

<< To Our Customers,
AutoZoners & Shareholders:



It is with great pleasure that I write this letter and share with you our excitement about the many opportunities we have at AutoZone. AutoZone is America's number one vehicle solutions provider. We are a Fortune 500, S&P 500, and NYSE company with nearly \$5 billion in revenue and 45,000 AutoZoners. We have a tremendous culture of commitment to our customers, and I am pleased to have the opportunity to carry on this outstanding tradition.

When I joined the Company last January, we established a mission to increase shareholder value. With the help of every AutoZoner, we have made significant strides in accomplishing this mission. Last winter, we conducted extensive business analysis, developed a long term Strategic Plan, and then completed the fiscal year 2002 Operating Plan. This planning process established a new discipline with respect to the management of our business, and has allowed us to develop many of the tactics that are already contributing to strong comparable sales growth.

The leadership for these plans has come from the CEO team (pictured on page 43), comprised of the roughly 40 officers of the Company. We could not have accomplished so much in such a short period of time without the energy and support of this entire group. As part of our new plan, the CEO team recognized the many opportunities ahead and articulated them in a new vision for the Company: "Relentlessly creating the most exciting Zone for vehicle solutions!" Our vision is designed to challenge the status quo, provide a source of inspiration, and set a path of profitable growth for AutoZone well into the future.

The market has begun to recognize the impact that our new direction—coupled with the energy and enthusiasm of our AutoZoners—has had on the value of our stock. Our focus has been on creating value, so we appreciate the market's recognition of our progress as reflected in a stock price that has increased over the last year from \$21 per share to nearly \$60 per share at the time of this writing in early November.

This report is intended to convey why we believe AutoZone is a great company in a strong industry with significant opportunities, and how the AutoZone vision will lead to improved financial performance and further increases in shareholder value.



STEVE ODLAND
Chairman, President, and Chief Executive Officer

AutoZone Priorities

We have established three priorities for our business:

- Expand the U.S. retail (DIY) business,
- Develop the U.S. Commercial (DIFM) business, and
- Profitably expand our business in Mexico.

U.S. DIY market: healthy and growing

AutoZone's core business lies with the Do-It-Yourself (DIY) customer, which according to the Automotive Aftermarket Industry Association (AAIA) is over \$37 billion in size and has grown at a compound annual growth rate of 5.6% over the past five years. Equally important, according to AAIA, an estimated \$60 billion of routine vehicle maintenance goes undone each year. We see this as a great opportunity to grow sales and, at the same time, to help ensure the safety of our customers and the longevity of their vehicles.

All vehicles need routine maintenance, but as cars and trucks get older and out of warranty, they also need general repair work. By the time a vehicle is seven years old, it is typically into this repair cycle. We call these vehicles "our kind of vehicles," or OKVs; and, because of the big increase in new car sales which started about seven years ago, we are

beginning to see increases in the growth rate of OKVs. Just as exciting is the fact that the annual age of America's huge SUV population is 5.4 years—not even into the OKV repair cycle yet! Historically, our same store sales growth roughly has followed the trend of OKV growth.

Fiscal 2001 was a year of change. We used the results of both internal and external research to develop a strategy for improving sales and gross margin in our core business.

This spring we launched our new advertising campaign, "Get in the Zone," capitalizing on the strength of the AutoZone brand name. These upbeat ads focus on the value of routine maintenance, the importance of maintaining a car's value by keeping it clean and waxed, and saving money on gas by changing filters and doing tune-ups. We not only changed our message, we changed the way the message is delivered. Our ads are not only on television, but also are now heard on the radio while driving to and from work, the perfect time to think about the car's needs and to stop by AutoZone. In addition, recognizing the importance of the growing Spanish-speaking population, we significantly increased our advertising on Spanish language radio and television. We are very pleased with the success of this campaign and continue to add new messages reminding customers of the importance of routine vehicle maintenance.

We have put an even greater emphasis on merchandising.

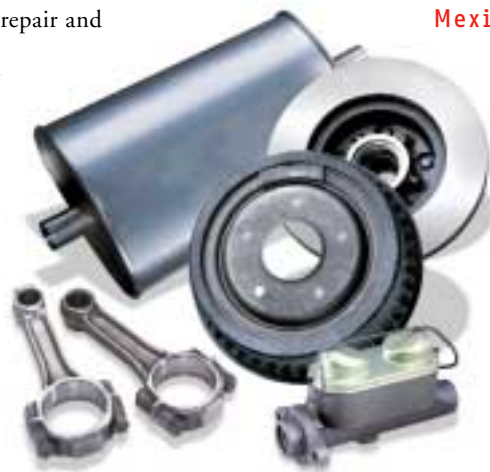
First, we began to look more at the driver as our customer, rather than just the car, and we quickly identified some items that were missing from our stores—for instance, sunglasses and driving accessories. We added a few items for kids, the future vehicle owners of America, like Hot Wheels and Matchbox cars. Hands-free mobile phone accessories were added especially now that laws require them in many places. And there are plenty of other new items, which were tested thoroughly and proven before we added them in all of our stores.

We also added more vehicle accessories to our stores, including more fashionable seat covers and floor mats, accessories for pickups and sport utility vehicles, and this year's favorite, decorative neon lighting for virtually every part of the car. Accessories are a huge opportunity for AutoZone—we have only begun.

All of this said, be assured that we have not forgotten what makes AutoZone stand apart from everyone else: our hard parts business. It's the foundation of our business and our focus is to have the right part at the right price when our customer needs it. We made significant improvements in our hard parts coverage during the year and continue to add the parts that our customers want. In several parts categories we are re-instituting our "good, better, best" product line segmentation to better meet our customers' needs.

The Commercial DIFM business: Significant Growth Opportunities

The other part of the vehicle repair and maintenance business is the Commercial market, or Do-it For-Me (DIFM). This market is about the same size in parts, and growing about the same rate as DIY. AutoZone began opportunistically selling to this market a couple of years ago. This business



Mexico: Untapped Potential

Our third strategic priority is the development of stores in Mexico. At the end of fiscal 2001, we had 21 stores in Mexico, mainly along the border, but with two in the interior around Monterrey. The opportunity in Mexico is apparent, with large numbers of older vehicles and a need for

is now over \$400 million of our total revenue. Commercial sales are particularly attractive, as they leverage our current DIY assets and are mostly incremental sales volume for us.

We continued to make progress throughout fiscal 2001, resulting in commercial same store sales increases of 11% for the year. We plan to work even harder on developing our commercial business in fiscal 2002. We will further develop our commercial customer relationships by providing more of the branded parts for which mechanics are asking. Our new hub and spoke store delivery system gives us the advantages of national reach and timely delivery of parts to the commercial installer.

ALLDATA remains the premier provider of automotive diagnostic and repair information to the professional mechanic. This business had record sales and profits in fiscal 2001. Going forward, ALLDATA gives us a valuable competitive advantage in the further development of the DIFM market.

An AAIA study of the DIY consumer gives us increased confidence in the industry. For instance, over the past seven years:

<<The percentage of households performing DIY jobs has increased.

<<The average number of vehicles per DIY household has increased.

<<More women are working on their cars.

<<More young people age 18-25 are heavy DIYers, meaning they can do jobs like replace a brake master cylinder or replace a fuel injection system.

<<The reasons people DIY are to save money, save time, because it's easy, and to be sure it's done right.

Source: AAIA, *The Aftermarket Consumer*, 2001

In June, we made a decision to sell TruckPro, our heavy-duty truck parts subsidiary. We made this decision primarily to allow us to focus on our core business. TruckPro had a good year, with a very strong finish. The entire TruckPro team should be commended for their success despite the distractions of the sale process.



For the year, AutoZone generated \$391 million of cash flow after capital expenditures, which was used to repurchase \$366 million of its common stock while at the same time

parts. To date, our stores in Mexico are very successful. We have very dedicated AutoZoners who have quickly adopted the AutoZone culture. We are aggressively addressing supply chain issues, which continue to make development further into Mexico a challenge. As with all of our other ventures, we closely monitor our investment to assure the return our investors expect.

Financial Results

New marketing and merchandising initiatives, progress in commercial and Mexico, along with relentless cost management, resulted in strong financial results for fiscal 2001, particularly in the second half. For the year, before nonrecurring charges, we achieved 19% EPS growth and a 14.3% return on invested capital with same store sales growth of 4%. In the fourth quarter, we achieved 8% same store sales growth and EPS growth of 27% before nonrecurring charges. Our excellent results would not have been achieved without the enthusiasm and drive of our many AutoZoners and the support of our vendors.

Nonrecurring charges totaled \$95.8 million after tax and were recorded in the third and fourth quarters. These charges resulted from the development of our strategic plan, requiring a 15% after-tax return on invested capital for all new investments. The nonrecurring charges related primarily to the planned sale of TruckPro, the closing of 51 underperforming stores and a small supply depot, a writedown of the market values on closed properties, ceasing development of real estate and technology projects not meeting our recently imposed 15% investment hurdle rate, and the impact of merchandising strategy changes resulting in the writedown or disposal of selected inventory items.

reducing outstanding borrowings by \$25 million. As of the end of the fiscal year, AutoZone had reduced debt to \$1.23 billion, while increasing EBITDA from \$639 million to \$676 million excluding nonrecurring charges. Since the inception of the share buyback program, the Company has repurchased nearly a third of its outstanding shares, at an average cost of \$27. We have reduced our debt relative to free cash flow, and we believe we have significantly increased value to shareholders by reducing the shares outstanding.

In summary, we are excited about the progress we made in fiscal 2001. It has given us confidence in our ability to profitably grow AutoZone well into the future. AutoZone is the clear leader in this exciting business. We have a great plan for the future and the right people to execute it. We are clearly focused on operating this company to maximize long-term shareholder value. I am grateful for the opportunity to be a part of AutoZone and look forward to this exciting future.

STEVE ODLAND
*Chairman, President, and Chief Executive Officer
Customer Satisfaction*

Relentlessly creating the most exciting Zone for vehicle solutions!

This year, both John Adams, former Chairman and CEO, and Tim Vargo, former President and COO, decided to step down from their active officer duties. John wanted to spend more time with his family, travel, and attend to outside Board responsibilities. Tim needed to spend more time with immediate family members coping with long term illnesses. Both remain part of the AutoZone family and continue to help out behind the scenes. We'd like to thank both John and Tim for their many years of dedication to AutoZone. Their leadership helped make today's successes possible.