

**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 the more than 65,000 AutoZoners across North America, it is an honor for me to update you on our progress during fiscal 2011 and to review our continuing opportunities for 2012 and beyond. Each year when I sit down to write this letter, I think about where to begin and what message to convey to our key constituents. This past year we succeeded in building on the last two years' financial and operational successes, and arguably, had our best year of the past three. Our sales and earnings set records, we believe our stores look as good as ever, and our parts coverage is more comprehensive than at any period in our history. The credit for these achievements goes to our AutoZoners, and especially the AutoZoners working in our stores. We believe the level of commitment they exhibit to Living The Pledge and working as 1TEAM serving our customers, continues to be our key point of differentiation. We continue to focus on improving our execution across the organization, as consistent execution is one of our keys to success. Our goal each of these past few years was to improve our industry-leading Retail customer market share, to profitably grow our Commercial business, and to prudently pace our new store openings in Mexico. We have also focused on improving our technology offerings for our ALLDATA suite of products and the autozone.com and autozonepro.com websites. As we have a strong belief in quantifiable measurements, our continual investments in these initiatives have been relentlessly scrutinized to make sure we remain on track to achieve our operational objectives. Additionally, we believe the execution of our consistent strategic plan has enabled us to succeed over the last several years and has us well positioned for future sales and earnings growth.

However, I want to stress it is not always easy to stay on track. Distractions are everywhere. This is where I must credit the senior leadership team for keeping our eyes and focus on the overall objectives. Prior to the start of each new fiscal year, our team spends a great deal of time scrutinizing our current and future objectives, strategies, and plans. We challenge ourselves to be innovative and take into account the current competitive landscape as well as the not-so-visible future potential challenges and opportunities. Our competition, known and unknown, traditional and emerging, is always improving. We must continually challenge ourselves on how to most effectively communicate with our current and future customers. And, we must listen. We need to understand what our Retail, Commercial, ALLDATA, and On-Line customers are telling us in order to improve their shopping experience. We must often say no to some ideas to make sure we stay focused on the select things that will make a meaningful difference in order to continue to succeed. However, we must take risks – measured, contained risks. We must continually balance innovation, speed, and risk to continue to be successful in the future. As I reflect on our current position, I believe we are well positioned for 2012 and beyond, but we must continue to execute as “1 Team, Driving Our Future.”



Why we're looking forward to 2012

Summary of 2011 results

Regarding 2011, we eclipsed many record financial metrics. We achieved record sales — for the first time exceeding \$8 billion, increasing by 10% versus fiscal 2010. And we grew earnings per share to a record \$19.47 a share, a 30% increase on top of our very solid 2010 results. We also:

- Built on the last two years' strong same store sales results, growing 6.3% versus last year's 5.4% and fiscal 2009's 4.4% — our best three year comp performance since 2000-2002
- Continued to build our Commercial business, growing sales by 22.3% and program count by 235 or 10% over the ending count in fiscal 2010. And, we surpassed \$1 billion in Commercial sales for the year
- Opened a total of 188 stores, including 41 in Mexico
- Grew Operating Profit (EBIT) dollars by 13% on top of 12% growth last fiscal year
- Grew Return On Invested Capital (ROIC) to a record 31.3%, up from 27.6% last fiscal year end
- Generated a record \$1.3 billion in Operating Cash Flow
- Repurchased a record \$1.5 billion of stock, representing over 10% of the current market capitalization for the third year in a row

Most importantly, none of these results could have been possible without our AutoZoners' continued dedication to providing the industry's best customer service. Their dedication and passion for our culture of putting customers first continues to be directly responsible for these record breaking results.

While the aftermarket industry, both the Retail and Commercial businesses, continued to show growth, we were pleased with our sales results. Based on third party statistics, we continued to gain share across both our Retail and Commercial businesses. Also, the results from our surveys showed our customers continued to be pleased with their shopping experience. However, as said earlier, we cannot rest on our 2011 accomplishments. We must continue to enhance our offerings in 2012.

U.S. Retail

As the country's largest retailer of automotive aftermarket products, we look forward to the year ahead. With over 4,500 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 2011, we focused on the following initiatives: (1) Great People Providing Great Service; (2) refining our Hub store initiative; (3) leveraging the Internet; (4) profitably growing Commercial; (5) continually improving on inventory management; and (6) improving product assortment. 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 over double that SKU count. 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 expanded or relocated twenty of our 144 total Hub stores 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.

None of these results could have been possible without our AutoZoners' continued dedication to providing the industry's best customer service.

Our focus remains on developing and delivering a differentiated value proposition to our customers.

Lastly, I'll touch on our Internet efforts. This past year we continued to invest in our website and fulfillment efforts in order to grow sales via the web. While the Internet remains a very small direct-to-customer selling tool, our Internet sales are growing rapidly. We continue to view the Internet primarily as a tool for customers to do research before ultimately completing their purchases in store. However, we also see the Internet becoming a larger direct sales vehicle in the future, and we will continue to invest extensively to improve our website in order to grow sales.

U.S. Commercial

Finishing with nearly \$1.1 billion in sales in fiscal 2011, up 22% for the year, we continue to be excited by our growth opportunities in Commercial. With just 59% of our stores having a Commercial program, we see opportunities in 2012 to expand both program count and existing program volumes. Our focus remains on developing and delivering a differentiated value proposition to our customers. Our late model parts coverage additions and enhanced 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 \$50 billion*, our relatively small market share, approximately 1.9%, signals to us that we have tremendous opportunities for growth in this sector for the foreseeable future.

As we recently announced, we will be expanding our ALLDATA offerings into the European market over the next year.

Mexico

We continued with our expansion efforts in Mexico this past year, adding 41 new stores and finishing with 279 total stores across all 31 Mexican states and the Federal District. Conducting business in Mexico the past few years has not been without its challenges, and the security situation has worsened, but we continue to see opportunities to grow at an approximate mid teens square footage growth rate. Our team in Mexico has focused tirelessly on providing great service and a compelling value proposition to our Mexico 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.

Additionally, due to the success we have achieved in the U.S. and Mexico, we announced that we are in the process of opening stores in Brazil during calendar 2012. We plan to open a few stores and then refine our offerings. Once we have proven that our model works well in Brazil, we expect to begin a deliberate expansion. This will take significant time to develop and won't have a meaningful impact on our performance for a long 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. We continue to be excited about our growth opportunities in fiscal 2012, as we feel we can increase our subscription penetration rates in all aspects of our business. Relative to our other software lines, we believe collision will continue be our best sales growth opportunity in fiscal 2012. And, as we recently announced, we will be expanding our ALLDATA offerings into the European market over the next year. We believe ALLDATA will continue to be a growth vehicle for AutoZone for years to come.

* Based on 2012 AAIA Factbook

The Future

As I mentioned at the outset, we are very pleased with our results in 2011. In fact, our company has been on quite a roll the last three years. Internally, early in the year we coined the phrase “3-peat” and challenged ourselves to build on the successes we had in both 2009 and 2010. In fact, our results accelerated, and we achieved greater total sales, same store sales, and earning per share growth than in either of the two previous strong years. So it goes without saying, in an organization that prides itself on excelling, we are determined to stay on course in 2012. Our Operating Theme for 2012 is **1TEAM Driving our Future**. And, our major objectives will be: (1) Great People Providing Great Service; (2) profitably growing the Commercial business; (3) leveraging the Internet; and (4) Hub relocations and expansions.

While our objectives these past few years have represented a continuation of previous year themes, the thought behind these choices has been extremely deliberate. At the outset I mentioned how we must continue to balance innovation, speed, and risk. We spend a great deal of time debating opportunities and pace of change at AutoZone. We challenge ourselves appropriately when discussing the downside risks to our decisions and are conservative with our outcome expectations in case of shortcomings. Secondly, we focus on the speed of our decision making. We believe that slow decisions are never good ones. We must assess the landscape, test appropriately, and come to a conclusion expeditiously. We say “no” to many ideas every year. The real challenge is determining the critical and customer-centric initiatives to pursue. We are focused on choosing the ideas that will complement our current strengths and improve the customer shopping experience. 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 Ted Ullyot, one of our board members, for his service over the last six years. Ted recently informed us that he will not be standing for re-election at our upcoming stockholders’ meeting. Ted has been a very thoughtful and committed member of our board during his tenure. He will be missed, and we wish him all the best in his future endeavors.

Lastly, I again want to thank our AutoZoners for delivering a record year again in 2011. 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. We again have aggressive financial and operational goals in fiscal 2012, and while we believe they are achievable, they are not easy. We must remain committed to meeting and exceeding our customers’ 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 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, and we have performed very well throughout our company’s history. The most exciting point for me is I believe our best days are ahead of us.

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

Sincerely,



Bill Rhodes
Chairman, President and CEO
Customer Satisfaction