

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended February 10, 2007, or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____.

Commission file number 1-10714

AUTOZONE, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

62-1482048

(I.R.S. Employer
Identification No.)

**123 South Front Street
Memphis, Tennessee 38103**

(Address of principal executive offices) (Zip Code)

(901) 495-6500

(Registrant's telephone number, including area code)

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 periods 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 a large accelerated filer, an accelerated filer, or a non-accelerated filer. See the definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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

Common Stock, \$.01 Par Value - 69,966,422 shares outstanding as of March 1, 2007.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

AUTOZONE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands)

	February 10, 2007	August 26, 2006
ASSETS		
Current assets		
Cash and cash equivalents	\$ 86,062	\$ 91,558
Accounts receivable	59,915	80,363
Merchandise inventories	1,910,849	1,846,650
Other current assets	123,522	100,356
Total current assets	2,180,348	2,118,927
Property and equipment		
Property and equipment	3,307,703	3,183,808
Less: Accumulated depreciation and amortization	1,196,766	1,132,500
	2,110,937	2,051,308
Other assets		
Goodwill, net of accumulated amortization	302,645	302,645
Deferred income taxes	21,957	20,643
Other long-term assets	30,619	32,783
	355,221	356,071
	\$ 4,646,506	\$ 4,526,306
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 1,662,989	\$ 1,699,667
Other current liabilities	290,990	280,419
Income taxes payable	75,759	24,378
Deferred income taxes	50,641	50,104
Total current liabilities	2,080,379	2,054,568
Long-term debt	1,854,304	1,857,157
Other long-term liabilities	168,233	145,053
Stockholders' equity	543,590	469,528
	\$ 4,646,506	\$ 4,526,306

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(in thousands, except per share amounts)

	Twelve Weeks Ended		Twenty-four Weeks Ended	
	February 10, 2007	February 11, 2006	February 10, 2007	February 11, 2006
Net sales	\$ 1,300,357	\$ 1,253,815	\$ 2,693,426	\$ 2,591,891
Cost of sales, including warehouse and delivery expenses	661,145	637,625	1,368,918	1,320,172
Operating, selling, general and administrative expenses	450,289	437,845	912,589	888,081
Operating profit	188,923	178,345	411,919	383,638
Interest expense, net	26,818	24,333	53,911	48,072
Income before income taxes	162,105	154,012	358,008	335,566
Income taxes	59,089	56,990	131,103	124,170
Net income	\$ 103,016	\$ 97,022	\$ 226,905	\$ 211,396
Weighted average shares for basic earnings per share	70,476	76,784	70,779	76,686
Effect of dilutive stock equivalents	751	690	741	627
Adjusted weighted average shares for diluted earnings per share	71,227	77,474	71,520	77,313
Basic earnings per share	\$ 1.46	\$ 1.26	\$ 3.21	\$ 2.76
Diluted earnings per share	\$ 1.45	\$ 1.25	\$ 3.17	\$ 2.73

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Twenty-Four Weeks Ended	
	February 10, 2007	February 11, 2006
Cash flows from operating activities		
Net income	\$ 226,905	\$ 211,396
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization of property and equipment	71,659	62,309
Amortization of debt origination fees	810	731
Income tax benefit from exercise of options	(12,168)	(6,382)
Deferred income taxes	(215)	(6,820)
Share-based compensation expense	8,757	7,982
Changes in operating assets and liabilities		
Accounts receivable	20,448	(6,004)
Merchandise inventories	(64,199)	(58,821)
Accounts payable and accrued expenses	(26,107)	(100,616)
Income taxes payable	63,549	91,570
Other, net	(8,978)	3,803
Net cash provided by operating activities	280,461	199,148
Cash flows from investing activities		
Capital expenditures	(102,262)	(115,862)
Purchase of marketable securities	(59,480)	(125,493)
Proceeds from sale of short-term investments	43,198	104,912
Disposal of capital assets and other, net	138	913
Net cash used in investing activities	(118,406)	(135,530)
Cash flows from financing activities		
Net proceeds (repayments) of commercial paper	2,700	(81,200)
Net proceeds from sale of common stock	47,411	27,187
Purchase of treasury stock	(219,658)	(9,787)
Income tax benefit from exercised options	12,168	6,382
Other, net	(10,172)	362
Net cash used in financing activities	(167,551)	(57,056)
Net increase (decrease) in cash and cash equivalents	(5,496)	6,562
Cash and cash equivalents at beginning of period	91,558	74,810
Cash and cash equivalents at end of period	\$ 86,062	\$ 81,372

See Notes to Condensed Consolidated Financial Statements

AUTOZONE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note A-Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments, including normal recurring accruals, considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to current year presentations. For further information, refer to the consolidated financial statements and footnotes included in the 2006 Annual Report to Shareholders for AutoZone, Inc. ("AutoZone" or the "Company"), which is incorporated by reference in its Annual Report on Form 10-K for the year ended August 26, 2006.

Operating results for the twelve and twenty-four weeks ended February 10, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending August 25, 2007. Each of the first three quarters of our fiscal year consists of 12 weeks, and the fourth quarter consists of 16 or 17 weeks. Each of the fourth quarters of fiscal 2006 and 2007 has 16 weeks. Additionally, the Company's business is somewhat seasonal in nature, with the highest sales generally occurring in the summer months of June through August and the lowest sales generally occurring in the winter months of December through February.

Note B-Share-Based Payments

Share-based compensation transactions are accounted for in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 123(R) "Share-Based Payment." We recognize compensation expense for share-based payments based on the fair value of the awards at the grant date. Share-based payments include stock option grants and the discount on shares sold to employees under various share purchase plans.

Total share-based expense (a component of operating, selling, general and administrative expenses) was \$4.5 million for the twelve week period ended February 10, 2007 and was \$4.2 million for the comparable prior year period. Share-based expense was \$8.8 million for the twenty-four week period ending February 10, 2007 and was \$8.0 million for the comparable prior year period.

AutoZone grants options to purchase common stock to some of its employees and directors under various plans at prices equal to the fair market value of the stock on the dates the options are granted. Options have a term of 10 years or 10 years and one day from grant date. Director options generally vest three years from the grant date, but upon retirement all unvested options immediately vest. Employee options generally vest in equal annual installments on the first, second, third and fourth anniversaries of the grant date. Employees generally have 30 days after the employment relationship ends, or one year after death, to exercise all vested options. The fair value of each option grant is separately estimated for each vesting date. The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the award and each vesting date. The Company has estimated the fair value of all stock option awards as of the date of the grant by applying the Black-Scholes-Merton multiple-option pricing valuation model. The application of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense. The weighted average key assumptions used in determining the fair value of options granted in the twenty-four week period ended February 10, 2007 as follows:

Expected price volatility	26.0%
Risk-free interest rate	4.6%
Weighted average expected lives in years	3.9
Forfeiture rate	10.0%
Dividend yield	0.0%

The Company generally issues new shares when options are exercised. A summary of stock option activity since our most recent fiscal year end is as follows:

	Options	Weighted Average Exercise Price
Outstanding August 26, 2006	3,355,542	\$ 70.73
Granted	675,298	103.90
Exercised	(723,392)	68.41
Canceled	(95,406)	80.71
Outstanding February 10, 2007	<u>3,212,042</u>	<u>\$ 77.93</u>

At February 10, 2007 the total compensation cost related to non-vested awards not yet recognized was \$26.7 million with a weighted average expense recognition period of 1.6 years.

On December 13, 2006, stockholders approved the AutoZone, Inc. 2006 Stock Option Plan and the AutoZone, Inc. Fourth Amended and Restated Executive Stock Purchase Plan. There have been no other modifications to the Company's share-based compensation plans during the twenty-four week period ended February 10, 2007.

Note C- Inventories

Inventories are stated at the lower of cost or market using the last-in, first-out ("LIFO") method. Included in inventory are related purchasing, storage, delivery and handling costs. Due to price deflation on the Company's merchandise purchases, the Company's inventory balances are effectively maintained under the first-in first-out method, as the Company's policy is not to write up inventory in excess of replacement cost, resulting in cost of sales being reflected at the higher amount. The cumulative balance of this unrecorded adjustment, which would be reduced upon experiencing price inflation on our merchandise purchases, was \$213.3 million at February 10, 2007, and \$198.3 million at August 26, 2006.

AutoZone has entered into pay-on-scan ("POS") arrangements with certain vendors, whereby AutoZone will not purchase merchandise supplied by a vendor until just before that merchandise is ultimately sold to AutoZone's customers. Title and certain risks of ownership remain with the vendor until the merchandise is sold to AutoZone's customers. Since the Company does not own merchandise under POS arrangements until just before it is sold to a customer, such merchandise is not recorded on the Company's balance sheet. Upon the sale of the merchandise to AutoZone's customers, AutoZone recognizes the liability for the goods and pays the vendor in accordance with the agreed-upon terms. Although AutoZone does not hold title to the goods, AutoZone controls pricing and has credit collection risk and therefore, gross revenues under POS arrangements are included in net sales in the income statement. AutoZone has financed the repurchase of existing merchandise inventory by certain vendors in order to convert such vendors to POS arrangements. These receivables, reflected in accounts receivable, have remaining durations up to 7 months and approximated \$2.5 million at February 10, 2007, and \$11.6 million at August 26, 2006. Merchandise under POS arrangements was \$50.5 million at February 10, 2007, and \$92.1 million at August 26, 2006.

Note D-Pension Plans

Prior to January 1, 2003, substantially all full-time employees were covered by a defined benefit pension plan. The benefits under the plan were based on years of service and the employee's highest consecutive five-year average compensation. On January 1, 2003, the plan was frozen, which resulted in plan participants no longer earning new benefits under the plan formula and no new participants being able to join the pension plan.

On January 1, 2003, the Company's supplemental defined benefit pension plan for certain highly compensated employees was also frozen, which resulted in plan participants no longer earning new benefits under the plan formula and no new participants being able to join the supplemental pension plan.

The components of net periodic benefit (income) cost related to our pension plans for all periods presented are as follows:

	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	February 10, 2007	February 11, 2006	February 10, 2007	February 11, 2006
<i>(in thousands)</i>				
Interest cost	\$ 2,214	\$ 2,121	\$ 4,428	\$ 4,242
Expected return on plan assets	(2,387)	(1,978)	(4,774)	(3,956)
Amortization of prior service cost	(12)	(145)	(24)	(290)
Amortization of net loss	173	1,303	346	2,606
Net periodic benefit (income) cost	\$ (12)	\$ 1,301	\$ (24)	\$ 2,602

The Company makes contributions in amounts at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. During the twenty-four week period ended February 10, 2007, the Company made \$2.8 million in contributions to the plan and expects to fund another \$5.3 million during the remainder of this fiscal year.

Note E-Long-Term Debt

The Company's long-term debt consisted of the following:

<i>(in thousands)</i>	February 10, 2007	August 26, 2006
Bank Term Loan due December 2009, effective interest rate of 4.55%	\$ 300,000	\$ 300,000
5.875% Senior Notes due October 2012, effective interest rate of 6.33%	300,000	300,000
5.5% Senior Notes due November 2015, effective interest rate of 4.86%	300,000	300,000
4.75% Senior Notes due November 2010, effective interest rate of 4.17%	200,000	200,000
4.375% Senior Notes due June 2013, effective interest rate of 5.65%	200,000	200,000
6.95% Senior Notes due June 2016, effective interest rate of 7.09%	200,000	200,000
6.5% Senior Notes due July 2008	190,000	190,000
Commercial paper, weighted average interest rate of 5.4% at February 10, 2007, and 5.3% at August 26, 2006	125,100	122,400
Other	39,204	44,757
	<u>\$ 1,854,304</u>	<u>\$ 1,857,157</u>

On June 20, 2006, the Company's Mexican subsidiaries borrowed peso debt in the amount of \$43.3 million in U.S. dollars. The interest rates on these borrowings range from 8.3% to 9.2% with an initial maturity of September 18, 2006. During September 2006, the Company repaid a portion of this indebtedness and extended the maturity to March 2007 on the remaining unpaid balance. This indebtedness is reflected as a component of Other borrowings in the above table.

Note F-Leases

The Company has a fleet of vehicles used for delivery to our commercial customers, travel for members of field management, and field maintenance technicians. The majority of these vehicles are leased under arrangements that have historically been accounted for as operating leases. On September 1, 2006 the Company modified its leasing arrangements with one of its leasing vendors. As a result of these modifications, many of the vehicles are now accounted for as capital leases. At February 10, 2007, the Company had capital lease assets of \$26.2 million, net of accumulated depreciation of \$4.3 million, and capital lease obligations of \$25.7 million. The \$4.7 million current portion of these obligations was recorded as a component of other current liabilities and the \$21.0 million long-term portion was recorded as a component of other long-term liabilities in the condensed consolidated balance sheets.

Note G-Stock Repurchase Program

As of February 10, 2007, the Board of Directors had authorized the Company to repurchase up to \$4.9 billion of the Company's common stock in the open market. From January 1, 1998 to February 10, 2007, the Company has repurchased a total of 95.1 million shares at an aggregate cost of \$4.899 billion; including 1,863,365 shares of its common stock at an aggregate cost of \$219.7 million during the twenty-four week period ended February 10, 2007. Considering cumulative repurchases as of February 10, 2007, the Company has \$0.5 million remaining under this authorization to repurchase its common stock in the open market. On February 26, 2007 the Board of Directors raised the repurchase authorization limit from \$4.9 billion to \$5.4 billion.

Note H-Comprehensive Income

Comprehensive income includes foreign currency translation adjustments; the impact from certain derivative financial instruments designated and effective as cash flow hedges, including changes in fair value, as applicable, and the reclassification of gains and/or losses from accumulated other comprehensive loss to net income to offset the earnings impact of the underlying items being hedged; and changes in the fair value of certain investments classified as available for sale. Comprehensive income for all periods presented is as follows:

<i>(in thousands)</i>	Twelve Weeks Ended		Twenty-Four Weeks Ended	
	February 10, 2007	February 11, 2006	February 10, 2007	February 11, 2006
Net income, as reported	\$ 103,016	\$ 97,022	\$ 226,905	\$ 211,396
Foreign currency translation adjustment	(901)	2,392	(272)	3,959
Net impact from derivative instruments	431	769	(1,284)	3,172
Unrealized gains from marketable securities	(30)	(137)	33	(137)
Comprehensive income	<u>\$ 102,516</u>	<u>\$ 100,046</u>	<u>\$ 225,382</u>	<u>\$ 218,390</u>

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
AutoZone, Inc.

We have reviewed the condensed consolidated balance sheet of AutoZone, Inc. as of February 10, 2007, the related condensed consolidated statements of income for the twelve and twenty-four week periods ended February 10, 2007 and February 11, 2006, and the condensed consolidated statements of cash flows for the twenty-four week periods ended February 10, 2007 and February 11, 2006. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of AutoZone, Inc. as of August 26, 2006, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the year then ended, not presented herein, and, in our report dated October 19, 2006, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 26, 2006 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ Ernst & Young LLP

Memphis, Tennessee
March 6, 2007

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are the leading retailer and a leading distributor of automotive replacement parts and accessories in the United States. As of February 10, 2007, we operated 3,955 stores including 108 stores in Mexico compared with 3,743 stores including 88 stores in Mexico at February 11, 2006. Excluded from the store counts are 2 stores at February 10, 2007, and 10 stores at February 11, 2006, that were closed as a result of last year's hurricanes. Each of our stores carries an extensive product line for cars, sport utility vehicles, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items, accessories and non-automotive products. Many of our stores also have a commercial sales program that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers and service stations. We also sell the ALLDATA brand diagnostic and repair software. On the web, we sell diagnostic and repair information and auto and light truck parts through www.autozone.com. We do not derive revenue from automotive repair or installation.

Operating results for the twelve and twenty-four weeks ended February 10, 2007, are not necessarily indicative of the results that may be expected for the fiscal year ending August 25, 2007. Each of the first three quarters of our fiscal year consists of 12 weeks, and the fourth quarter consists of 16 or 17 weeks. Each of the fourth quarters of fiscal 2006 and 2007 has 16 weeks. Additionally, our business is somewhat seasonal in nature, with the highest sales generally occurring in the summer months of June through August and the lowest sales generally occurring in the winter months of December through February.

Twelve Weeks Ended February 10, 2007, Compared with Twelve Weeks Ended February 11, 2006

Net sales for the twelve weeks ended February 10, 2007, increased \$46.5 million to \$1.300 billion, or 3.7% over net sales of \$1.254 billion for the comparable prior year period. This increase in sales was primarily driven by sales from new stores. Domestic DIY sales increased 3.6%, domestic commercial sales decreased 2.5%, and combined sales from our ALLDATA and Mexico operations increased 22.2%.

Gross profit for the twelve weeks ended February 10, 2007, was \$639.2 million, or 49.2% of net sales, compared with \$616.2 million, or 49.1% of net sales, during the comparable prior year period. We experienced improvements in leveraging product acquisition costs and a benefit from the inclusion of additional product delivery costs that were capitalized into inventory, which were offset by a shift in sales mix toward lower margin, seasonally related product and higher shrink expense.

Operating, selling, general and administrative expenses for the twelve weeks ended February 10, 2007, was \$450.3 million, or 34.6% of net sales, compared with \$437.8 million, or 34.9% of net sales, during the comparable prior year period. The favorable variance in operating expenses was primarily due to our store reset efforts in last year's second quarter and an ongoing focus to reduce expenditures throughout the organization.

Interest expense, net for the twelve weeks ended February 10, 2007, was \$26.8 million compared with \$24.3 million during the comparable prior year period. This increase was primarily due to higher average borrowing levels and higher rates over the comparable prior year period and the recognition of interest expense on capital lease obligations. Average borrowings for the twelve weeks ended February 10, 2007, were \$1.933 billion, compared with \$1.912 billion for the comparable prior year period. Weighted average borrowing rates were 5.7% at February 10, 2007, and 5.5% February 11, 2006.

Our effective income tax rate was 36.5% of pretax income for the twelve weeks ended February 10, 2007, and 37.0% for the comparable prior year period. The actual annual rate for fiscal 2007 will depend on a number of factors, including the amount and source of operating income and the timing and nature of discrete income tax events.

Net income for the twelve week period ended February 10, 2007, increased by \$6.0 million to \$103.0 million, and diluted earnings per share increased by 15.5% to \$1.45 from \$1.25 in the comparable prior year period. The impact on current quarter diluted earnings per share from the stock repurchases since the end of the comparable prior year period was an increase of \$0.09.

**Twenty-Four Weeks Ended February 10, 2007,
Compared with Twenty-Four Weeks Ended February 11, 2006**

Net sales for the twenty-four weeks ended February 10, 2007, increased \$101.5 million to \$2.693 billion, or 3.9% over net sales of \$2.592 billion for the comparable prior year period. This increase in sales was primarily driven by sales from new stores, as domestic comparable store sales (sales for domestic stores opened at least one year) were flat. Domestic DIY sales increased 4.0%, domestic commercial sales decreased 1.4%, and combined sales from our ALLDATA and Mexico operations increased 21.5%.

Gross profit for the twenty-four weeks ended February 10, 2007, was \$1.325 billion, or 49.2% of net sales, compared with \$1.272 billion, or 49.1% of net sales, during the comparable prior year period. We experienced improvements in leveraging product acquisition costs and a benefit from the inclusion of additional product delivery costs that were capitalized into inventory, which were offset by a shift in sales mix toward lower margin, seasonally related product and higher shrink expense.

Operating, selling, general and administrative expenses for the twenty-four weeks ended February 10, 2007, was \$912.6 million, or 33.9% of net sales, compared with \$888.1 million, or 34.3% of net sales, during the comparable prior year period. A substantial portion of the favorable variance in operating expenses reflects a \$2.8 million hurricane related charge taken in last year's first quarter, our store reset efforts initiated in last year's first quarter, and an ongoing focus to reduce expenditures throughout the organization.

Interest expense, net for the twenty-four weeks ended February 10, 2007, was \$53.9 million compared with \$48.1 million during the comparable prior year period. This increase was primarily due to higher average borrowing levels and higher rates over the comparable prior year period and the recognition of interest expense on capital lease obligations. Average borrowings for the twenty-four weeks ended February 10, 2007, were \$1.944 billion, compared with \$1.922 billion for the comparable prior year period. Weighted average borrowing rates were 5.7% at February 10, 2007, and 5.5% at February 11, 2006.

Our effective income tax rate was 36.6% of pretax income for the twenty-four weeks ended February 10, 2007, and 37.0% for the comparable prior year period. The actual annual rate for fiscal 2007 will depend on a number of factors, including the amount and source of operating income and the timing and nature of discrete income tax events.

Net income for the twenty-four week period ended February 10, 2007, increased by \$15.5 million to \$226.9 million, and diluted earnings per share increased by 16.0% to \$3.17 from \$2.73 in the comparable prior year period. The impact on current year diluted earnings per share from the stock repurchases since the end of the comparable prior year period was an increase of \$0.20.

Liquidity and Capital Resources

The primary source of our liquidity is our cash flows realized through the sale of automotive parts and accessories. For the twenty-four weeks ended February 10, 2007 our net cash flows from operating activities provided \$280.5 million as compared with \$199.1 million during the comparable prior year period. The increase is primarily due to improvements in accounts payable. Overall cash flows from operating activities continue to benefit from our inventory purchases being largely financed by our vendors, as evidenced by an 87% accounts payable to inventory ratio and the use of pay-on-scan ("POS") arrangements with certain vendors. Under POS arrangements, we do not purchase merchandise supplied by a vendor until just before that merchandise is ultimately sold to our customers. Title and certain risks of ownership remain with the vendor until the merchandise is sold to our customer. Since we do not own merchandise under POS arrangements until just before it is sold to a customer, such merchandise is not recorded on our balance sheet. Upon the sale of the merchandise to our customer, we recognize the liability for the goods and pay the vendor in accordance with the agreed upon terms. Although we do not hold title to the goods, we control pricing and have credit collection risk and therefore, gross revenues under POS arrangements are included in net sales in the income statement. We have financed the repurchase of existing merchandise inventory by certain vendors in order to convert such vendors to POS arrangements. These receivables, reflected in accounts receivable, have remaining durations up to 7 months and approximated \$2.5 million at February 10, 2007, and \$11.6 million at August 26, 2006. Merchandise under POS arrangements was \$50.5 million at February 10, 2007, and \$92.1 million at August 26, 2006.

Our net cash flows from investing activities for the twenty-four weeks ended February 10, 2007, used \$118.4 million as compared with \$135.5 million used in the comparable prior year period. Capital expenditures for the twenty-four weeks ended February 10, 2007, were \$102.3 million compared to \$115.9 million for the comparable prior year period. During this twenty-four week period, we opened 76 domestic stores, including two stores that were closed as a result of hurricane damage in the prior year, and 8 in Mexico. In the comparable prior year period, we opened 81 new stores, including 7 new stores in Mexico. We expect to invest in our business consistent with historical rates during fiscal 2007, primarily related to our new store development program and enhancements to existing stores and other infrastructure. Investing cash flows were also impacted by our wholly-owned insurance captive, which purchased \$59.5 million in marketable securities and sold \$43.2 million in short-term investments during the twenty-four week period ended February 10, 2007. During the comparable prior year period, we purchased \$125.5 million in marketable securities and sold \$104.9 million in short-term investments.

Our net cash flows from financing activities for the twenty-four weeks ended February 10, 2007, used \$167.6 million compared to \$57.1 million used in the comparable prior year period. Net proceeds from commercial paper borrowings were \$2.7 million versus \$81.2 million in net repayments from commercial paper in the comparable prior year period. Stock repurchases were \$219.7 million in the current period as compared with \$9.8 million in the comparable prior year period. For the twenty-four weeks ended February 10, 2007, proceeds from the sale of common stock and exercises of stock options provided \$59.6 million, including \$12.2 million in related tax benefits. In the comparable prior year period, proceeds from the sale of common stock and exercises of stock options provided \$33.6 million, including \$6.4 million in related tax benefits.

Depending on the timing and magnitude of our future investments (either in the form of leased or purchased properties or acquisitions), we anticipate that we will rely primarily on internally generated funds and available borrowing capacity to support a majority of our capital expenditures, working capital requirements and stock repurchases. The balance may be funded through new borrowings. We anticipate that we will be able to obtain such financing in view of our credit rating and favorable experiences in the debt market in the past.

Credit Ratings

At February 10, 2007, AutoZone had a senior unsecured debt credit rating from Standard & Poor's of BBB+ and a commercial paper rating of A-2. Moody's Investors Service had assigned us a senior unsecured debt credit rating of Baa2 and a commercial paper rating of P-2. As of February 10, 2007, Moody's and Standard & Poor's had AutoZone listed as having a "stable" outlook. If our credit ratings drop, our interest expense may increase; similarly, we anticipate that our interest expense may decrease if our investment ratings are raised. If our commercial paper ratings drop below current levels, we may have difficulty continuing to utilize the commercial paper market and our interest expense will increase, as we will then be required to access more expensive bank lines of credit. If our senior unsecured debt ratings drop below investment grade, our access to financing may become more limited.

Debt Facilities

We maintain \$1.0 billion of revolving credit facilities with a group of banks to primarily support commercial paper borrowings, letters of credit and other short-term unsecured bank loans. These facilities expire in May 2010, may be increased to \$1.3 billion at AutoZone's election, allow up to \$200 million in letters of credit, and allow up to \$100 million in capital leases. As the available balance is reduced by commercial paper borrowings and certain outstanding letters of credit, the Company had \$818.9 million in available capacity under these facilities at February 10, 2007. The rate of interest payable under the credit facilities is a function of Bank of America's base rate or a Eurodollar rate (each as defined in the facility agreements), or a combination thereof.

On June 20, 2006, our Mexican subsidiaries borrowed peso debt in the amount of \$43.3 million in U.S. dollars. These funds were primarily used to recapitalize certain Mexican subsidiaries and to repay intercompany loans allowing the entities to claim value-added tax refunds from the Mexican authorities. The interest rates on these borrowings range from 8.3% to 9.2% and had an initial maturity of September 18, 2006. During September 2006, we repaid a portion of this indebtedness and extended the maturity to March 2007 on the remaining unpaid balance.

Our borrowings under our Senior Notes arrangements contain minimal covenants, primarily restrictions on liens. Under our other borrowing arrangements, covenants include limitations on total indebtedness, restrictions on liens, a minimum fixed charge coverage ratio and a provision where repayment obligations may be accelerated if AutoZone experiences a change in control (as defined in the agreements) of AutoZone or its Board of Directors. All of the repayment obligations under our borrowing arrangements may be accelerated and come due prior to the scheduled payment date if covenants are breached or an event of default occurs. As of February 10, 2007, we were in compliance with all covenants and expect to remain in compliance with all covenants.

Stock Repurchases

As of February 10, 2007, the Board of Directors had authorized the Company to repurchase up to \$4.9 billion of the Company's common stock in the open market. From January 1, 1998 to February 10, 2007 the Company has repurchased a total of 95.1 million shares at an aggregate cost of \$4.899 billion; including 1,863,365 shares of its common stock at an aggregate cost of \$219.7 million during the twenty-four week period ended February 10, 2007. Considering cumulative repurchases as of February 10, 2007, the Company has \$0.5 million remaining under this authorization to repurchase its common stock in the open market. On February 26, 2007 the Board of Directors raised the repurchase authorization limit from \$4.9 billion to \$5.4 billion.

Off-Balance Sheet Arrangements

In conjunction with our commercial sales program, we offer credit to some of our commercial customers. Certain of the receivables related to the credit program are sold to a third party at a discount for cash with limited recourse. We have established a reserve for this recourse. At February 10, 2007, the receivables facility had an outstanding balance of \$56.0 million and the balance of the recourse reserve was approximately \$1.6 million.

Since fiscal year end, we have issued new, cancelled and modified existing stand-by letters of credit that are primarily renewed on an annual basis to cover premium and deductible payments to our workers' compensation carrier. Our total standby letters of credit commitment at February 10, 2007 was \$129.2 million compared with \$131.6 million at August 26, 2006, and our total surety bonds commitment at February 10, 2007, was \$11.2 million compared with \$12.8 million at August 26, 2006.

We have entered into pay-on-scan ("POS") arrangements with certain vendors, whereby we will not purchase merchandise supplied by a vendor until just before that merchandise is ultimately sold to our customers. Title and certain risks of ownership remain with the vendor until the merchandise is sold to our customers. Since we do not own merchandise under POS arrangements until just before it is sold to a customer, such merchandise is not recorded on our balance sheet. Upon the sale of the merchandise to our customers, we recognize the liability for the goods and pay the vendor in accordance with the agreed-upon terms. Although we do not hold title to the goods, we control pricing and credit collection risk and therefore, gross revenues under POS arrangements are included in net sales in the income statement. Sales of merchandise under POS approximated \$45.0 million and \$110.2 million for the twelve and twenty-four weeks ended February 10, 2007, and \$94.2 million and \$217.4 million for the twelve and twenty-four weeks ended February 11, 2006. Merchandise under POS arrangements was \$50.5 million at February 10, 2007, and \$92.1 million at August 26, 2006.

Critical Accounting Policies

As there have been no changes to our critical accounting policies during fiscal 2007, refer to our Annual Report to Shareholders, which is incorporated by reference in our Annual Report on Form 10-K for the fiscal year ended August 26, 2006, for a summary of our policies.

Forward-Looking Statements

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements typically use words such as "believe," "anticipate," "should," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy" and similar expressions. These are based on assumptions and assessments made by our management in light of experience and perception of historical trends, current conditions, expected future developments and other factors that we believe to be appropriate. These forward-looking statements are subject to a number of risks and uncertainties, including without limitation, competition; product demand; the economy; the ability to hire and retain qualified employees; consumer debt levels; inflation; weather; raw material costs of our suppliers; energy prices; war and the prospect of war, including terrorist activity; availability of commercial transportation; construction delays; access to available and feasible financing; and changes in laws or regulations. Forward-looking statements are not guarantees of future performance and actual results, developments and business decisions may differ from those contemplated by such forward-looking statements, and such events could materially and adversely affect our business. Forward-looking statements speak only as of the date made. Except as required by applicable law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Actual results may materially differ from anticipated results. Please refer to the Risk Factors section contained in our Annual Report on Form 10-K for the fiscal year ended August 26, 2006, for more information related to those risks.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

At February 10, 2007, the only material changes to our instruments and positions that are sensitive to market risk since the disclosures in our 2006 Annual Report to Shareholders, which is incorporated by reference in our Annual Report on Form 10-K, was the \$2.7 million increase in commercial paper, the purchase of \$59.5 million in marketable securities, partially off-set by the sale of \$43.2 million in short-term investments, to support the self-insurance reserves in our wholly-owned insurance captive subsidiary, and the execution of two forward-starting fuel swaps to economically hedge a portion of our diesel fuel and unleaded fuel exposure. Mark-to market losses of \$0.2 million are recorded in operating, selling, general and administrative expenses and a portion are then reclassified based on diesel gallons used to cost of sales as a component of distribution costs.

The fair value of our debt was estimated at \$1.833 billion as of February 10, 2007, and \$1.825 billion as of August 26, 2006, based on the quoted market prices for the same or similar debt issues or on the current rates available to AutoZone for debt of the same remaining maturities. Such fair value is less than the carrying value of debt by \$21.5 million at February 10, 2007, and by \$32.3 million at August 26, 2006. Considering the effect of any interest rate swaps designated and effective as cash flow hedges, we had \$164.3 million of variable rate debt outstanding at February 10, 2007, and \$167.2 million of variable rate debt outstanding at August 26, 2006. At these borrowing levels for variable rate debt, a one percentage point increase in interest rates would have had an unfavorable annual impact on our pre-tax earnings and cash flows of \$1.6 million in fiscal 2007 and fiscal 2006, which includes the effects of interest rate swaps. The primary interest rate exposure on variable rate debt is based on LIBOR. Considering the effect of any interest rate swaps designated and effective as cash flow hedges, we had outstanding fixed rate debt of \$1.690 billion at February 10, 2007, and August 26, 2006. A one percentage point increase in interest rates would reduce the fair value of our fixed rate debt by \$64.9 million at February 10, 2007 and \$68.3 million at August 26, 2006.

Item 4. Controls and Procedures.

An evaluation was performed under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of February 10, 2007. Based on that evaluation, our management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of February 10, 2007. During or subsequent to the quarter ended February 10, 2007 there were no changes in our internal controls that have materially affected or are reasonably likely to materially affect, internal controls over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings.**

As of the date of this filing, there have been no additional material legal proceedings or material developments in the legal proceedings disclosed in our 2006 Annual Report to Shareholders for AutoZone, Inc, which is incorporated by reference in our Annual Report on Form 10-K for the year ended August 26, 2006.

Item 1A. Risk Factors.

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended August 26, 2006.

Item 2. Changes in Securities and Use of Proceeds.

Shares of common stock repurchased by the Company during the quarter ended February 10, 2007, were as follows:

Period	Issuer Repurchases of Equity Securities		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value that May Yet Be Purchased Under the Plans or Programs
	Total Number of Shares Purchased	Average Price Paid per Share		
November 19, 2006 to December 16, 2006	-	\$ -	94,038,309	\$ 129,401,552
December 17, 2006 to January 13, 2007	406,715	120.48	94,445,024	80,401,517
January 14, 2007 to February 10, 2007	640,450	124.74	95,085,474	510,655
Total	1,047,165	\$ 123.09	95,085,474	\$ 510,655

All of the above repurchases were part of publicly announced plans that were authorized by the Company's Board of Directors for a maximum of \$4.9 billion in common shares as of February 10, 2007. The program was initially announced in January 1998, and subsequent to quarter-end was amended on February 26, 2007, to increase the repurchase authorization to \$5.4 billion from \$4.9 billion. The program does not have an expiration date.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

- (a) The Annual Meeting of Stockholders was held on December 13, 2006.
- (b) The following directors were elected at the Annual Meeting on December 13, 2006:

Charles M. Elson
 Sue E. Gove
 Earl G. Graves, Jr.
 N. Gerry House
 J.R. Hyde, III
 W. Andrew McKenna
 George R. Mrkonic, Jr.
 William C. Rhodes, III
 Theodore W. Ullyot

- (c) 1. All nominees for director were elected pursuant to the following vote:

Nominee	Votes For	Votes Withheld
Charles M. Elson	65,228,430	423,242
Sue E. Gove	65,268,458	383,214
Earl G. Graves, Jr.	65,249,133	402,539
N. Gerry House	58,733,633	6,918,039
J.R. Hyde, III	65,076,393	575,279
W. Andrew McKenna	63,182,349	2,469,323
George R. Mrkonic, Jr.	65,167,359	484,313
William C. Rhodes, III	65,265,623	386,049
Theodore W. Ullyot	65,237,864	413,808

2. The AutoZone, Inc. 2006 Stock Option Plan was approved pursuant to the following vote:

For:	53,359,532
Against:	6,495,793
Abstain:	314,172

3. The AutoZone, Inc. Fourth Amended and Restated Executive Stock Purchase Plan was approved pursuant to the following vote:

For:	58,681,040
Against:	1,169,219
Abstain:	319,238

4. Ernst & Young LLP was ratified as the Company's independent registered public accounting firm pursuant to the following vote:

For:	65,096,148
Against:	254,279
Abstain:	301,245

- (d) Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

The following exhibits are filed as part of this report:

- 3.1 Restated Articles of Incorporation of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 10-Q for the quarter ended February 13, 1999.
- 3.2 Third Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 8-K dated October 1, 2002.
- 10.1 AutoZone, Inc. 2006 Stock Option Plan incorporated by reference to Appendix A to the definitive proxy statement dated October 25, 2006, for the annual meeting of stockholders held December 13, 2006.
- 10.2 Form of Stock Option Agreement.
- 10.3 AutoZone, Inc. Fourth Amended and Restated Executive Stock Purchase Plan incorporated by reference to Appendix B to the definitive proxy statement dated October 25, 2006, for the annual meeting of stockholders held December 13, 2006.
- 10.4 Agreement dated January 19, 2007, between AutoZone, Inc. and Bradley W. Bacon incorporated by reference to Exhibit 99.1 to the Form 8-K dated January 19, 2007.
- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 15.1 Letter Regarding Unaudited Interim Financial Statements.
- 31.1 Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements 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.

AUTOZONE, INC.

By: /s/ WILLIAM T. GILES

William T. Giles
Chief Financial Officer, Executive Vice
President Information Technology and
Store Development
(Principal Financial Officer)

By: /s/ CHARLIE PLEAS, III

Charlie Pleas, III
Vice President, Controller
(Principal Accounting Officer)

Dated: March 8, 2007

EXHIBIT INDEX

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- | | |
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**AutoZone Inc.
2006 STOCK OPTION PLAN**

**STOCK OPTION GRANT NOTICE AND
STOCK OPTION AGREEMENT**

AutoZone, Inc., a Nevada corporation (the “Company”), pursuant to its 2006 Stock Option Plan (the “Plan”), hereby grants to the holder listed below (“Participant”) an option (the “Option”) to purchase that number of shares of the Company’s common stock, par value \$.01 (“Stock”) set forth below. This Option is subject to all of the terms and conditions set forth herein, in the Stock Option Agreement attached hereto as Exhibit A (the “Stock Option Agreement”) and the Plan, which are incorporated herein by reference. All capitalized terms used in this Grant Agreement, but not defined, shall have the meanings provided in the Plan.

Participant: _____ []

Grant Date: _____ []

Exercise Price per Share: _____ \$[]

Total Number of Shares Subject to the Option: _____ [] Shares

Expiration Date: _____ []

Type of Option: o Incentive Stock Option o Non-Qualified Stock Option

Vesting Schedule: The Option granted under this Agreement shall vest and become exercisable in four (4) cumulative installments as follows:

- (i) The first installment shall consist of one-fourth of the shares covered by the Option and shall become exercisable on the first anniversary of the Grant Date.
- (ii) The second installment shall consist of one-fourth of the shares covered by the Option and shall become exercisable on the second anniversary of the Grant Date.
- (iii) The third installment shall consist of one-fourth of the shares covered by the Option and shall become exercisable on the third anniversary of the Grant Date.
- (iv) The fourth installment shall consist of one-fourth of the shares covered by the Option and shall become exercisable on the fourth anniversary of the Grant Date.

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Stock Option Agreement and this Grant Notice. Participant has reviewed the Stock Option Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Stock Option Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions arising under the Plan or relating to the Option.

AUTOZONE, INC.

PARTICIPANT

By: _____
 Print Name: _____
 Title: _____
 Address: _____

By: _____
 Print Name: _____
 Address: _____

EXHIBIT A TO STOCK OPTION GRANT NOTICE

STOCK OPTION AGREEMENT

Pursuant to the Stock Option Grant Notice (the "Grant Notice") to which this Stock Option Agreement (this "Agreement") is attached, AutoZone, Inc., a Nevada corporation (the "Company"), has granted to Participant an option under the Company's 2006 Stock Option Plan (the "Plan") to purchase the number of shares of Stock indicated in the Grant Notice.

ARTICLE I.

GENERAL

1.1 Defined Terms. Wherever the following terms are used in this Agreement they shall have the meanings specified below, unless the context clearly indicates otherwise. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

(a) "Administrator" shall mean the Board or the Committee responsible for conducting the general administration of the Plan in accordance with Article 8 of the Plan.

(b) "Termination of Employment" shall mean the time when the employee-employer relationship between Participant and the Company or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, disability or retirement; but excluding terminations where there is a simultaneous reemployment or continuing employment of Participant by the Company or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Employment; provided, however, that, if this Option is an Incentive Stock Option, unless otherwise determined by the Administrator in its sole discretion, a leave of absence, change in status from an employee to an independent contractor or other change in the employee-employer relationship shall constitute a Termination of Employment if, and to the extent that, such leave of absence, change in status or other change interrupts employment for purposes of Section 422(a)(2) of the Code and the then applicable regulations and revenue rulings under said Section.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions of the Plan which are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

GRANT OF OPTION

2.1 Grant of Option. In consideration of Participant's past and/or continued employment with the Company or a Subsidiary and for other good and valuable consideration, effective as of the Grant Date set forth in the Grant Notice (the "Grant Date"), the Company irrevocably grants to Participant the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Plan, the Grant Notice and this Agreement. The Option shall be a Non-Qualified Stock Option or an Incentive Stock Option, as designated in the Grant Notice and, in the case of an Incentive Stock Option, as permitted by law.

2.2 Exercise Price. The exercise price of the shares of Stock subject to the Option shall be as set forth in the Grant Notice, provided, however, that the price per share of the shares of Stock subject to the Option shall not be less than 100% of the Fair Market Value of a share of Stock on the Grant Date. Notwithstanding the foregoing, if this Option is designated as an Incentive Stock Option and Participant owns (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the price per share of the shares of Stock subject to the Option shall not be less than 110% of the Fair Market Value of a share of Stock on the Grant Date.

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to the Company and its Subsidiaries, as applicable. Nothing in the Plan, the Grant Notice or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

ARTICLE III.

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability.

(a) Subject to any limitations contained in this Stock Option Agreement, the Option shall become vested and be exercisable in such amounts and at such times as are set forth in the Grant Notice. Notwithstanding the exercise dates set forth in the Grant Notice, the Option shall become immediately exercisable on the date of Participant's death.

(b) No portion of the Option which has not become vested and exercisable as of Participant's Termination of Employment shall thereafter become vested and exercisable.

3.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable pursuant to Section 3.3 below; provided, however, that no Option which has not vested and become exercisable as of the date of a Participant's Termination of Service shall thereafter vest and become exercisable.

3.3 Expiration of Option. The Option shall be forfeited and cancelled and may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The tenth anniversary of the Grant Date;

(b) If this Option is designated as an Incentive Stock Option and, at the time the Option was granted, Participant owned (within the meaning of Section 424(d) of the Code) more than 10% of the total combined voting power of all classes of stock of the Company or any "subsidiary corporation" of the Company or any "parent corporation" of the Company (each within the meaning of Section 424 of the Code), the fifth anniversary of the Grant Date;

(c) The expiration of thirty days from the date of Participant's Termination of Services unless such Termination of Services occurs by reason of Participant's death or termination by the Company for cause;

(d) The expiration of one year from the date of Participant's Termination of Services by reason of Participant's death; and

(e) The commencement of business on the date of Participant's Termination of Services by the Company for cause.

3.4 Special Tax Consequences. Participant acknowledges that, to the extent that the aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options, including the Option, are exercisable for the first time by Participant in any calendar year exceeds \$100,000, the Option and such other options shall instead constitute Non-Qualified Stock Options to the extent necessary to comply with the limitations imposed by Section 422(d) of the Code. Participant further acknowledges that the rule set forth in the preceding sentence shall be applied by taking the Option and other Incentive Stock Options into account in the order in which they were granted, as determined under Section 422(d) of the Code and the Treasury Regulations thereunder.

ARTICLE IV.

EXERCISE OF OPTION

4.1 Person Eligible to Exercise. Except as provided in Section 5.2(b) below, during the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 above, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under then-applicable laws of descent and distribution.

4.2 Partial Exercise. Any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 above.

4.3 Manner of Exercise. The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Administrator) of each of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3 above:

- (a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;
- (b) The receipt by the Company of full payment for the shares of Stock with respect to which the Option or portion thereof is exercised, including payment of any applicable withholding taxes, which may be in one or more of the forms of consideration permitted under Section 4.4 below;
- (c) Any other written representations as may be required in the Administrator's sole discretion to evidence compliance with any applicable law, rule or regulation; and
- (d) If the Option or portion thereof is exercised pursuant to Section 4.1 above by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise the Option, as determined in the sole discretion of the Administrator.

Notwithstanding any of the foregoing, the Company shall have the right to specify all conditions of the manner of exercise, which conditions may vary and which may be subject to change from time to time in the sole discretion of the Administrator.

4.4 Method of Payment. The Administrator shall determine the method(s) by which the exercise price of the Option may be paid including, without limitation: (a) cash, (b) shares of Stock having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof, including shares of Stock that would otherwise be issuable or transferable upon exercise of the Option, and/or (c) other property acceptable to the Administrator (including through the delivery of a notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; provided that payment of such proceeds is then made to the Company, at such time as may be required by the Company, but not later than the settlement of such sale), and the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants.

4.5 Conditions to Issuance of Share of Stock. The shares of Stock deliverable upon the exercise of the Option, or any portion thereof, may be either previously authorized but unissued shares of Stock or issued shares of Stock which have then been reacquired by the Company. The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions:

- (a) The admission of such shares of Stock to listing on all stock exchanges on which such Stock is then listed;
- (b) The completion of any registration or other qualification of such shares of Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or of any other governmental regulatory body, which the Administrator shall, in its sole discretion, deem necessary or advisable;
- (c) The obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its sole discretion, determine to be necessary or advisable;
- (d) The receipt by the Company of full payment for such shares of Stock, including payment of any applicable withholding tax, which may be in one or more of the forms of consideration permitted under Section 4.4 above; and
- (e) The lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience.

4.6 Rights as Stockholder. The holder of the Option shall not be, nor have any of the rights or privileges of, a stockholder of the Company in respect of any shares of Stock purchasable upon the exercise of any part of the Option unless and until such shares of Stock shall have been issued by the Company to such holder (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company). No adjustment will be made for a dividend or other right for which the record date is prior to the date the shares of Stock are issued, except as provided in Section 7.1 of the Plan.

ARTICLE V.

OTHER PROVISIONS

5.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Option Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Option Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon Participant, the Company and all other interested persons. No member of the Committee or the Board or any delegate thereof shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan, the Grant Notice or this Option Agreement.

5.2 Option Not Transferable.

(a) Subject to Section 5.2(b), no right or interest of Participant in the Option may be pledged, encumbered, or hypothecated to or in favor of any party other than the Company or a Subsidiary, or shall be subject to any lien, obligation, or liability of Participant to any other party other than the Company or a Subsidiary. Except as otherwise provided by the Administrator, the Option shall not be assigned, transferred, or otherwise disposed of by Participant other than by will or the laws of descent and distribution.

(b) After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 above, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under then-applicable laws of descent and distribution.

5.3 Adjustments. Participant acknowledges that the Option is subject to modification and termination upon the occurrence of certain events as provided in this Agreement and in Article 7 of the Plan.

5.4 Notices. Any notice to be given in connection with the this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the address given beneath the signature of the Company's authorized officer on the Grant Notice, and any notice to be given to Participant shall be addressed to Participant at the most current address on file with the Company's Human Resources department. By a notice given pursuant to this Section 5.4, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise his or her Option pursuant to Section 4.1 above. Any notice shall be deemed duly given on the date hand-delivered, on the day following deposit with a reputable overnight carrier, or two days after such notice is sent by certified mail (return receipt requested), in any case, to the addresses specified herein.

5.5 Captions. Captions are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.6 Governing Law; Severability. The laws of the State of Nevada shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement without reference to the conflicts of laws principles thereof.

5.7 Conformity to Securities Laws. Participant acknowledges that the Plan and the Option are intended to conform to the extent necessary with all applicable federal, state, local and foreign securities laws and any and all official interpretations, regulations and rules promulgated thereunder. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as conforms to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and the Option shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.8 Amendments, Suspension and Termination. Participant acknowledges that the Plan and the Option are subject to amendment, suspension and/or termination as provided in Article 10 of the Plan.

5.9 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth in Section 5.2 above, this Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns.

5.10 Notification of Disposition. If this Option is designated as an Incentive Stock Option, Participant shall give prompt notice to the Company of any disposition or other transfer of any shares of Stock acquired under this Agreement if such disposition or transfer is made (a) within two years after the applicable Grant Date, or (b) within one year after Participant exercises the Option. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by Participant in such disposition or other transfer.

5.11 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if Participant is subject to Section 16 of the Exchange Act, then the Plan, the Grant notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule

5.12 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any of its Subsidiaries.

5.13 Entire Agreement. The Plan, the Grant Notice and this Agreement (including all Exhibits thereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

5.14 Section 409A. Without limiting the generality of Section 1.2 above, Section 11.14 of the Plan regarding Code Section 409A is hereby expressly incorporated by reference into this Agreement.

Computation of Ratio of Earnings to Fixed Charges
(unaudited)
(in thousands, except ratios)

	Twenty-Four Weeks Ended	
	February 10, 2007	February 11, 2006
Earnings		
Income before income taxes	\$ 358,008	\$ 335,566
Fixed charges	75,894	69,843
Less: Capitalized interest	(660)	(913)
Adjusted earnings	<u>\$ 433,242</u>	<u>\$ 404,496</u>
Fixed charges		
Gross interest expense	\$ 54,983	\$ 49,195
Amortization of debt expense	810	731
Interest portion of rent expense	20,101	19,917
Total fixed charges	<u>\$ 75,894</u>	<u>\$ 69,843</u>
Ratio of earnings to fixed charges	<u>5.7</u>	<u>5.8</u>

	Fiscal Year Ended August				
	2006 (52 weeks)	2005 (52 weeks)	2004 (52 weeks)	2003 (52 weeks)	2002 (53 weeks)
Earnings					
Income before income taxes	\$ 902,036	\$ 873,221	\$ 905,902	\$ 833,007	\$ 691,148
Fixed charges	156,976	144,930	130,278	121,129	98,688
Less: Capitalized interest	(1,985)	(1,079)	(813)	(791)	(437)
Adjusted earnings	<u>\$ 1,057,027</u>	<u>\$ 1,017,072</u>	<u>\$ 1,035,367</u>	<u>\$ 953,345</u>	<u>\$ 789,399</u>
Fixed charges					
Gross interest expense	\$ 110,568	\$ 102,341	\$ 89,600	\$ 79,301	\$ 78,183
Amortization of debt expense	1,559	2,343	4,230	7,334	2,283
Interest portion of rent expense	44,849	40,246	36,448	34,494	18,222
Total fixed charges	<u>\$ 156,976</u>	<u>\$ 144,930</u>	<u>\$ 130,278</u>	<u>\$ 121,129</u>	<u>\$ 98,688</u>
Ratio of earnings to fixed charges	<u>6.7</u>	<u>7.0</u>	<u>7.9</u>	<u>7.9</u>	<u>8.0</u>

The Board of Directors and Stockholders
AutoZone, Inc.

We are aware of the incorporation by reference in the following Registration Statements of AutoZone, Inc. and in the related Prospectuses of our report dated March 6, 2007, related to the unaudited condensed consolidated financial statements of AutoZone, Inc. that are included in its Form 10-Q for the quarter ended February 10, 2007:

Registration Statement (Form S-8 No. 333-19561) pertaining to the AutoZone, Inc. 1996 Stock Option Plan

Registration Statement (Form S-8 No. 333-42797) pertaining to the AutoZone, Inc. Amended and Restated Employee Stock Purchase Plan

Registration Statement (Form S-8 No. 333-48981) pertaining to the AutoZone, Inc. 1998 Director Stock Option Plan

Registration Statement (Form S-8 No. 333-48979) pertaining to the AutoZone, Inc. 1998 Director Compensation Plan

Registration Statement (Form S-3 No. 333-58565) pertaining to the registration to sell \$200 million of debt securities

Registration Statement (Form S-8 No. 333-88245) pertaining to the AutoZone, Inc. Second Amended and Restated 1996 Stock Option Plan

Registration Statement (Form S-8 No. 333-88243) pertaining to the AutoZone, Inc. Amended and Restated 1998 Director Stock Option Plan

Registration Statement (Form S-8 No. 333-88241) pertaining to the AutoZone, Inc. Amended and Restated Director Compensation Plan

Registration Statement (Form S-8 No. 333-75142) pertaining to the AutoZone, Inc. Third Amended and Restated 1998 Director Stock Option Plan

Registration Statement (Form S-8 No. 333-75140) pertaining to the AutoZone, Inc. Executive Stock Purchase Plan

Registration Statement (Form S-3 No. 333-83436) pertaining to a shelf registration to sell 15,000,000 shares of common stock owned by certain selling stockholders

Registration Statement (Form S-3 No. 333-100205) pertaining to a registration to sell \$500 million of debt securities

Registration Statement (Form S-8 No. 333-103665) pertaining to the AutoZone, Inc. 2003 Director Compensation Plan

Registration Statement (Form S-8 No. 333-103666) pertaining to the AutoZone, Inc. 2003 Director Stock Option Plan

Registration Statement (Form S-3 No. 333-107828) pertaining to a registration to sell \$500 million of debt securities

Registration Statement (Form S-3 No. 333-118308) pertaining to a registration to sell \$200 million of debt securities

Registration Statement (Form S-8 No. 333-139559) pertaining to the AutoZone, Inc. 2006 Stock Option Plan

/s/ Ernst & Young LLP

Memphis, Tennessee
March 6, 2007

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William C. Rhodes, III, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AutoZone, Inc. (“registrant”);
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 8, 2007

/s/ WILLIAM C. RHODES, III
William C. Rhodes, III
President and
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, William T. Giles, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of AutoZone, Inc. ("registrant");
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 8, 2007

/s/ WILLIAM T. GILES

William T. Giles
Chief Financial Officer, Executive Vice
President Information Technology and
Store Development
(Principal Financial Officer)

**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 Quarterly Report of AutoZone, Inc. (the "Company") on Form 10-Q for the period ended February 10, 2007 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William C. Rhodes, III, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 8, 2007

/s/ WILLIAM C. RHODES, III
William C. Rhodes, III
President and
Chief Executive Officer
(Principal Executive Officer)

**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 Quarterly Report of AutoZone, Inc. (the "Company") on Form 10-Q for the period ended February 10, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William T. Giles, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (i) the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 8, 2007

/s/ WILLIAM T. GILES

William T. Giles
Chief Financial Officer, Executive Vice
President Information Technology and
Store Development
(Principal Financial Officer)
