

AutoZone Pledge, est. 1986

**AutoZoners always put customers first!
We know our parts and products.
Our stores look great!
We've got the best merchandise at the right price.**

Dear Customers, AutoZoners and Stockholders,

On behalf of more than 70,000 AutoZoners, it remains an honor for me to update you on our progress during fiscal 2012 and to review our incredible opportunities for 2013 and beyond. This past year we achieved many memorable milestones as our business continued to grow both domestically and internationally. While we've enjoyed financial success with our Mexico business for many years now, this year we announced we would begin doing business on two new continents with the declaration that we would soon be opening stores in Brazil and our ALLDATA Repair product would soon be available for sale in Europe. AutoZone was built on a culture of customer service. More than 25 years ago, our Pledge was written with the purpose of making our daily decisions easy. Those four lines have defined us ever since. And, it is the first line, *AutoZoners always put customers first!*, that keeps our priorities in order. We emphasize this message across the organization routinely in order to remind ourselves that our customers are choosing to shop with us, and we can never take that for granted. The credit for our success, since the beginning, belongs to our AutoZoners. It is their commitment to providing exceptional customer service that drives our top and bottom lines, and it is their commitment to providing trustworthy advice that defines us. Our new year's goal is to continue improving our execution across the organization. At AutoZone, we believe superior execution is a defensible competitive point of differentiation. We have many exciting initiatives in place to grow all of our businesses: U.S. Retail, U.S. Commercial, e-Commerce, Mexico, Brazil and ALLDATA. We pledge to you, our stockholders, to do everything possible to capitalize on those opportunities.

This year's theme is 1TEAM *Delivering WOW!* But, what does that mean? Simply put, we want to flawlessly execute our plans for the new year with the hope that our customers will think, and maybe even say, "WOW!" after they've shopped at one of our stores or after one of our Commercial drivers delivers their order. We know this is a daunting task. With 5,000 plus stores and thousands of professional customers, we succeed one customer at a time. In order to deliver this kind of service, we are enhancing our training on customer service including such novel concepts as "just be nice". Additionally, we will be implementing additional technological enhancements to make our

AutoZoners more knowledgeable and efficient. We have an incredible business model that is supported by a phenomenal group of AutoZoners who are deeply committed to our unique and powerful Culture – our greatest weapon. In addition to maximizing our current performance, it is also important that we take calculated risks that shape this organization for the future. Those risks will be measured and contained, but we need to continue to balance innovation, speed and a degree of risk in order to succeed for not just 2013, but years beyond. In essence, we are embarking to build the foundation for the future of AutoZone and future AutoZoners so they can enjoy the same kind of opportunities those who came before us provided to us. As we initiate these new long-term growth opportunities, we will work diligently to ensure that we manage the risks that come with these new ventures effectively, and most importantly, that we retain our intense focus on the areas of our business that drive our current performance. We are well positioned for our new fiscal year, but building on our past successes won't be easy. What is easy is our commitment to continually provide a WOW! experience to our customers.



Summary of 2012 results

Regarding 2012, we had many successes. We exceeded \$8.6 billion in annual sales, up 6.6% over fiscal year 2011, and we delivered another year of exceptional earnings per share growth, up 20.6% to \$23.48. These results were on top of some of our best financial years in recent history. We also:

- Delivered strong same store sales results growing 3.9% versus last year's 6.3% and fiscal 2010's 5.4%
- Continued to grow our domestic Retail and Commercial businesses while continuing to gain market share in both sectors*
- Opened our 5,000th store in Alaska, allowing us to enter our 49th U.S. state
- Opened our 3,000th Commercial program and opened 394 net new programs in 2012. We now have the Commercial program in approximately 65% of our domestic stores and we see ample opportunity to open additional programs
- Opened our 300th store in Mexico
- Launched ALLDATA Repair for Europe
- Continued to leverage the Internet across the enterprise for business-to-consumer and business-to-business customers
- Continued to enhance our Hub Store network including completing 40 Hub projects
- Grew Operating Profit dollars 9% on top of 13% growth in 2011
- Grew Return On Invested Capital (ROIC) to a record 33.0%, up from 31.3% last fiscal year, and 27.6% in fiscal 2010
- Generated our third consecutive year of \$1 billion plus Operating Cash Flow while buying back stock valued at roughly 10% of the market capitalization of the company at the beginning of the fiscal year

These industry-leading results were again driven by our AutoZoners' continued dedication to delivering trustworthy advice and exceptional customer service. Their dedication and passion for our culture of putting our customers first is directly responsible for these milestones.

Our results this past year were in spite of our industry showing signs of softening sales. While we understand every industry goes through cycles of growth and contraction, we believe we are well positioned to

manage our business in all types of economic climates. Based on third party statistics, we continued to gain share across both our Retail and Commercial customer segments. Also, our internal surveys of customer satisfaction continue to tell us that we're doing well. We promise to not rest on our 2012 accomplishments. We will continue to strive to improve our offerings in 2013.

Why we are looking forward to 2013?

U.S. Retail

As the country's largest retailer of automotive aftermarket products, we look forward to the year ahead. With over 4,600 stores across the United States, our U.S. Retail initiatives continue to be more about evolution than revolution. As the economy continued to be challenged in 2012, we focused on the following retail initiatives: (1) Great People Providing Great Service; (2) Leveraging the Internet; and (3) Hub Store improvements. Said in a different way, we remained focused on improving customer service and refining our inventory deployment efforts. We believe the initiatives we put in place with these key priorities were effective and contributed to our success.

We continued to invest time and resources in training our store-level AutoZoners this past year. We also focused on increasing our product availability in the local markets by using our Hub Stores more efficiently and effectively. While our average store carries over 21,000 unique SKUs, our Hubs carry more than double that amount. Hub Stores function as distribution centers, delivering multiple times daily to a select group of surrounding stores while still servicing customers as a regular store. This past year, we completed forty Hub projects relating to our previously existing 144 total Hub Stores while opening five incremental Hubs – finishing the year with 149 locations. We expect to continue to modify a similar number of Hub Stores in 2013. The goal of this initiative is to place more inventory in the local market while pulling slower-turning inventory from surrounding stores. By utilizing this network of "in market" distribution nodes, we were able to add millions of dollars in new parts. These parts additions noticeably added to our Retail and Commercial sales this past year.

Additionally, last year we continued to invest in our website and fulfillment capabilities in order to grow sales via the web. While the Internet remains a very small direct-to-customer selling tool for us, our Internet sales are growing. We have historically viewed the Internet primarily as a tool for customers to complete research before ultimately completing their purchases in store. However, we believe it will become a larger direct sales vehicle in the future, and we will continue to invest extensively to improve our websites in order to grow sales.

U.S. Commercial

Finishing with nearly \$1.3 billion in sales in fiscal 2012, up 20% for the year, we continue to be excited by our growth opportunities in Commercial. With just 65% of our domestic stores having a Commercial program, we see opportunities in 2013 to expand both program count and existing program volumes. From industry data, we are currently a top ten Commercial seller in the U.S., and climbing. Our focus remains on developing and delivering a differentiated value proposition to our customers. Our late model parts coverage additions and Hub Store expansions have continued to improve our overall value proposition. This past year we continued to add sales staff, which reinforces our belief that more intense personal focus on existing account management will drive continued results. With annual Commercial industry sales estimated at north of \$55 billion*, our relatively small, approximately 2.4%, market share signals to us that we have tremendous opportunities for growth in this sector for the foreseeable future.

International

For the last decade we've been describing our international growth as simply, Mexico. This year marks our announced expansion into Brazil, and with it, our rededication to our international efforts. In 2012, we continued with our expansion efforts in Mexico, adding 42 new stores and finishing with 321 total stores across all 31 Mexican states and the Federal District. Mexico's business model is not without challenges, from the security situation, to a complex real estate environment, but we continue to see opportunities to grow at a double digit square footage growth rate. Our team in Mexico has focused tirelessly on providing great service and a compelling value proposition to our Mexican customers. As we continue to grow our in-country product purchases, we have

been successful thus far at managing our exchange rate risks associated with the fluctuating Mexican Peso. We are comfortable with our growth strategy in Mexico, and expect to grow our square footage at a faster clip in Mexico than in the U.S. for several years to come. We remain committed to growing this business prudently and profitably as we continue with our store expansion plans.

Regarding Brazil, we announced this past fiscal year that we would be opening a store in Brazil in the fall. I am pleased to say we're officially open for business in Brazil, as just a few weeks ago we opened our first store. We believe Brazil can be as big, if not bigger, of a market for us than Mexico. However, we remain in the test phase when it comes to Brazil. Once we have proven that our model works well in a small group of stores, we will then make a decision on our long-term expansion plans. We expect this will take significant time to test, and we don't expect Brazil to have a meaningful impact on financial results for a quite some time, but we believe it will provide us with an additional growth vehicle in the future in a sizable and expanding market.

ALLDATA

With over 80,000 repair facilities subscribing to ALLDATA today, our automotive diagnostic and collision software products are setting the pace for the industry. ALLDATA was created by the experts, for experts. We are the leading provider of OEM service and repair information to the professional automotive service and collision industries. Our suite of products also includes ALLDATA Manage, a technologically advanced shop management system, along with ALLDATA Market, a way for shops to communicate with their customers via mobile and desktop devices. We continue to be excited about our growth opportunities in fiscal 2013, as we feel we can increase our subscription penetration rates in all aspects of our business. And, as we recently announced, we will be expanding our ALLDATA offerings into the European market over the next year. As ALLDATA has been a wonderful business over the last 16 years for AutoZone, we believe ALLDATA will continue to be a growth vehicle for the company for many years to come.

*Automotive Aftermarket Factbook 2013

Our Future

For fiscal 2013, our key priorities will be: (1) Great People Providing Great Service; (2) Profitably growing the Commercial business; (3) Leveraging the Internet; (4) Hub relocations and expansions; as well as (5) Leverage information technology to improve the customer experience and optimize efficiency.

While our objectives these past few years have represented a continuation of previous year themes, the thought behind these choices remains deliberate. When determining the next year's key priorities, we spend significant time assessing how to balance innovation, speed, and degrees of risk. We extensively analyze data and vet differing strategies before we jump to conclusions. We challenge ourselves to consider and quantify the downside risks of our decisions, and we are conservative with our outcome expectations. We say "no" to hundreds of ideas every year so we can focus on the most significant. The real challenge is always determining the critical and customer-centric initiatives to pursue. As we look to the future, the recent slowdown in industry sales is not lost on us. We are uncertain if the slowdown we experienced in our fourth fiscal quarter is temporary or an indication that the industry is slowing somewhat. But, we do know we have effectively managed this business through good times and bad as evidenced by our 24 consecutive quarters of double digit EPS growth. As we think about our model, we grow new store square footage at an annual rate of approximately four percent, and we are growing our Commercial business at an accelerated rate. Therefore, we look to routinely grow EBIT dollars in the low to mid-single digit range or better in times of strength. And, we leverage our historically strong cash flows to repurchase shares, enhancing our earnings per share into double digits. This model has been quite successful for an extended period of time. It goes without saying that our management team will remain thoughtful on all strategic decisions, as we understand it is our stockholders' capital that is at risk.

I would also like to take a moment to thank Bill Crowley and Bob Grusky, two of our board members, for their service over the last four plus years. They are not standing for re-election at our upcoming stockholders' meeting. Both gentlemen have been invaluable contributors to the development of our strategies and

have been material contributors to our overall success. We wish them all the best in their future endeavors. Additionally, I would also like to welcome Enderson Guimaraes to our board. Enderson is currently the Chief Executive Officer of PepsiCo Europe. He has an extensive background serving various consumer brand companies across the globe. Enderson brings terrific general management, marketing and international experience to our board.

Lastly, I again want to thank our AutoZoners for delivering a record year again in 2012. But, I would remind everyone that in order to succeed in the future, we will have to work even harder than we have in the past. Last year is behind us. As 2012's fourth quarter sales results were below our expectations, we believe we will have to be at the top of our game in the new fiscal year. We are excited about our opportunities and believe we can again deliver solid results. However, it is never easy. We must remain committed to meeting and exceeding our customers' wants, needs and desires. I would also like to thank our vendors for their ongoing commitment to our collective success. Finally, I would like to thank our stockholders for the confidence you have shown in us by your decision to invest in our company. We remain committed to managing your capital wisely, achieving an appropriate return on all incremental capital projects and returning excess cash flow through an orderly share repurchase program.

We have an incredible heritage of customer service. While we have performed very well throughout our company's history, I continue to believe our best days lie ahead. Thank you for staying "in the Zone" with us for these years, and we'll diligently work to continually improve.

We look forward to updating you on our continued success well into the future.

Sincerely,



Bill Rhodes
Chairman, President and CEO
Customer Satisfaction