2002 10Q, which is incorporated by this reference.
13	Portions of the Aaron Rents, Inc. Annual Report to Shareholders for the year ended December 31, 2002. With the exception of information expressly incorporated herein by direct reference thereto, the Annual Report to Shareholders for the year ended December 31, 2002 is not deemed to be filed as part of this Annual Report on Form 10-K.
21	Subsidiaries of the Registrant, filed as part of this Annual Report on Form 10-K.
23	Consent of Ernst & Young LLP.
99(a)	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99(b)	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to item 14 (c) of this report.

(B) REPORTS ON FORM 8-K

None

(C) EXHIBITS

The exhibits listed in Item 15(a) (3) are included elsewhere in this Report.

(D) CONSOLIDATED FINANCIAL STATEMENT SCHEDULES

See Item 15(a)(2).

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 31st day of March, 2003.

AARON RENTS, INC.

By: /s/ GILBERT L. DANIELSON

Gilbert L. Danielson
Executive Vice President, Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on the 31st day of March, 2003.

SIGNATURE	TITLE
/s/ R. CHARLES LOUDERMILK, SR. R. Charles Loudermilk, Sr.	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board of Directors
/s/ ROBERT C. LOUDERMILK, JR. Robert C. Loudermilk, Jr.	President, Chief Operating Officer and Director
/s/ GILBERT L. DANIELSON Gilbert L. Danielson	Executive Vice President, Chief Financial Officer and Director (Principal Financial Officer)
/s/ ROBERT P. SINCLAIR, JR. Robert P. Sinclair, Jr.	Vice President, Corporate Controller (Principal Accounting Officer)
/s/ WILLIAM K. BUTLER William K. Butler	President, Aaron Sales & Lease Ownership and Director
/s/ RONALD W. ALLEN Ronald W. Allen	Director
/s/ LEO BENATAR Leo Benatar	Director
/s/ EARL DOLIVE Earl Dolive	Director
/s/ RAY M. ROBINSON Ray M. Robinson	Director

/s/ INGRID SAUNDERS JONES

Ingrid Saunders Jones | Director

CERTIFICATIONS

I, R. Charles Loudermilk, Sr., certify that:

1. I have reviewed this annual report on Form 10-K of Aaron Rents, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and:

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ R. CHARLES LOUDERMILK, SR.

R. Charles Loudermilk, Sr.
Chairman of the Board,
Chief Executive Officer

CERTIFICATIONS

I, Gilbert L. Danielson, certify that:

1. I have reviewed this annual report on Form 10-Q of Aaron Rents, Inc.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

    c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and:

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 31, 2003

/s/ GILBERT L. DANIELSON

Gilbert L. Danielson
Executive Vice President and
Chief Financial Officer

QuickLinks

FINANCIAL HIGHLIGHTS

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE)	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	PERCENTAGE CHANGE
OPERATING RESULTS			
Revenues	$ 640,688	$ 546,681	17.2%
Earnings Before Taxes	43,652	19,855	119.9
Net Earnings	27,440	12,336	122.4
Earnings Per Share	1.31	0.62	111.3
Earnings Per Share Assuming Dilution	1.29	0.61	111.5
FINANCIAL POSITION			
Total Assets	$ 483,648	$ 397,196	21.8%
Rental Merchandise, Net	317,287	258,932	22.5
Credit Facilities	73,265	77,713	(5.7)
Shareholders' Equity	280,545	219,967	27.5
Book Value Per Share	12.92	11.01	17.3
Debt to Capitalization	20.7%	26.1%	
Pre-Tax Profit Margin	6.8	3.6	
Net Profit Margin	4.3	2.3	
Return on Average Equity	11.0	5.8	
STORES OPEN AT YEAR END			
Sales & Lease Ownership	387	364	6.3%
Sales & Lease Ownership Franchised	232	209	11.0
Sight & Sound	25		
Rent-to-Rent	70	75	(6.7)
Total Stores	714	648	10.2%

[CHART]

REVENUES BY YEAR

[CHART]

NET EARNINGS BY YEAR

SELECTED FINANCIAL INFORMATION

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE)	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000	YEAR ENDED DECEMBER 31, 1999	YEAR ENDED DECEMBER 31, 1998
Systemwide Revenues(1)	$ 874,709	$ 735,389	$ 656,096	$ 547,255	$ 464,175
OPERATING RESULTS					
Revenues:					
Rentals & Fees	$ 459,179	$ 403,385	$ 359,880	$ 318,154	$ 289,272
Retail Sales	72,698	60,481	62,417	62,296	62,576
Non-Retail Sales	88,969	66,212	65,498	45,394	18,985
Other	19,842	16,603	15,125	11,515	8,826
	640,688	546,681	502,920	437,359	379,659
Costs & Expenses:					
Retail Cost of Sales	53,856	43,987	44,156	45,254	44,386
Non-Retail Cost of Sales	82,407	61,999	60,996	42,451	17,631
Operating Expenses	293,346	276,682	227,587	201,923	189,719
Depreciation of Rental Merchandise	162,660	137,900	120,650	102,324	89,171
Interest	4,767	6,258	5,625	4,105	3,561
	597,036	526,826	459,014	396,057	344,468
Earnings Before Income Taxes	43,652	19,855	43,906	41,302	35,191
Income Taxes	16,212	7,519	16,645	15,700	13,707
Net Earnings	$ 27,440	$ 12,336	$ 27,261	$ 25,602	$ 21,484
Earnings Per Share	$ 1.31	$ .62	$ 1.38	$ 1.28	$ 1.06

Earnings Per Share Assuming Dilution	1.29	.61	1.37	1.26	1.04
Dividends Per Share:					
Common	$ .04	$ .04	$ .04	$ .04	$ .04
Class A	.04	.04	.04	.04	.04
FINANCIAL POSITION					
Rental Merchandise, Net	$ 317,287	$ 258,932	$ 267,713	$ 219,831	$ 194,163
Property, Plant & Equipment, Net	87,094	77,282	63,174	55,918	50,113
Total Assets	483,648	397,196	380,379	318,408	272,174
Interest-Bearing Debt	73,265	77,713	104,769	72,760	51,727
Shareholders' Equity	280,545	219,967	208,538	183,718	168,871
AT YEAR END					
Stores Open:					
Company-Operated	482	439	361	320	291
Franchised	232	209	193	155	136
Rental Agreements in Effect	369,000	314,600	281,000	254,000	227,400
Number of Employees	4,800	4,200	3,900	3,600	3,400

(1) SYSTEMWIDE REVENUES INCLUDE REVENUES OF FRANCHISED AARON'S SALES & LEASE OWNERSHIP STORES. FRANCHISED STORE REVENUES ARE NOT REVENUES OF AARON RENTS.

The Company adopted Statement of Financial Accounting Standards No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS on January 1, 2002. If the Company had applied the non-amortization provisions of Statement 142 for all periods presented, net income and diluted income per share would have increased by approximately $688,000 ($.03 per share), $431,000 ($.02 per share), $323,000 ($.02 per share), and $173,000 ($.01 per share) for the years ended December 31, 2001, 2000, 1999, and 1998, respectively.

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

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2002 VERSUS YEAR ENDED DECEMBER 31, 2001

REVENUES

Total revenues for the year ended 2002 increased $94 million to $640.7 million compared to $546.7 million in 2001, a 17.2% increase. The increase was due mainly to a $55.8 million, or 13.8%, increase in rentals and fees revenues, plus a $22.8 million, or 34.4%, increase in non-retail sales. Our rentals and fees revenues include all revenues derived from rental agreements from our sales and lease ownership and rent-to-rent stores, including agreements that result in our customers acquiring ownership at the end of the term of the rental agreements. The increase in rentals and fees revenues was attributable to a $77.3 million increase from our sales and lease ownership division, which had an average increase of 13% in same store revenues for the year ended 2002 and added 149 Company-operated stores since the beginning of 2001. The growth in our sales and lease ownership division was offset by a $21.5 million decrease in rental revenues in our rent-to-rent division. The decrease in rent-to-rent division revenues is primarily the result of our decision to close, merge, or sell 29 under-performing stores since the beginning of 2001, as well as a decline of same store revenues.

Revenues from retail sales increased $12.2 million to $72.7 million in 2002 from $60.5 million in 2001 due to an increase of $20.8 million in the sales and lease ownership division offset by a decrease of $8.6 million in our rent-to-rent division. Retail sales represent sales of both new and rental return merchandise. Non-retail sales, which primarily represent merchandise sold to our franchisees, increased 34.4% to $89 million in 2002 from $66.2 million in 2001. The increased sales reflect the growth of our franchise operations.

Other revenues, which include franchise fee and royalty income and other miscellaneous revenues, for the year ended December 31, 2002 increased $3.2 million to $19.8 million compared with $16.6 million in 2001, a 19.5% increase. This increase was attributable to franchise fee and royalty income increasing $3 million, or 21.8%, to $16.6 million compared with $13.6 million last year, reflecting the net addition of 23 franchised stores in 2002 and improved operating revenues at older franchised stores.

With respect to our major operating units, revenues for our sales and lease ownership division increased $121 million to $501.4 million in 2002 compared with $380.4 million last year, a 31.8% increase. This increase was attributable to the store additions and same store revenue growth described above. Rent-to-rent division revenues for 2002 decreased 20% to $119.9 million from $150 million in 2001, due primarily to the closing or other disposition of under-performing stores and same store revenue decline previously described.

COST OF SALES

Cost of sales from retail sales increased $9.9 million or 22.4%, to $53.9 million in 2002 compared to $44 million in 2001, and as a percentage of sales, increased to 74.1% from 72.7%. The increase in retail cost of sales as a percentage of sales was primarily due to a slight decrease in margins in both the rent-to-rent and sales and lease ownership divisions in 2002 along with lower margins on retail sales from our newly acquired Sight & Sound stores. Cost of sales from non-retail sales increased $20.4 million to $82.4 million in the 2002 from $62 million in 2001, and as a percentage of sales, decreased to 92.6% from 93.6%. The increased margins on non-retail sales were primarily the result of higher margins on certain products sold to franchisees.

EXPENSES

Operating expenses in 2002 increased $16.7 million to $293.3 million from $276.7 million in 2001, a 6% increase. As a percentage of total revenues, operating expenses were 45.8% in 2002 and 50.6% in 2001. Operating expenses decreased in 2002 as a percentage of total revenues primarily due to higher costs in 2001 associated with the acquisition of sales and lease ownership store locations formerly operated by one of the nation's largest furniture retailers along with other new store openings coupled with non-cash charges of $5.6 million related to the rent-to-rent division. In addition, we discontinued amortizing goodwill in 2002 in connection with the adoption of a new accounting standard. This adoption had the effect of eliminating amortization expense of $1.1 million in 2002 compared with 2001.

Depreciation of rental merchandise increased $24.8 million to $162.7 million in 2002 from $137.9 million during 2001, an 18% increase. As a percentage of total rentals and fees, depreciation of rental merchandise increased to 35.4% from 34.2% in 2001. The increase as a percentage of rentals and fees reflects a greater percentage of our rentals and fees revenues coming from our sales and lease ownership division, which depreciates its rental merchandise at a faster rate than our rent-to-rent division.

On January 1, 2002, we began depreciating sales and lease ownership merchandise upon the earlier to occur of its initial lease to a customer or twelve months after it is acquired from the vendor. Previously, we began depreciating sales and lease ownership merchandise as soon as it was delivered to our stores from our distribution centers. This change in accounting method increased net earnings by approximately $3 million, or $.14 per diluted common share in 2002.

Interest expense decreased $1.5 million to $4.8 million in 2002 compared with $6.3 million in 2001, a 23.8% decline. As a percentage of total revenues, interest expense decreased to 0.7% in 2002 from 1.1% in 2001. The decrease in interest expense as a percentage of total revenues was primarily due to lower debt levels in 2002.

Income tax expense increased $8.7 million to $16.2 million in 2002 compared with $7.5 million in 2001, representing an 115.6% increase due to the higher pre-tax earnings. Aaron Rents' effective tax rate was 37.1% in 2002 compared with 37.9% in 2001, primarily due to lower non-deductible expenses.

NET EARNINGS

As a result, net earnings increased $15.1 to $27.4 million in 2002 compared with $12.3 million last year representing a 122.4% increase. As a percentage of total revenues, net earnings were 4.3% in 2002 and 2.3% in 2001. The increase in net earnings was primarily due to the non-cash charges of $5.6 million incurred in the third quarter of 2001 along with the maturing 101 Company-operated sales and lease ownership stores added in 2001, and a 13% increase in same store revenue growth, coupled with the change in our rental merchandise depreciation method and the non-amortization of goodwill. In addition, the Company experienced higher than usual operating expenses in 2001 associated with the addition of 101 Company-operated stores.

YEAR ENDED DECEMBER 31, 2001 VERSUS YEAR ENDED DECEMBER 31, 2000

REVENUES

Total revenues for 2001 increased $43.8 million to $546.7 million compared with $502.9 million in 2000, an 8.7% increase. The increase was due mainly to a $43.5 million, or 12.1%, increase in rentals and fees revenues, plus a $714,000 increase in non-retail sales. The increase in rentals and fees revenues was attributable to a $62.7 million increase from our sales and lease ownership division, which added 101 Company-operated stores in 2001, offset by a $19.2 million decrease in our rent-to-rent division.

Revenues from retail sales decreased $1.9 million to $60.5 million in 2001 from $62.4 million for the prior year, a 3.1% decrease. Non-retail sales, which primarily represent merchandise sold to our franchisees, increased 1.1% to $66.2 million compared with $65.5 million for 2000. The increased sales were due to the growth of our franchise operations.

Other revenues for 2001 increased $1.5 million to $16.6 million compared with $15.1 million in 2000, a 9.8% increase. This increase was attributable to franchise fee and royalty income increasing $1.2 million, or 10%, to $13.6 million compared with $12.4 million in 2000, reflecting the net addition of 16 new franchised stores in 2001 and improved operating revenues at mature franchised stores.

With respect to our major operating units, revenues for our sales and lease ownership division increased $67.5 million to $380.4 million in 2001 compared with $312.9 million in 2000, a 21.6% increase. This increase was attributable to the sales and lease ownership division adding 101 stores in 2001 combined with same store revenue growth of 7.7% in 2001. Rent-to-rent division revenues in 2001 decreased 14.2% to $150 million from $174.9 million in 2000. The decrease in rent-to-rent division revenues is primarily the result of our decision to close, merge, or sell 23 under-performing stores in 2001.

COST OF SALES

Cost of sales from retail sales decreased $169,000 to $44 million in 2001 compared with $44.2 million in 2000, and as a percentage of sales, increased to 72.7% from 70.7% primarily due to product mix. Cost of sales from non-retail sales increased $1 million to $62 million in 2001 from $61 million in 2000, and as a percentage of sales, increased to 93.6% from 93.1%. The decreased margins on non-retail sales were primarily the result of slightly lower margins on certain products sold to franchisees.

EXPENSES

Operating expenses in 2001 increased $49.1 million to $276.7 million from $227.6 million in 2000, a 21.6% increase. As a percentage of total revenues, operating expenses were 50.6% in 2001 and 45.3% in 2000. Operating expenses increased as a percentage of total revenues primarily due to the costs associated with the acquisition and accelerated start-up costs of sales and lease ownership locations formerly operated by one of the nation's largest furniture retailers along with other new store openings. In addition, we recorded non-cash charges of $5.6 million related to the future real estate lease obligations of closed rent-to-rent stores and the write down of inventory and other assets within our rent-to-rent division.

Depreciation of rental merchandise increased $17.2 million to $137.9 million in 2001 from $120.7 million in 2000, a 14.3% increase. As a percentage of total rentals and fees, rental merchandise depreciation increased to 34.2% from 33.5%. This increase as a percentage of rentals and fees was mainly because a greater percentage of our rentals and fees revenues are coming from our sales and lease ownership division, which depreciates its rental merchandise at a faster rate than our rent-to-rent division.

Interest expense increased 11.3% to $6.3 million in 2001 compared with $5.6 million in 2000. As a percentage of total revenues, interest expense was 1.1% in both years.

Income tax expense decreased $9.1 million to $7.5 million in 2001 compared with $16.6 million in 2000, a 54.8% decline. Aaron Rents' effective tax rate was 37.9% in both 2001 and 2000.

NET EARNINGS

Net earnings decreased $14.9 million to $12.3 million for 2001 compared with

$27.3 million for 2000, a 54.8% decrease. As a percentage of total revenues, net earnings were 2.3% in 2001 and 5.4% in 2000. The decrease in net earnings was mainly the result of start-up expenses associated with the 101 new store openings, as compared with 32 stores opened in the prior year, and non-cash charges associated with our rent-to-rent division.

BALANCE SHEET

Cash. The Company's cash balance remained virtually unchanged with a balance of $96,000 and $93,000 at December 31, 2002 and 2001, respectively. The consistency of the cash balance is the result of the Company being a net borrower with all excess cash being used to pay down debt balances.

Deferred Income Taxes. The increase of $29.6 million in deferred income taxes from December 31, 2001 to December 31, 2002 is primarily the result of March 2002 tax law changes, effective September 2001, that allow accelerated depreciation of rental merchandise for tax purposes.

Bank Debt. The reduction in bank debt of $65.1 million from December 31, 2001 to December 31, 2002 is primarily the result of the Company's private placement of $50 million of senior unsecured notes in August 2002 coupled with a June 2002 public offering of 1.725 million newly-issued shares of Common Stock for net proceeds of $34.1 million.

Other Debt. The increase of $60.6 million in other debt from December 31, 2001 to December 31, 2002 is primarily the result of the Company's private placement of $50 million of senior unsecured notes in August 2002 and $11.7 million of debt related to capital leases associated with the sale and lease back of real estate.

Additional Paid-In Capital. The increase of $33.7 million in additional paid in capital from December 31, 2001 to December 31, 2002 is primarily the result of the Company's June 2002 public offering of 1.725 million newly-issued shares of Common Stock.

LIQUIDITY AND CAPITAL RESOURCES

GENERAL

Cash flows from operations for the year ended December 31, 2002 and 2001 were $221.7 and $189.4 million, respectively. Our cash flows include profits on the sale of rental return merchandise. Our primary capital requirements consist of buying rental merchandise for both Company-operated sales and lease ownership and rent-to-rent stores. As Aaron Rents continues to grow, the need for additional rental merchandise will continue to be our

major capital requirement. These capital requirements historically have been financed through:

- bank credit
- trade credit with vendors
- private debt
- stock offerings
- cash flow from operations
- proceeds from the sale of rental return merchandise

In August 2002, we sold $50 million in aggregate principal amount of our 6.88% senior unsecured notes due August 2009 in a private placement. Quarterly interest payments are due for the first two years followed by annual $10 million principal repayments plus interest for the next five years. We used some of the net proceeds of the sale to repay borrowings under our existing revolving credit facility, and intend to use a portion to finance future expansion. Information regarding our obligations to make future payments under our senior unsecured notes appears under "Commitments" below.

In June 2002, we completed an underwritten public offering of 1.725 million newly-issued shares of our common stock (including shares issued pursuant to the underwriters' over-allotment option) for net proceeds, after the underwriting discount and expenses, of approximately $34.1 million. We used the proceeds to repay borrowings under our revolving credit facility. A selling shareholder sold an additional 575,000 shares in the offering.

Aaron Rents has financed its growth through a revolving credit agreement with several banks, collateralized real estate borrowings, trade credit with vendors, and internally generated funds. Our revolving credit agreement dated March 30, 2001 provides for unsecured borrowings up to $110 million, including an $8 million credit line to fund daily working capital requirements. The interest rate under our revolving credit agreement is currently the lower of the lender's prime rate or LIBOR plus 1.25%. The agreement expires on March 30, 2004.

At December 31, 2002, an aggregate of $7.3 million was outstanding under the revolving credit agreement, bearing interest at a weighted average variable rate of 3.1%. The Company's long-term debt decreased by approximately $4.4 million in 2002. The decline in borrowings is primarily attributable to cash generated from operating activities of $221.7 million along with the $34.1 million in net proceeds from a public offering of 1.725 million shares of our Common Stock. Information regarding our obligations to make future payments under our credit facility appears under "Commitments" below. We use interest rate swap agreements as part of our overall long-term financing program, as described below under "Market Risk."

Aaron Rents' revolving credit agreement, senior unsecured notes, the construction and lease facility, and the franchise loan program discussed below, contain financial covenants which, among other things, forbid us from exceeding certain debt to equity levels and require us to maintain minimum fixed charge coverage ratios. If we fail to comply with these covenants, then we will be in default under these commitments, and all amounts would become due immediately. Aaron Rents was complying with all these covenants at December 31, 2002.

As of December 31, 2002, Aaron Rents was authorized by itsboard of directors to purchase up to an additional 1,186,890 common shares.

Aaron Rents has paid dividends for 16 consecutive years. A $.02 per share dividend on our common stock and Class A stock was paid in January 2002 and July 2002, for a total fiscal year cash outlay of $798,000. Subject to sufficient operating profits, to any future capital needs and to other contingencies, we currently expect to continue our policy of paying dividends.

We believe that the proceeds from our public stock offering, our senior note offering, our expected cash flows from operations, proceeds from the sale of rental return merchandise, bank and other borrowings, and vendor credit will be sufficient to fund our capital and liquidity needs for at least the next 24 months.

COMMITMENTS

Construction and Lease Facility. On October 31, 2001, we renewed our $25 million construction and lease facility. From 1996 to 1999, we arranged for a bank holding company to purchase or construct properties identified by us pursuant to this facility, and we subsequently leased these properties from the bank holding company under operating lease agreements. The total amount advanced and outstanding under this facility at December 31, 2002 was approximately $24.7 million. Since the resulting leases are accounted for as operating leases, we do not record any debt obligation on our balance sheet. This construction and lease facility expires in 2006. Lease payments fluctuate based upon current interest rates and are generally based upon LIBOR plus 1.35%. The lease facility contains residual value guarantee and default guarantee provisions. Although we believe the likelihood of funding to be remote, the maximum guarantee obligation under the residual value and default guarantee provisions upon termination are approximately $20.9 million and $24.7 million, respectively, at December 31, 2002.

Leases. Aaron Rents leases warehouse and retail store space for substantially all of its operations under operating leases expiring at various times through 2015. Most of the leases contain renewal options for additional periods ranging from one to 15 years or provide for options to purchase the related property at predetermined purchase prices which do not represent bargain purchase options. We also lease transportation and computer equipment under operating leases expiring during the next three years. We expect that most leases will be renewed or replaced by other leases in the normal course of business. Approximate future minimum rental payments required under operating leases that have initial or remaining non-cancelable terms in excess of one year as of December 31, 2002 including leases under our construction and lease facility described above are as follows: $33.3 million in 2003; $27.8 million in 2004; $19.8 million in 2005; $12.6 million in 2006; $6.8 million in 2007; and $7.1 million thereafter.

The Company has 13 capital leases, 12 of which are with limited liability companies (LLCs) whose owners include Aaron Rents' executive officers, and majority shareholder. Eleven of these related party leases relate to properties purchased from Aaron Rents in December 2002 by one of the LLCs for a total purchase price of approximately $5 million. The LLC is leasing back these properties to Aaron Rents for 15-year terms at an aggregate annual rental of approximately $635,000. The twelfth related party capital lease relates to a property sold by Aaron Rents to a second LLC for $6.3 million in April 2002 and leased back to Aaron Rents for a 15-year term at an annual rental of approximately $617,000. See Note E to the Consolidated Financial Statements.

Franchise Guaranty. Aaron Rents has guaranteed the borrowings of certain independent franchisees under a franchise loan program with a bank. In the event these franchisees are unable to meet their debt service payments or otherwise experience an event of default, we would be unconditionally liable for a portion of the outstanding balance of the franchisee's debt obligations, which would be due in full within 90 days of the event of default. At December 31, 2002, the portion which we might be obligated to repay in the event our franchisees defaulted was approximately $63.7 million. However, due to franchisee borrowing limits, we believe any losses associated with any defaults would be mitigated through recovery of rental merchandise and other assets. Since its inception, Aaron Rents has had no losses associated with the franchisee loan and guaranty program.

We have no long-term commitments to purchase merchandise. See Note G to the Consolidated Financial Statements for further information.

The following table shows the Company's approximate obligations and commitments to make future payments under contractual obligations as of December 31, 2002:

(IN THOUSANDS)	TOTAL	PERIOD LESS THAN 1 YEAR	PERIOD 1-3 YEARS	PERIOD 4-5 YEARS	PERIOD OVER 5 YEARS
Credit facilities, including capital leases	$ 73,265	$ 277	$ 18,138	$ 21,020	$ 33,830
Operating leases	107,530	33,326	47,678	19,426	7,100
Total Contractual Cash Obligations	$ 180,795	$ 33,603	$ 65,816	$ 40,446	$ 40,930

The Company has certain commercial commitments related to franchisee borrowing guarantees and residual values under operating leases. The Company believes the likelihood of any significant amounts being funded in connection with these commitments to be remote. The following table shows the Company's approximate commercial commitments as of December 31, 2002:

(IN THOUSANDS)	TOTAL AMOUNTS COMMITTED	PERIOD LESS THAN 1 YEAR	PERIOD 1-3 YEARS	PERIOD 4-5 YEARS	PERIOD OVER 5 YEARS
Guaranteed borrowings of franchisees	$ 63,700	$ 63,700			
Residual value guarantee under operating leases	20,900			20,900	
Total Contractual Cash Obligations	$ 84,600	$ 63,700		$ 20,900	

MARKET RISK

Aaron Rents manages its exposure to changes in short-term interest rates, particularly to reduce the impact on our variable payment construction and lease facility and floating-rate borrowings, by entering into interest rate swap agreements. These swap agreements involve the receipt of amounts by us when floating rates exceed the fixed rates and the payment of amounts by us to the counterparties when fixed rates exceed the floating rates in the agreements over their term. We accrue the differential we may pay or receive as interest rates change, and recognize it as an adjustment to the floating rate interest expense related to our debt. The counterparties to these contracts are high credit quality commercial banks, which we believe minimizes the risk of counterparty default to a large extent.

At December 31, 2002, we had swap agreements with total notional principal amounts of $60 million which effectively fixed the interest rates on obligations in the notional amount of $28 million of debt under our revolving credit agreement, variable payment construction and lease facility, and other debt at an average rate of 5.9%, as follows: $20 million at an average rate of 6.15% until May 2003; $10 million at an average rate of 7.96% until November 2003; $10 million at an average rate of 7.75% until November 2003; and an additional $20 million at an average rate of 7.6% until June 2005. In 2002, we reassigned approximately $24 million of notional amount of swaps to the variable payment obligations under our construction and lease facility described above. Since August 2002, fixed rate swap agreements in the notional amount of $32 million were not being utilized as a hedge of variable obligations, and accordingly, changes in the valuation of such swap agreements are recorded directly to earnings. The fair value of interest rate swap agreements was a liability of approximately $3.3 million at December 31, 2002. A 1% adverse change in interest rates on variable rate obligations would not have a material adverse impact on the future earnings and cash flows of the Company.

We do not use any market risk sensitive instruments to hedge commodity, foreign currency, or risks other than interest rate risk, and hold no market risk sensitive instruments of any kind for trading or speculative purposes.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), BUSINESS COMBINATIONS. This statement eliminates the pooling of interests method of accounting for all business combinations initiated after June 30, 2001, and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. We have had no significant business combinations after June 30, 2001.

Effective January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), GOODWILL AND OTHER INTANGIBLE ASSETS. We performed Step 1 of the required transitional impairment test under SFAS 142 using a combination of the market value and comparable transaction approaches to business enterprise valuation. We concluded that the enterprise fair values of our reporting units were greater than the carrying value, and accordingly, no further impairment analysis was considered necessary. We also adopted the non-amortization provisions of SFAS 142, which resulted in an increase in net earnings of $688,000 or $.03 diluted earnings per share for 2002.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144 (SFAS 144), ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. This statement supercedes Statement of Financial

Accounting Standards No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. We adopted SFAS 144 as of January 1, 2002, and the statement had no material effect on our consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

REVENUE RECOGNITION

Rental revenues are recognized in the month they are due on the accrual basis of accounting. For internal management reporting purposes, rental revenues from the sales and lease ownership division are recognized as revenue in the month the cash is collected. On a monthly basis, we record an accrual for rental revenues due but not yet received, net of allowances, and a deferral of revenue for rental payments received prior to the month due. Our revenue recognition accounting policy matches the rental revenue with the corresponding costs -- mainly depreciation -- associated with the rental merchandise.
At the years ended December 31, 2002 and 2001, Aaron Rents had a net revenue

deferral representing cash collected in advance of being due or otherwise earned totaling approximately $7.5 million and $5.7 million, respectively. Revenues from the sale of residential and office furniture and other merchandise are recognized at the time of shipment.

RENTAL MERCHANDISE DEPRECIATION

Our sales and lease ownership division depreciates merchandise over the agreement period, generally 12 to 24 months when rented, and 36 months when not rented, to 0% salvage value. Prior to 2002, we depreciated sales and lease ownership merchandise as soon as it was delivered to our stores from our distribution centers. In the first quarter of 2002, we began depreciating this merchandise upon the earlier to occur of its initial lease to a customer or 12 months after it is acquired from the vendor. See Note B to the Consolidated Financial Statements. Nevertheless, sales and lease ownership merchandise is generally depreciated at a faster rate than our rent-to-rent merchandise. As sales and lease ownership revenues continue to comprise an increasing percentage of total revenues, we expect rental merchandise depreciation to increase at a correspondingly faster rate. Our rent-to-rent division depreciates merchandise over its estimated useful life which ranges from six months to 60 months, net of its salvage value which ranges from 0% to 60%.

Our policies require weekly rental merchandise counts by store managers, which includes a write-off for unsalable, damaged, or missing merchandise inventories. Full physical inventories are generally taken at our distribution and manufacturing facilities on a quarterly basis, and appropriate provisions are made for missing, damaged and unsalable merchandise. In addition, we monitor rental merchandise levels and mix by division, store and distribution center, as well as the average age of merchandise on hand. If unsalable rental merchandise cannot be returned to vendors, it's adjusted to its net realizable value or written off.

All rental merchandise is available for rental and sale. On a monthly basis, we write off damaged, lost or unsalable merchandise as identified. These write-offs totaled approximately $10.1 million, $10 million and $8.9 million during the years ended December 31, 2002, 2001, and 2000, respectively.

CLOSED STORE RESERVES

From time to time, Aaron Rents closes or consolidates retail stores. We record an estimate of the future obligation related to closed stores based upon the present value of the future lease payments and related commitments, net of estimated sublease income which we base upon historical experience. At the years ended December 31, 2002 and 2001, our reserve for closed stores was $1.5 million and $3.4 million, respectively. If our estimates related to sublease income are not correct, our actual liability may be more or less than the liability recorded at December 31, 2002.

INSURANCE PROGRAMS

Aaron Rents maintains insurance contracts for paying of workers' compensation and group health insurance claims. Using actuarial analysis and projections, we estimate the liabilities associated with open and incurred but not reported workers compensation claims. This analysis is based upon an assessment of the likely outcome or historical experience, net of any stop loss or other supplementary coverages. We also calculate the projected outstanding plan liability for our group health insurance program.

Our liability for workers compensation insurance claims and group health insurance was approximately $3.1 million and $3.3 million, respectively, at the years ended December 31, 2002 and 2001.

If we resolve existing workers compensation claims for amounts which are in excess of our current estimates and within policy stop loss limits, we will be required to pay additional amounts beyond those accrued at December 31, 2002. Additionally, if the actual group health insurance liability exceeds our projection, we will be required to pay additional amounts beyond those accrued at December 31, 2002.

The assumptions and conditions described above reflect management's best assumptions and estimates, but these items involve inherent uncertainties as described above, which may or may not be controllable by management. As a result, the accounting for such items could result in different amounts if management used different assumptions or if different conditions occur in future periods.

FORWARD LOOKING STATEMENTS

Certain written and oral statements made by our Company may constitute "forward-looking statements" as defined under the Private Securities Litigation Reform Act of 1995, including statements made in this report and other filings with the Securities and Exchange Commission. All statements which address operating performance, events, or developments that we expect or anticipate will occur in the future--including growth in store openings and franchises awarded, market share, and statements expressing general optimism about future operating results-- are forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially. The Company undertakes no obligation to publicly update or revise any forward-looking statements. For a discussion of such risks and uncertainties see "Certain Factors Affecting Forward-Looking Statements" in the Company's Annual Report on Form 10-K for fiscal 2002, filed with the Securities and Exchange Commission, which discussion is incorporated herein by this reference.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE DATA)	DECEMBER 31, 2002	DECEMBER 31, 2001
ASSETS		
Cash	$ 96	$ 93
Accounts Receivable	26,973	25,411
Rental Merchandise	470,225	392,532
Less: Accumulated Depreciation	(152,938)	(133,600)
	317,287	258,932
Property, Plant & Equipment, Net	87,094	77,282
Goodwill, Net	25,985	22,096
Prepaid Expenses & Other Assets	26,213	13,382
Total Assets	$ 483,648	$ 397,196
LIABILITIES & SHAREHOLDERS' EQUITY		
Accounts Payable & Accrued Expenses	$ 64,131	$ 65,344
Dividends Payable	434	399
Deferred Income Taxes Payable	50,517	20,963
Customer Deposits & Advance Payments	14,756	12,810
Credit Facilities	73,265	77,713
Total Liabilities	203,103	177,229
Commitments & Contingencies		
Shareholders' Equity		
Preferred Stock, Par Value $1 Per Share; Authorized: 1,000,000 Shares; None Issued		
Common Stock, Non-Voting, Par Value $.50 Per Share; Authorized: 25,000,000 Shares; Shares Issued: 19,995,987 at December 31, 2002 and 18,270,987 at December 31, 2001	9,998	9,135
Class A Common Stock, Voting, Par Value $.50 Per Share; Authorized: 25,000,000 Shares; Shares Issued: 5,361,761	2,681	2,681
Additional Paid-In Capital	87,502	53,846
Retained Earnings	223,928	197,321
Accumulated Other Comprehensive Loss	(1,868)	(1,954)
	322,241	261,029
Less: Treasury Shares at Cost,		
Common Stock, 2,012,470 Shares at December 31, 2002 and 2,130,421 Shares at December 31, 2001	(25,792)	(26,826)
Class A Common Stock, 1,630,055 Shares at December 31, 2002 and 1,532,255 Shares at December 31, 2001	(15,904)	(14,236)
Total Shareholders' Equity	280,545	219,967
Total Liabilities & Shareholders' Equity	$ 483,648	$ 397,196

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF EARNINGS

	YEAR ENDED	YEAR ENDED	YEAR ENDED

(IN THOUSANDS, EXCEPT PER SHARE)	DECEMBER 31, 2002	DECEMBER 31, 2001	DECEMBER 31, 2000
REVENUES			
Rentals & Fees	$ 459,179	$ 403,385	$ 359,880
Retail Sales	72,698	60,481	62,417
Non-Retail Sales	88,969	66,212	65,498
Other	19,842	16,603	15,125
	640,688	546,681	502,920
COSTS & EXPENSES			
Retail Cost of Sales	53,856	43,987	44,156
Non-Retail Cost of Sales	82,407	61,999	60,996
Operating Expenses	293,346	276,682	227,587
Depreciation of Rental Merchandise	162,660	137,900	120,650
Interest	4,767	6,258	5,625
	597,036	526,826	459,014
Earnings Before Income Taxes	43,652	19,855	43,906
Income Taxes	16,212	7,519	16,645
Net Earnings	$ 27,440	$ 12,336	$ 27,261
Earnings Per Share	$ 1.31	$ .62	$ 1.38
Earnings Per Share Assuming Dilution	1.29	.61	1.37

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	TREASURY STOCK		COMMON STOCK				ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	
(IN THOUSANDS, EXCEPT PER SHARE)	SHARES	AMOUNT	COMMON	CLASS A	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	DERIVATIVES DESIGNATED AS HEDGES	MARKETABLE SECURITIES
BALANCE, DECEMBER 31, 1999	(3,710)	$ (41,592)	$ 9,135	$ 2,681	$ 54,181	$ 159,313		
Reacquired Shares	(328)	(4,625)						
Dividends, $.04 per share						(792)		
Reissued Shares	275	3,495			(519)			
Net Earnings						27,261		
BALANCE, DECEMBER 31, 2000	(3,763)	(42,722)	9,135	2,681	53,662	185,782		
Dividends, $.04 per share						(797)		
Reissued Shares	100	1,660			184			
Net Earnings						12,336		
Change in Fair Value of Financial Instruments, Net of Income Taxes of $1,191							$ (1,954)	
BALANCE, DECEMBER 31, 2001	(3,663)	(41,062)	9,135	2,681	53,846	197,321	(1,954)	
Reacquired Shares	(98)	(1,667)						
Stock Offering			863		33,215			
Dividends, $.04 per share						(833)		
Reissued Shares	118	1,033			441			
Net Earnings						27,440		
Change in Fair Value of Financial Instruments, Net of Income Taxes of $51							(18)	$ 104
BALANCE, DECEMBER 31, 2002	(3,643)	$ (41,696)	$ 9,998	$ 2,681	$ 87,502	$ 223,928	$ (1,972)	$ 104

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
OPERATING ACTIVITIES			
Net Earnings	$ 27,440	$ 12,336	$ 27,261
Depreciation & Amortization	179,040	153,548	133,109
Deferred Income Taxes	29,554	1,168	6,576
Change in Accounts Payable & Accrued Expenses	(3,725)	27,320	(2,248)
Change in Accounts Receivable	(488)	(1,657)	(2,607)
Other Changes, Net	(10,152)	(3,357)	4,074

Cash Provided by Operating Activities	221,669	189,358	166,165
INVESTING ACTIVITIES			
Additions to Property, Plant & Equipment	(42,913)	(34,785)	(23,761)
Book Value of Property Retired or Sold	17,723	6,605	7,326
Additions to Rental Merchandise	(351,389)	(237,912)	(279,580)
Book Value of Rental Merchandise Sold	140,435	115,527	115,601
Contracts & Other Assets Acquired	(14,033)	(12,125)	(14,273)
Cash Used by Investing Activities	(250,177)	(162,690)	(194,687)
FINANCING ACTIVITIES			
Proceeds from Credit Facilities	139,542	162,219	202,637
Repayments on Credit Facilities	(143,990)	(189,275)	(170,628)
Dividends Paid	(798)	(797)	(792)
Common Stock Offering	34,078		
Acquisition of Treasury Stock	(1,667)		(4,625)
Issuance of Stock under Stock Option Plans	1,346	1,183	1,926
Cash Provided (Used) by Financing Activities	28,511	(26,670)	28,518
Increase (Decrease) in Cash	3	(2)	(4)
Cash at Beginning of Year	93	95	99
Cash at End of Year	$ 96	$ 93	$ 95
Cash Paid (Received) During the Year:			
Interest	$ 4,361	$ 6,183	$ 5,674
Income Taxes	(2,151)	3,544	5,762

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AS OF DECEMBER 31, 2002 AND 2001, AND FOR THE YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000.

Basis of Presentation -- The consolidated financial statements include the accounts of Aaron Rents, Inc. and its wholly-owned subsidiaries (the Company). All significant intercompany accounts and transactions have been eliminated. The preparation of the Company's consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

Line of Business -- The Company is engaged in the business of renting and selling residential and office furniture, consumer electronics, appliances, and other merchandise throughout the U.S. and Puerto Rico. The Company manufactures furniture for its sales and lease ownership and rent-to-rent operations.

Rental Merchandise consists primarily of residential and office furniture, consumer electronics, appliances, and other merchandise and is recorded at cost. The sales and lease ownership division depreciates merchandise over the agreement period, generally 12 to 24 months, when on rent, and 36 months, when not on rent, to a 0% salvage value. The rent-to-rent division depreciates merchandise over its estimated useful life which ranges from six months to 60 months, net of its salvage value which ranges from 0% to 60%. Our policies require weekly rental merchandise counts by store managers, which includes a write-off for unsalable, damaged, or missing merchandise inventories. Full physical inventories are generally taken at our distribution and manufacturing facilities on a quarterly basis, and appropriate provisions are made for missing, damaged and unsalable merchandise. In addition, we monitor rental merchandise levels and mix by division, store, and distribution center, as well as the average age of merchandise on hand. If unsalable rental merchandise cannot be returned to vendors, it is adjusted to its net realizable value or written off.

All rental merchandise is available for rental and sale. On a monthly basis, we write off damaged, lost or unsalable merchandise as identified. These write-offs, recorded as a component of operating expenses, totaled approximately $10.1 million, $10 million and $8.9 million during the years ended December 31, 2002, 2001, and 2000, respectively. See Note B.

Property, Plant, and Equipment are recorded at cost. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the respective assets, which are from 8 to 40 years for buildings and improvements and from 1 to 5 years for other depreciable property and equipment.

Gains and losses related to dispositions and retirements are expensed as incurred. Maintenance and repairs are also expensed as incurred; renewals and betterments are capitalized.

Deferred Income Taxes are provided for temporary differences between the amounts of assets and liabilities for financial and tax reporting purposes. Such temporary differences arise principally from the use of accelerated depreciation methods on rental merchandise for tax purposes.

Cost of Sales includes the net book value of merchandise sold, primarily using specific identification in the sales and lease ownership division and first-in, first-out in the rent-to-rent division. It is not practicable to allocate operating expenses between selling and rental operations.

Shipping and Handling Costs -- Shipping and handling costs are classified as operating expenses in the accompanying consolidated statements of earnings and totaled approximately $20,554,000 in 2002, $18,965,000 in 2001, and $17,397,000 in 2000.

Advertising -- The Company expenses advertising costs as incurred. Such costs aggregated $15,406,000 in 2002, $14,204,000 in 2001, and $11,937,000 in 2000.

Stock Based Compensation -- The Company has elected to follow Accounting Principles Board Opinion No. 25, ACCOUNTING FOR STOCK ISSUED TO EMPLOYEES and related Interpretations in accounting for its employee stock options and adopted the disclosure-only provisions of Statement of Financial Accounting Standards (SFAS) No. 123, ACCOUNTING FOR STOCK BASED COMPENSATION (SFAS No. 123). The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant and, accordingly, recognizes no compensation expense for the stock option grants. Income tax benefits resulting from stock option exercises credited to additional paid-in capital totaled approximately $341,000, $288,000, and $540,000, in 2002, 2001, and 2000, respectively.

Goodwill -- Goodwill primarily represents the excess of the purchase price paid over the fair value of the net assets acquired in connection with business acquisitions. Effective January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (SFAS No. 142). SFAS No. 142 requires that entities assess the fair value of the net assets underlying all acquisition-related goodwill on a reporting unit basis effective beginning in 2002. When the fair value is less than the related carrying value, entities are required to reduce the amount of goodwill (see Note B). The approach to evaluating the recoverability of goodwill as outlined in SFAS No. 142 requires the use of valuation techniques utilizing estimates and assumptions about projected future operating results and other variables. The impairment only approach required by SFAS No. 142 may have the effect of increasing the volatility of the Company's earnings if goodwill impairment occurs at a future date.

Long-Lived Assets Other Than Goodwill -- The Company assesses its long-lived assets other than goodwill for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. To analyze recoverability, the Company projects undiscounted net future cash flows over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of assets with a corresponding charge to earnings. Impairment losses, if any, are measured based upon the difference between the carrying amount and the fair value of the assets.

Fair Value of Financial Instruments -- The carrying amounts reflected in the consolidated balance sheets for cash, accounts receivable, bank, and other debt approximate their respective fair values. The fair value of the liability for interest rate swap agreements, included in accounts payable and accrued expenses in the consolidated balance sheet, was approximately $3,321,000 and $3,145,000 at December 31, 2002 and 2001, respectively, based upon quotes from financial institutions. At December 31, 2002 and 2001, the carrying amount for variable rate debt approximates fair market value since the interest rates on these instruments are reset periodically to current market rates.

At December 31, 2002, the fair market value of fixed rate long-term debt was approximately $51,074,000, based primarily on quoted prices for these or similar instruments. The fair value of fixed rate long-term debt was estimated by calculating the present value of anticipated cash flows. The discount rate used was an estimated borrowing rate for similar debt instruments with like maturities.

Revenue Recognition -- Rental revenues are recognized as revenue in the month they are due. Rental payments received prior to the month due are recorded as deferred rental revenue. The Company maintains ownership of the rental merchandise until all payments are received under sales and lease ownership agreements. Revenues from the sale of residential and office furniture and other merchandise are recognized at the time of shipment which is when title and risk of ownership are transferred to the customer.

Franchisees pay a non-refundable initial franchise fee of $35,000 for each store opened and an ongoing royalty of 5% of cash receipts. Franchise fees and area development franchise fees are generated from the sale of rights to develop, own, and operate Aaron's Sales & Lease Ownership stores. These fees are recognized when substantially all of the Company's obligations per location are satisfied (generally at the date of the store opening). Prior to opening, the franchisees are provided support in creating a business plan, site selection services, marketing analysis, and training, and are provided necessary computer software and assistance in advertising and publicity to reach the market area of each store. Franchise fees and area development fees received prior to the substantial completion of the Company's obligations are deferred. The ongoing royalties are recognized in the period earned. In addition, on a monthly basis, the Company recognizes servicing and guarantee fees as earned associated with the Company-sponsored franchise loan program. The Company includes this income in Other Revenues in the Consolidated Statements of Earnings.

Allowance for Uncollectible Accounts Receivable -- The Company had an allowance for uncollectible accounts receivable of $1,300,000 as of December 31, 2002.

Closed Store Reserves -- From time to time the Company closes under-performing stores. The charges related to the closing of these stores primarily consist of reserving the net present value of future minimum payments under the store's real estate leases.

Insurance Reserves -- Estimated insurance reserves are accrued primarily for group health and workers compensation benefits provided to the Company's employees. Estimates for these insurance reserves are made based on actual reported but unpaid claims and actuarial analysis of the projected claims run off for both reported and unreported but incurred claims.

Derivative Instruments and Hedging Activities -- From time to time, the Company uses interest rate swap agreements to synthetically manage the interest rate characteristics of a portion of its outstanding debt and to limit the Company's exposure to rising interest rates. The Company designates at inception that interest rate swap agreements hedge risks associated with future variable interest payments and monitors each swap agreement to determine if it remains an effective hedge. The effectiveness of the derivative as a hedge is based on a high correlation between changes in the value of the underlying hedged item. The ineffectiveness related to the Company's derivative transactions is not material. The Company records amounts to be received or paid as a result of interest rate swap agreements as an adjustment to interest expense, or in the case of variable payment lease obligations, as an adjustment to net expenses. At December 31, 2002, the notional amount of approximately $28,000,000 of the Company's interest rate swaps were designated as effective cash flow hedges, and approximately $32,000,000 were not being utilized as a hedge of variable obligations. In the event of early termination or redesignation of interest rate swap agreements, any resulting gain or loss would be deferred and amortized as an adjustment to interest expense of the related debt instrument over the remaining term of the original contract life of the agreement. In the event of early extinguishment of a designated debt obligation, any realized or unrealized gain or loss from the associated swap would be recognized in income at the time of extinguishment. The Company does not enter into derivatives for speculative or trading purposes.

Comprehensive Income -- Comprehensive income totaled $27,526,000, $10,382,000, and $27,261,000, for the years ended December 31, 2002, 2001, and 2000, respectively.

New Accounting Pronouncements -- Effective January 1, 2002, the Company adopted SFAS No. 141, BUSINESS COMBINATIONS (SFAS No. 141), and SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (SFAS No. 142). SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142 requires that entities assess the fair value of the net assets underlying all acquisition-related goodwill on a reporting unit basis. See Note B.

In June 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES (SFAS No. 146) which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, LIABILITY RECOGNITION FOR CERTAIN EMPLOYEE TERMINATION BENEFITS AND OTHER COSTS TO EXIT AN ACTIVITY (INCLUDING CERTAIN COSTS INCURRED IN A RESTRUCTURING) (EITF 94-3). SFAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized when the liability is incurred as opposed to the date of an entity's commitment to an exit plan. SFAS No. 146 also establishes fair value as the objective for initial measurement of the liability. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect SFAS No. 146 to have a significant impact on the Company's financial statements.

In December, 2002, the FASB issued SFAS No. 148, ACCOUNTING FOR STOCK-BASED COMPENSATION -- TRANSITION AND DISCLOSURE (SFAS No. 148). SFAS No. 148 amends SFAS No. 123 to provide alternative methods of transition to SFAS No. 123's fair value method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 and Accounting Principles Board Opinion No. 28, INTERIM FINANCIAL REPORTING, to require disclosure in the summary of significant accounting policies of the effects of an entity's accounting policy with respect to stock-based employee compensation on reported net income and earnings per share in annual and interim financial statements. The disclosure provisions of SFAS No. 148 are applicable to all companies with stock-based employee compensation, regardless of whether they account for that compensation using the fair value method of SFAS No. 123 or the intrinsic value method of APB Opinion No. 25. SFAS No. 148's amendment of the transition and annual disclosure requirements of SFAS No. 123 are effective for fiscal years ending after December 15, 2002. The additional disclosures required under SFAS No. 148 have been included in Note I.

In November, 2002, the FASB issued Interpretation Number 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS (FIN 45). FIN 45 requires an entity to disclose in its interim and annual financial statements information with respect to its obligations under certain guarantees that it has issued. It also requires an entity to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The disclosure requirements of FIN 45 are effective for interim and annual periods ending after December 15, 2002. These disclosures are presented in Note G. The initial recognition and measurement requirements of FIN 45 are effective prospectively for guarantees issued or modified after December 31, 2002. The Company is currently assessing the initial measurement requirements of FIN 45. However, management does not believe that the recognition requirements will have a material impact on the Company's financial position or results of operations.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), CONSOLIDATION OF VARIABLE INTEREST ENTITIES, AN INTERPRETATION OF ARB No. 51. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN46 must be applied for the first interim or annual period beginning after June 15, 2003. The adoption is not expected to have a material effect on the Company's financial statements.

In January 2003, the Emerging Issues Task Force (EITF) of the FASB issued EITF Issue No. 02-16, ACCOUNTING BY A CUSTOMER (INCLUDING A RESELLER) FOR CERTAIN CONSIDERATION RECEIVED FROM A VENDOR (EITF 02-16). EITF 02-16 addresses accounting and reporting issues related to how a reseller should account for cash consideration received from vendors. Generally, cash consideration received from vendors is presumed to be a reduction of the prices of the vendor's products or services and should, therefore, be characterized as a reduction of cost of sales when recognized in the customer's income statement. However, under certain circumstances this presumption may be overcome and recognition as revenue or as a reduction of other costs in the income statement may be appropriate. While the Company does receive cash consideration from vendors subject to the provisions of EITF 02-16, the Company has not yet completed its evaluation of the potential impact on its financial statements. EITF 02-16 is effective for fiscal periods beginning after December 15, 2002.

NOTE B: ACCOUNTING CHANGES

Effective January 1, 2002, the Company prospectively changed its method of depreciation for sales and lease ownership rental merchandise. Previously, all sales and lease ownership rental merchandise began being depreciated when received at the store over a period of the shorter of 36 months or the length of the rental period(s), to a salvage value of zero. Due to changes in business, the Company changed the depreciation method such that sales and lease ownership rental merchandise received into a store begins being depreciated at the earlier of the expiration of 12 months from the date of acquisition, or upon being subject to a sales and lease ownership agreement. Under the previous and the new depreciation method, rental merchandise in distribution centers does not begin being depreciated until 12 months from the date of acquisition. The Company believes the new depreciation method results in a better matching of the costs of rental merchandise with the corresponding revenue. The change in method of depreciation had the effect of increasing net income by approximately $3,038,000, or approximately $.14 diluted earnings per share, for the year ended December 31, 2002.

Effective January 1, 2002, the Company adopted SFAS No. 141 and SFAS No. 142. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. SFAS No. 142 requires that entities assess the fair value of the net assets underlying all acquisition-related goodwill on a reporting unit basis effective beginning in 2002. When fair value is less than the related carrying value, entities are required to reduce the amount of goodwill. The Company performed Step 1 of the required transitional impairment test under SFAS No. 142 using a combination of the market value and comparable transaction approaches to business enterprise valuation. The Company concluded that the enterprise fair value of the Company's reporting units was greater than the carrying value and, accordingly, no further impairment analysis was considered necessary.

Prior to the adoption of SFAS No. 142, the Company amortized goodwill over estimated useful lives up to a maximum of 20 years. Had the Company accounted for goodwill consistent with the provisions of SFAS No. 142 in prior years, the Company's earnings would have been affected as follows:

(IN THOUSANDS, EXCEPT PER SHARE)	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Net earnings, as reported	$ 27,440	$ 12,336	$ 27,261
Add back: Goodwill amortization, net of tax		688	431
Net earnings, as adjusted	$ 27,440	$ 13,024	$ 27,692
Basic earnings per common share:			
As reported	$ 1.31	$ .62	$ 1.38
Add back: Goodwill amortization		.03	.02
As adjusted	$ 1.31	$ .65	$ 1.40
Diluted earnings per common share:			
As reported	$ 1.29	$ .61	$ 1.37
Add back: Goodwill amortization		.03	.02
As adjusted	$ 1.29	$ .64	$ 1.39

NOTE C: EARNINGS PER SHARE

Earnings per share is computed by dividing net income by the weighted average number of common shares outstanding during the year, which were 20,909,000 shares in 2002, 19,928,000 shares in 2001, and 19,825,000 shares in 2000. The computation of earnings per share assuming dilution includes the dilutive effect of stock options and awards. Such stock options and awards had the effect of increasing the weighted average shares outstanding assuming dilution by 324,000 in 2002, 214,000 in 2001, and 142,000 in 2000, respectively.

NOTE D: PROPERTY, PLANT & EQUIPMENT

(IN THOUSANDS)	DECEMBER 31, 2002	DECEMBER 31, 2001
Land	$ 9,077	$ 10,504
Buildings & Improvements	32,943	37,570
Leasehold Improvements & Signs	44,587	38,214
Fixtures & Equipment	29,768	28,357
Assets Under Capital Lease:		
With Related Parties	10,308	
With Unrelated Parties	1,432	
Construction in Progress	4,318	1,788
	132,433	116,433
Less: Accumulated Depreciation & Amortization	(45,339)	(39,151)
	$ 87,094	$ 77,282

NOTE E: CREDIT FACILITIES

Following is a summary of the Company's credit facilities at December 31:

(IN THOUSANDS)	DECEMBER 31, 2002	DECEMBER 31, 2001
Bank Debt	$ 7,325	$ 72,397
Private Placement	50,000	
Capital Lease Obligation:		
With Related Parties	10,308	
With Unrelated Parties	1,432	
Other Debt	4,200	5,316
	$ 73,265	$ 77,713

Bank Debt -- The Company has a revolving credit agreement dated March 30, 2001 with several banks providing for unsecured borrowings up to $110,000,000, which includes an $8,000,000 credit line to fund daily working capital requirements. Amounts borrowed bear interest at the lower of the lender's prime rate or LIBOR plus 1.25%. The pricing under the working capital line is based upon overnight bank borrowing rates. At December 31, 2002 and 2001, an aggregate of $7,325,000 (bearing interest at 2.65%) and $72,397,000 (bearing interest at 3.21%) was outstanding under the current and prior revolving credit agreements, respectively. The Company pays a .25% commitment fee on unused balances. The weighted average interest rate on borrowings under the revolving credit agreement (before giving effect to interest rate swaps) was 3.86% in 2002, 5.77% in 2001, and 7.07% in 2000. The revolving credit agreement expires March 30, 2004.

The revolving credit agreement contains certain covenants which require that the Company not permit its consolidated net worth as of the last day of any fiscal quarter to be less than the sum of (a) $187,675,000 plus (b) 50% of the Company's consolidated net income (but not loss) for the period beginning

January 1, 2001 and ending on the last day of such fiscal quarter plus (c) 100% of the net proceeds of $34,078,000 from an underwritten public offering of 1,725,000 newly-issued shares of its common stock in June 2002. It also places other restrictions on additional borrowings and requires the maintenance of certain financial ratios. At December 31, 2002, $37,901,000 of retained earnings were available for dividend payments and stock repurchases under the debt restrictions, and the Company was in compliance with all covenants.

Private Placement -- On August 14, 2002 the Company sold $50,000,000 in aggregate principal amount of senior unsecured notes (the Notes) in a private placement to a consortium of insurance companies. The Notes mature August 13, 2009. Quarterly interest only payments at 6.88% are due for the first two years followed by annual $10,000,000 principal repayments plus interest for the five years thereafter.

Capital Leases with Related Parties -- In April 2002, the Company sold land and buildings with a carrying value of approximately $6,258,000 to a limited liability company (LLC) controlled by the Company's majority shareholder. Simultaneously, the Company and the LLC entered into a fifteen-year lease for the building and a portion of the land, with two five-year renewal options at the discretion of the Company. The LLC obtained borrowings collateralized by the land and building totalling approximately $6,401,000. The land and building associated with the lease collateralizing the obligation are occupied by the Company. The transaction has been accounted for as a financing in the accompanying consolidated financial statements. The rate of interest implicit in the lease financing is approximately 8.7%. Accordingly, the land and building and the lease obligation are recorded in the Company's consolidated financial statements. No gain or loss was recognized associated with this transaction.

In December 2002, the Company sold 11 properties, including leasehold improvements, to a separate limited liability company (LLC) controlled by a group of Company executives and managers, including the Company's majority shareholder. The LLC obtained borrowings collateralized by land and buildings totalling approximately $5 million. Simultaneously, the Company and the LLC entered into 11 separate fifteen-year leases for the land and buildings, each lease containing one five-year renewal option at the discretion of the Company. The land and buildings associated with the lease collateralizing the obligation are occupied by the Company. The transactions have been accounted for as capital leases in the accompanying consolidated financial statements. The rate of interest implicit in the leases is approximately 11.1%. Accordingly, the land and buildings and the lease obligations are recorded in the Company's consolidated financial statements. No gain or loss was recognized associated with this transaction.

Other Debt -- Other debt at December 31, 2002 is comprised of $4,200,000 of industrial development corporation revenue bonds. The average weighted borrowing rate on these bonds in 2002 was 1.60%. No principal payments are due on the bonds until maturity in 2015.

Future principal maturities under the Company's credit facilities are as follows:

2003	$ 277
2004	7,713
2005	10,425
2006	10,464
2007	10,556
Thereafter	33,830

NOTE F: INCOME TAXES

	YEAR ENDED	YEAR ENDED	YEAR ENDED

(IN THOUSANDS)	DECEMBER 31, 2002	DECEMBER 31, 2001	DECEMBER 31, 2000
Current Income Tax (Benefit) Expense:			
Federal	$ (11,431)	$ 6,239	$ 9,461
State	(1,911)	112	608
	(13,342)	6,351	10,069
Deferred Income Tax Expense:			
Federal	26,209	953	5,520
State	3,345	215	1,056
	29,554	1,168	6,576
	$ 16,212	$ 7,519	$ 16,645

Significant components of the Company's deferred income tax liabilities and assets are as follows:

(IN THOUSANDS)	DECEMBER 31, 2002	DECEMBER 31, 2001
Deferred Tax Liabilities:		
Rental Merchandise and Property, Plant & Equipment	$ 59,432	$ 28,852
Other, Net	3,486	1,376
Total Deferred Tax Liabilities	62,918	30,228
Deferred Tax Assets:		
Accrued Liabilities	1,211	2,702
Advance Payments	5,371	3,512
Other, Net	5,819	3,051
Total Deferred Tax Assets	12,401	9,265
Net Deferred Tax Liabilities	$ 50,517	$ 20,963

The Company's effective tax rate differs from the federal income tax statutory rate as follows:

	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Statutory Rate	35.0%	35.0%	35.0%
Increases in Taxes Resulting From:			
State Income Taxes, Net of Federal Income Tax Benefit	2.1	1.1	2.5
Other, Net		1.8	0.4
Effective Tax Rate	37.1%	37.9%	37.9%

NOTE G: COMMITMENTS

The Company leases warehouse and retail store space for substantially all of its operations under operating leases expiring at various times through 2015. The Company also leases certain properties under capital leases which are more fully described in Note E. Most of the operating leases contain renewal options for additional periods RANGING from one to 15 years or provide for options to purchase the related property at predetermined purchase prices which do not represent bargain purchase options. In addition, certain properties occupied under operating leases contain normal purchase options. The Company also has a $25,000,000 construction and lease facility. Properties acquired by the lessor are purchased or constructed and then leased to the Company under operating lease agreements. The total amount advanced and outstanding under this facility at December 31, 2002 was approximately $24,700,000. Since the resulting leases are operating leases, no debt obligation is recorded on the Company's balance sheet. The Company also leases transportation and computer equipment under operating leases expiring during the next three to five years. Management expects that most leases will be renewed or replaced by other leases in the normal course of business.

Future minimum rental payments required under operating leases that have initial or remaining non-cancelable terms in excess of one year as of December 31, 2002, are as follows: $33,325,000 in 2003; $27,847,000 in 2004; $19,831,000 in 2005; $12,596,000 in 2006; $6,829,000 in 2007; and $7,100,000 thereafter. Certain operating leases expiring in 2006 contain residual value guarantee provisions and other guarantees in the event of a default. Although the likelihood of funding under these guarantees is considered by the Company to be remote, the maximum amount the Company may be liable for under such guarantees is approximately $24,700,000.

Rental expense was $38,970,000 in 2002, $36,506,000 in 2001, and $30,659,000 in 2000.

The Company leases one building from a partnership of which an officer of the Company is a partner under an operating lease expiring in 2008 for annual rentals aggregating $212,700.

The Company maintains a 401(k) savings plan for all full-time employees with at least one year of service with the Company and who meet certain eligibility requirements. The plan allows employees to contribute up to 10% of their annual compensation with 50% matching by the Company on the first 4% of compensation. The Company's expense related to the plan was $453,000 in 2002, $436,000 in 2001; and $427,000 in 2000.

NOTE H: SHAREHOLDERS' EQUITY

In February 1999, the Company's Board of Directors authorized the repurchase of up to 2,000,000 shares of the Company's Common Stock and/or Class A Common Stock. During 2002, 97,800 shares of the Company's Class A Common Stock were purchased at an aggregate cost of $1,667,490 and 9,884 shares of the Company's Common Stock were transferred back into treasury at an aggregate cost of $218,000. The Company was authorized to purchase an additional 1,186,890 shares and held a total of 3,642,525 common shares in its treasury at December 31, 2002. The Company's articles of incorporation provide that no cash dividends may be paid on our Class A Common Stock unless equal or higher dividends are paid on the Common Stock.

The Company has 1,000,000 shares of Preferred Stock authorized. The shares were issuable in series with terms for each series fixed by the Board and such issuance is subject to approval by the Board of Directors. No preferred shares have been issued.

NOTE I: STOCK OPTIONS

The Company has stock option plans under which options to purchase shares of the Company's Common Stock are granted to certain key employees. Under the plans, options granted become exercisable after a period of two or three years and unexercised options lapse five or ten years after the date of the grant. Options are subject to forfeiture upon termination of service. Under the plans, 1,817,000 of the Company shares were reserved for issuance at December 31, 2002. The weighted average fair value of options granted was $9.84 in 2002, $9.68 in 2001, and $8.11 in 2000.

Pro forma information regarding net earnings and earnings per share is required by FAS 123, and has been determined as if the Company had accounted for its employee stock options granted in 2002, 2001, and 2000 under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 2002, 2001, and 2000, respectively: risk-free interest rates of

5.78%, 6.05%, and 6.47%, a dividend yield of .18%, .24%, and .28%; a volatility factor of the expected market price of the Company's Common Stock of .46, .45, and .45; and a weighted average expected life of the option of 5 years in 2002, and eight years for all other years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures under SFAS No. 123 as amended by SFAS No. 148, the estimated fair value of the options is amortized to expense over the options' vesting period. The following table illustrates the effect on net earnings and earnings per share as if the fair value based method had been applied to all outstanding and unvested awards in each period:

(IN THOUSANDS, EXCEPT PER SHARE)	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Net earnings as reported	$ 27,440	$ 12,336	$ 27,261
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1,165)	(1,262)	(1,351)
Pro forma net earnings	$ 26,275	$ 11,074	$ 25,910
Earnings per share:			
Basic -- as reported	$ 1.31	$ .62	$ 1.38
Basic -- pro forma	$ 1.26	$ .56	$ 1.31
Diluted -- as reported	$ 1.29	$ .61	$ 1.37
Diluted -- pro forma	$ 1.24	$ .55	$ 1.30

The table below summarizes option activity for the periods indicated in the Company's stock option plans.

(IN THOUSANDS, EXCEPT PER SHARE)	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at December 31, 1999	1,302	$ 12.17
Granted	405	13.73
Exercised	(235)	8.22
Forfeited	(95)	16.18
Outstanding at December 31, 2000	1,377	13.02
Granted	133	16.30
Exercised	(110)	10.77
Forfeited	(99)	16.44
Outstanding at December 31, 2001	1,301	13.29
Granted	205	20.86
Exercised	(98)	13.77
Forfeited	(70)	17.34
Outstanding at December 31, 2002	1,338	14.21

Exercisable at December 31, 2002	714	$ 12.47

The following table summarizes information about stock options outstanding at December 31, 2002.

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING DECEMBER 31, 2002	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE DECEMBER 31, 2002	WEIGHTED AVERAGE EXERCISE PRICE
$ 9.87 - $ 10.00	411,800	3.27 years	$ 9.88	411,800	$ 9.88
10.01 - 15.00	408,000	7.42 years	13.38	90,500	13.13
15.01 - 20.86	517,850	6.92 years	16.87	211,350	17.26
$ 9.87 - $ 20.86	1,337,650	6.23 years	$ 14.21	713,650	$ 12.47

NOTE J: FRANCHISING OF AARON'S SALES & LEASE OWNERSHIP STORES

The Company franchises Aaron's Sales & Lease Ownership stores. As of December 31, 2002 and 2001, 445 and 299 franchises had been awarded, respectively. Franchisees pay a non-refundable initial franchise fee of $35,000 and an ongoing royalty of 5% of cash receipts. Franchise fees and area development franchise fees are generated from the sale of rights to develop, own, and operate Aaron's Sales & Lease Ownership stores. These fees are recognized when substantially all of the Company's obligations per location are satisfied, generally at the date of the store opening. Franchise fees and area development fees received prior to the substantial completion of the Company's obligations are deferred. The Company includes this income in Other Revenues in the Consolidated Statement of Earnings.

The Company has guaranteed certain debt obligations of some of the franchisees amounting to $63,704,000 at December 31, 2002. The Company receives a guarantee and servicing fee based on such franchisees' outstanding debt obligations which is recognized as income is earned. The Company has recourse rights to the assets securing the debt obligations. As a result, the Company does not expect to incur any significant losses under these guarantees.

NOTE K: ACQUISITIONS AND DISPOSITIONS

In 2000, the Company acquired 20 sales and lease ownership stores including nine stores purchased from franchisees and 10 stores located in Puerto Rico. The aggregate purchase price of these 2000 acquisitions was $14,273,000 and the excess cost over the fair market value of tangible assets acquired was approximately $7,150,000. During 2001, the Company acquired 23 sales and lease ownership stores including 13 stores purchased from franchisees. The aggregate purchase price of these 2001 acquisitions was $10,423,000 and the excess cost over the fair market value of tangible assets acquired was approximately $4,553,000. Also, in 2001 the Company acquired two rent-to-rent stores. The aggregate purchase price of these 2001 rent-to-rent acquisitions was not significant. During 2002, the Company acquired 10 sales and lease ownership stores and 25 credit retail stores with an aggregate purchase price of $14,033,000. The excess cost over the fair market value of tangible assets acquired, representing goodwill, was approximately $3,889,000.

These acquisitions were accounted for under the purchase method and, accordingly, the results of operations of the acquired businesses are included in the Company's results of operations from their dates of acquisition. The effect of these acquisitions on the 2002, 2001, and 2000 consolidated financial statements was not significant.

In 2002, the Company sold four of its sales and lease ownership stores to an existing franchisee. In 2001, the Company sold three of its sales and lease ownership stores to existing franchisees and sold five of its rent-to-rent stores. In 2000, the Company sold four of its rent-to-rent stores. The effect of these sales on the consolidated financial statements was not significant.

NOTE L: SEGMENTS

DESCRIPTION OF PRODUCTS AND SERVICES OF REPORTABLE SEGMENTS

Aaron Rents, Inc. has four reportable segments: sales and lease ownership, rent-to-rent, franchise, and manufacturing. The sales and lease ownership division offers electronics, residential furniture, and appliances to consumers primarily on a monthly payment basis with no credit requirements. The rent-to-rent division rents and sells residential and office furniture to businesses and consumers who meet certain minimum credit requirements. The Company's franchise operation sells and supports franchises of its sales and lease ownership concept. The manufacturing division manufactures upholstery, office furniture, lamps, and accessories, and bedding predominantly for use by the other divisions.

MEASUREMENT OF SEGMENT PROFIT OR LOSS AND SEGMENT ASSETS

The Company evaluates performance and allocates resources based on revenue growth and pre-tax profit or loss from operations. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that the sales and lease ownership division revenues and certain other items are presented on a cash basis. Intersegment sales are completed at internally negotiated amounts ensuring competitiveness with outside vendors. Since the intersegment profit and loss affects inventory valuation, depreciation, and cost of goods sold are adjusted when intersegment profit is eliminated in consolidation.

FACTORS USED BY MANAGEMENT TO IDENTIFY THE REPORTABLE SEGMENTS

The Company's reportable segments are business units that service different customer profiles using distinct payment arrangements. The reportable segments are each managed separately because of differences in both customer base and infrastructure.

Revenues in the "Other" category are primarily from leasing space to unrelated, third parties in our corporate headquarters building and revenues from several minor unrelated activities. The pretax losses in the "Other" category are the net result of the profit and losses from leasing a portion of the corporate headquarters and several minor unrelated activities, and the portion of corporate overhead not allocated to the reportable segments for management purposes. The significant increase in "Other" losses before income taxes in 2001 and 2002 as compared to 2000 relates to the under allocation of corporate expenses to the reportable segments in the periods of rising corporate expenses.

"Other Allocations and Adjustments" are primarily comprised of the capitalization and amortization of manufacturing variances not allocated to the segment which holds the related rental merchandise, adjustments to the closed store reserve, and other non-recurring adjustments not allocated to the operating segments. The reason for the change in the "Other Allocations and Adjustments" from 2000 to 2001 was primarily the recording of a $5.6 million charge for future lease obligations and impaired assets which were not charged to the corresponding operating segment for management reporting purposes.

Earnings before income taxes for each reportable segment are generally determined in accordance with generally accepted accounting principles with the following adjustments:

- A predetermined amount of approximately 2.2% of each reportable segments' revenues is charged from corporate as an allocation of corporate overhead.

- Non-recurring or unusual adjustments related to store closures and rent payments related to closed stores are not recorded on the reportable segments financial statements, but rather maintained and controlled by corporate headquarters.

- The capitalization and amortization of manufacturing variances is recorded on the corporate financial statements as part of "Other Allocations and Adjustments" and is not allocated to the segment which holds the related rental merchandise.

- Interest on borrowings is estimated at the beginning of each year.

Interest is then allocated from corporate to operating segments on the basis of relative total assets.

- Sales and lease ownership revenues are reported on the cash basis for management reporting purposes.

Information on segments and a reconciliation to earnings before income taxes are as follows:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 2002	YEAR ENDED DECEMBER 31, 2001	YEAR ENDED DECEMBER 31, 2000
Revenues From External Customers:			
Sales & Lease Ownership	$ 501,390	$ 380,404	$ 312,921
Rent-to-Rent	119,885	150,002	174,918
Franchise	16,663	13,913	12,621
Other	4,746	4,243	4,057
Manufacturing	56,002	47,035	54,340
Elimination of Intersegment Revenues	(56,141)	(47,801)	(54,807)
Cash to Accrual Adjustments	(1,857)	(1,115)	(1,130)
Total Revenues From External Customers	$ 640,688	$ 546,681	$ 502,920
Earnings Before Income Taxes:			
Sales & Lease Ownership	$ 31,220	$ 11,314	$ 19,527
Rent-to-Rent	9,057	9,152	16,346
Franchise	10,919	9,212	7,484
Other	(5,544)	(3,244)	(943)
Manufacturing	989	(587)	728
Earnings Before Income Taxes For Reportable Segments	46,641	25,847	43,142
Elimination of Intersegment Loss	(760)	(1,449)	(441)
Cash to Accrual Adjustments	(3,259)	(1,151)	(804)
Other Allocations & Adjustments	1,030	(3,392)	2,009
Total Earnings Before Income Taxes	$ 43,652	$ 19,855	$ 43,906
Assets:			
Sales & Lease Ownership	$ 327,845	$ 241,245	$ 205,043
Rent-to-Rent	89,133	107,882	128,163
Franchise	12,627	13,991	12,961
Other	35,488	17,533	17,485
Manufacturing	18,555	16,545	16,727
Total Assets	$ 483,648	$ 397,196	$ 380,379
Depreciation & Amortization:			
Sales & Lease Ownership	$ 154,310	$ 121,953	$ 97,139
Rent-to-Rent	22,901	29,736	34,557
Franchise	486	444	412
Other	541	690	354
Manufacturing	802	725	647
Total Depreciation & Amortization	$ 179,040	$ 153,548	$ 133,109
Interest Expense:			
Sales & Lease Ownership	$ 4,768	$ 4,620	$ 2,750
Rent-to-Rent	2,493	3,010	2,496
Franchise	83	119	144
Other	(2,577)	(1,491)	235
Total Interest Expense	$ 4,767	$ 6,258	$ 5,625

NOTE M: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE)	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
YEAR ENDED DECEMBER 31, 2002				
Revenues	$ 156,663	$ 151,162	$ 157,838	$ 175,025
Gross Profit	79,074	78,822	79,948	84,079
Earnings Before Taxes	9,457	10,666	10,669	12,860
Net Earnings	5,921	6,696	6,721	8,102
Earnings Per Share	.30	.33	.31	.37
Earnings Per Share Assuming Dilution	.29	.32	.31	.37
YEAR ENDED DECEMBER 31, 2001				
Revenues	$ 141,417	$ 132,763	$ 132,516	$ 139,985
Gross Profit	75,857	71,442	70,034	68,859
Earnings Before Taxes	11,802	7,998	(3,158)	3,213
Net Earnings	7,329	4,967	(1,961)	2,001
Earnings Per Share	.37	.25	(.10)	.10
Earnings Per Share Assuming Dilution	.37	.25	(.10)	.10

In the third quarter of 2001, the Company recorded non-cash charges totaling approximately $5.6 million, before income taxes, related to certain store closings and related exit costs.

REPORT OF INDEPENDENT AUDITORS

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AARON RENTS, INC.:

We have audited the accompanying consolidated balance sheets of Aaron Rents, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of earnings, shareholders' equity, and cash flows for the years ended December 31, 2002, 2001, and 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aaron Rents, Inc. and Subsidiaries as of December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note B, on January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS, and changed its method of depreciating sales and lease ownership rental merchandise.

/s/ Ernst & Young LLP

Atlanta, Georgia
February 21, 2003

COMMON STOCK MARKET PRICES & DIVIDENDS

The following table shows, for the periods indicated, the range of high and low prices per share for the Common Stock and Class A Common Stock and the cash dividends declared per share.

The Company's Common Stock and Class A Common Stock are listed on the New York Stock Exchange under the symbols "RNT" and "RNT.A," respectively.

The approximate number of shareholders of the Company's Common Stock and Class A Common Stock at March 14, 2003, was 2,600. The closing price for the Common Stock and Class A Common Stock on March 14, 2003 was $18.51 and $19.55, respectively.

Subject to our continuing to earn sufficient income, to any future capital needs and to other contingencies, we currently expect to continue our policy of paying dividends. Our articles of incorporation provide that no cash dividends may be paid on our Class A stock unless equal or higher dividends are paid on the Common Stock. Under our revolving credit agreement, we may pay cash dividends in any fiscal year only if the dividends do not exceed 50% of our consolidated net earnings for the prior fiscal year plus the excess, if any, of the cash dividend limitation applicable to the prior year over the dividends actually paid in the prior year. Cash

COMMON STOCK	HIGH	LOW	CASH DIVIDENDS PER SHARE
DECEMBER 31, 2002			
First Quarter	$ 23.15	$ 14.45	
Second Quarter	28.49	20.15	.02
Third Quarter	23.60	18.50	
Fourth Quarter	23.20	20.10	.02
DECEMBER 31, 2001			
First Quarter	$ 17.50	$ 13.55	
Second Quarter	19.50	15.10	.02
Third Quarter	18.97	14.90	
Fourth Quarter	18.20	15.00	.02

CLASS A COMMON STOCK	HIGH	LOW	CASH DIVIDENDS PER SHARE
DECEMBER 31, 2002			
First Quarter	$ 22.25	$ 10.50	
Second Quarter	27.50	21.40	.02
Third Quarter	24.60	20.60	
Fourth Quarter	23.75	21.15	.02
DECEMBER 31, 2001			
First Quarter	$ 15.90	$ 12.13	
Second Quarter	16.50	15.72	.02
Third Quarter	16.35	13.75	
Fourth Quarter	15.25	12.50	.02

STORE LOCATIONS IN THE UNITED STATES AND PUERTO RICO

[GRAPHIC]

AT DECEMBER 31, 2002

- COMPANY-OPERATED SALES & LEASE OWNERSHIP 387
- FRANCHISED SALES & LEASE OWNERSHIP 232

- RENT-TO-RENT	70
- SIGHT & SOUND	25
TOTAL STORES	714
MANUFACTURING & DISTRIBUTION CENTERS	21

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME	STATE OF INCORPORATION
Aaron Investment Company	Delaware
Aaron Rents, Inc. Puerto Rico	Commonwealth of Puerto Rico

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Aaron Rents, Inc. of our report dated February 21, 2003, included in the 2002 Annual Report to Shareholders of Aaron Rents, Inc.

We also consent to the incorporation by reference in the Registration Statements of Aaron Rents, Inc. listed below of our report dated February 21, 2003, with respect to the consolidated financial statements of Aaron Rents, Inc. incorporated by reference or included in the Annual Report (Form 10-K) for the year ended December 31, 2002.

- Registration Statement No. 33-9026 on Form S-8 pertaining to the Aaron Rents, Inc. Retirement Plan and Trust
- Registration Statement No. 33-62538 on Form S-8 pertaining to the Aaron Rents, Inc. Retirement Plan and Trust
- Registration No. 333-33363 on Form S-8 pertaining to the Aaron Rents, Inc. 1996 Stock Option Incentive Award Plan
- Registration No. 333-76026 on Form S-8 pertaining to the Aaron Rents, Inc. 2001 Stock Option Incentive Award Plan

/s/Ernst & Young LLP

Atlanta, Georgia
March 31, 2003

EXHIBIT 99(a)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Aaron Rents, Inc. (the "Company") on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, R. Charles Loudermilk, Sr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2003

/s/ R. Charles Loudermilk, Sr.

R.Charles Loudermilk, Sr.
Chairman of the Board and
Chief Executive Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO AARON RENTS, INC. AND WILL BE RETAINED BY AARON RENTS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

EXHIBIT 99(b)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Aaron Rents, Inc. (the "Company") on Form 10-K for the period ending December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gilbert L. Danielson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 31, 2003

/s/ Gilbert L. Danielson

Gilbert L. Danielson
Executive Vice President,
Chief Financial Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO AARON RENTS, INC. AND WILL BE RETAINED BY AARON RENTS, INC. AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.