

**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 our more than 63,000 AutoZoners across North America, it is an honor for me to update you on our progress during fiscal 2010 and to review our continuing opportunities for 2011 and beyond. During 2010, we grew revenues by eight percent and grew earnings per share by 27.6% on top of our very solid 2009 results. More important than this year's results, we believe AutoZone continues to be very well positioned for future growth.

In September, we hosted our annual National Sales Meeting in Memphis, Tennessee, where we had the opportunity to thank our leadership team for their dedication and commitment to excellence that led to our success. We were also able to reflect on how our organization has changed over just the last five years. In five years, we've expanded our store footprint by over 25%, ending fiscal 2010 with 4,627 total stores across the U.S., Puerto Rico and Mexico. Our sales have grown from \$5.7 billion annually in 2005 to over \$7.3 billion in 2010, and our comparable earnings per share have more than doubled, growing from \$7.23/share in 2005 to \$14.97/share in 2010. These are no small accomplishments, and they are entirely derived from the efforts of our AutoZoners across the company who go the Extra Mile every day in order to Always Put Customers First! From the company's first store in Forrest City, Arkansas, the commitment to adhering to our culture and values has been critical to our success and remains one of our key points of differentiation. During these difficult financial times, we continue to receive thousands of notes annually thanking our AutoZoners for their efforts to help our customers solve their problems or to effectively maintain their vehicles, all at a very compelling value proposition. We call these notes Extra Mile stories and we regularly celebrate these efforts, reinforcing positive behaviors we want to replicate. These behaviors are the secret to our success!

Our operating theme for 2011 is **1TEAM Going the Extra Mile**. The emphasis is to focus on incorporating our Commercial and Retail business models more seamlessly. While we've been streamlining our information systems to make it easier for AutoZoners to serve all of our customers, we'll look to build on this theme in 2011 with improved technologies that better leverage the Internet, continued improvements to Commercial Z-net (our new technology to support sales to Commercial customers), ongoing parts catalog enhancements, and better parts availability across

the chain. But the real emphasis and benefit of our 1TEAM approach will be that every customer receives an exceptional experience when they interact with us. Our pledge, written at the top of this letter, starts with putting customers first. Our past successes have come from this simple principle. It will continue as our primary focus in 2011, as we understand that it is what defines our company.

### Summary of 2010 results

We were pleased to announce another year of double digit earnings-per-share growth. Based on virtually any of our key operating metrics, the organization delivered extremely strong results. In fact, we have now recorded sixteen consecutive quarters of double digit earnings-per-share growth and seven straight quarters of earnings-per-share growth in excess of 20%. Our same store sales increased 5.4% in 2010 (versus last year's 4.4% sales increase over a comparable 52 week period in fiscal 2008, which excludes a fifty third week of financial results). Also, our operating profit increased 12.2% versus 2009's comparable 7.2% increase. And, our earnings per share increased 27.6% versus 2009's comparable basis of 19.7%. We also produced record operating cash flow of \$1.196 billion, up from \$924 million last year, and Return on Invested Capital (ROIC) reached a new all-time high of 27.6% versus last year's 24.4%.

While the aftermarket industry, across both Retail and Commercial, experienced another strong year in 2010, we were very pleased with our results. Based on third party statistics, we continued to gain market share across both our Retail and Commercial customer segments. And, our customers were telling us their shopping experience continues to improve. We cannot, and will not, rest on our laurels in 2011. We will continue to focus on improving all aspects of our business. Our culture remains our key point of differentiation, and we will not lose sight of the importance of basic execution in every aspect of our business.

In order to succeed in the future,  
we will have to work even harder  
than we have in the past.

## Why we're looking forward to 2011

### U.S. Retail

As the country's largest retailer of automotive aftermarket products, we look forward to the year ahead. With over 4,300 stores across the United States and Puerto Rico, our Retail initiatives continue to be more about evolution than revolution. As the economy remained challenged in 2010, our goals remained similar to the previous year: (1) Improve Customer Service by relentlessly hiring, retaining, and training our AutoZoners; (2) Continually refine our product assortment; and (3) Deploy inventory more effectively across our stores, with specific emphasis on utilizing our Hub network further.

We believe we made significant progress in each of these areas in 2010 and believe those efforts contributed to our strong performance.

As our business strengthened, we elected to be even more aggressive in these areas than we had initially planned. We aggressively invested in improving our merchandise assortment, enhancing our Hub store network, and training our AutoZoners. For example, as we began fiscal 2010, our plan was to continue our orderly pace of rolling out our new "Hub store operating model". This enhanced operating model substantially increases the selection of inventory available in the local market and also significantly increases the frequency of delivery to the other stores in the area. The Hub model also allows us to more effectively deploy inventory across individual markets in order to help improve future inventory turnover. Two years ago, we began converting our Hub stores to this new model and by the end of fiscal 2009, we had converted 60 of our existing 143 locations. This year, as our business strengthened and we were convinced the new model was delivering substantial benefits, we decided to complete the remaining 83 locations during fiscal 2010 — well ahead of our previous plans. We believe this increased parts availability and the more frequent deliveries enhance our offering to both our Retail and Commercial customers.

### U.S. Commercial

We continue to be excited by our growth opportunities in Commercial. During 2010, our Commercial sales growth increased sequentially each quarter over the comparable 2009 quarters. We experienced sales growth across the country and from both existing and new customers. Currently, approximately 2,400 of our domestic stores include our Commercial program offering. Our focus remains on developing and delivering a differentiated value proposition to our customers. From adding late model parts coverage, to enhancing our Hub store model, to delivering to our customers when promised, we continue to improve our overall proposition. Over

the last two years, we have remained committed to our game plan of increasing the number of Commercial sales staff, which reinforces our belief that more intense personal focus on existing account management will drive continued results.

Also, we continue to see opportunities to leverage technology to improve execution and to grow sales. During 2010 we introduced, and ultimately implemented during the fourth fiscal quarter, our Commercial Z-net system to allow a more seamless shopping experience for our professional customers. With this new technology, we have significantly simplified and enhanced the systems, which, in turn, allows AutoZoners to provide higher quality service to our customers. This system helps set the stage for us to more effectively utilize all store AutoZoners as One Team focused on giving exceptional service.

While our Commercial sales increased more than 13% in fiscal 2010, with only an estimated 1.5% market share in the Commercial sales category\*, we believe we have tremendous opportunities for growth in this sector for the foreseeable future.

### Mexico

We continued to aggressively expand our store count in Mexico by adding 50 stores in 2010, ending the year with 238 stores across all 31 Mexican states. Over the last two years, the Mexican economy has been challenged, and the security situation has worsened. Both of these events have presented challenges to our business. However, our team in Mexico has focused relentlessly on providing great service and a compelling value proposition to our Mexico customers. We have also managed our expense structure effectively and have focused on purchasing the majority of our products in-country to mitigate any risks associated with the fluctuating Mexican Peso. We are comfortable with our strategy to manage our Mexico business for the long run, while minimizing foreign currency risk. We remain committed to growing this business prudently and profitably as we continue with our store expansion plans.

### ALLDATA

With over 75,000 repair facilities subscribing to ALLDATA today, our automotive diagnostic and collision repair software products are setting the pace for the industry. We continue to be excited about ALLDATA's expansion opportunities for 2011, and we believe our penetration of business in the fast-growing collision subscription industry will continue to add to our strong results. We believe that ALLDATA will continue to be a growth vehicle for AutoZone for years to come.

## The Future

As I mentioned at the outset, we were very pleased with our results in 2010. As the U.S. economy continues to be challenged by many constraining factors, we have focused on what we can control, and our team has executed very well.

Over the last two years, our business has strengthened significantly. During this time of expansion, we have significantly improved our profitability, but we have also leveraged our enhanced performance by increasing our level of investments, both capital and operating expenses, to improve our offerings to our customers. As a result, we feel we are well positioned for the future.

In addition to delivering strong sales and profitability performance during 2010, we also set a new all-time high in Return on Invested Capital — ending the year at 27.6%. We believe we must grow our profitability, but we must accomplish this goal by being strong stewards of our investors' capital. We also remain focused on prudently managing our capital structure to optimize our returns. During 2010, we repurchased over \$1.1 billion of our stock, in addition to \$1.3 billion repurchased in 2009. At the end of fiscal 2010, AutoZone had purchased over \$8.7 billion of our common stock, equating to 121.7 million shares since this program was initiated in 1998. We continue to utilize share repurchases as an attractive use of excess capital.

Our strategy for the future remains remarkably similar to the past as is reflected in the operating themes of the last few years. We will continue to ensure we have Great People Providing Great Service; we will continue to Live the Pledge; we will continue to Go the Extra Mile for our customers; we will continue to execute our plan at an extremely high level and in 2011; we will be **1TEAM Going the Extra Mile**.

While 2010 marked great success with record Sales, Earnings Per Share, Operating Cash Flow, and Return on Invested Capital, these results would not have been possible without our AutoZoners' commitment to providing the industry's best customer service. Their dedication is what makes our organization great. I would personally like to thank all our

AutoZoners for delivering a record year in 2010, but I would also 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 was a great year, but it is behind us. We have aggressive goals for 2011, and we believe they are achievable but not easy. We believe our customers' need to save money and receive solid advice has not changed, nor will it. We must be dedicated to filling that need. I would also like to thank our vendors for their ongoing commitment to our customers. Finally, I would like to thank each of you, 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 look forward to updating you on our continued success well into the future.

Sincerely,



Bill Rhodes  
Chairman, President and CEO  
Customer Satisfaction

Our culture remains our  
key point of differentiation