1 9 9 7 ANNUAL REPORT

Company Description

AutoZone is the nation's leading auto parts chain. We sell a broad line of replacement parts, accessories, chemicals and motor oil. With 1,728 stores in 32 states, we operate more stores than any auto parts retailer in America. On average, we open the doors on a new AutoZone store nearly every day.

Our primary customers are do-it-yourselfers who repair their own cars to save money. We also sell and deliver parts to professional repair shops whose technicians install parts for a living.

The first AutoZone store opened in Forrest City, Arkansas, on July 4, 1979. Eighteen years later, we still attribute much of our success to our fanatical commitment to customer satisfaction. There's a pledge you'll hear recited throughout AutoZoneland that helps us keep our focus:

AutoZoners always put customers first.

We know our parts and products.

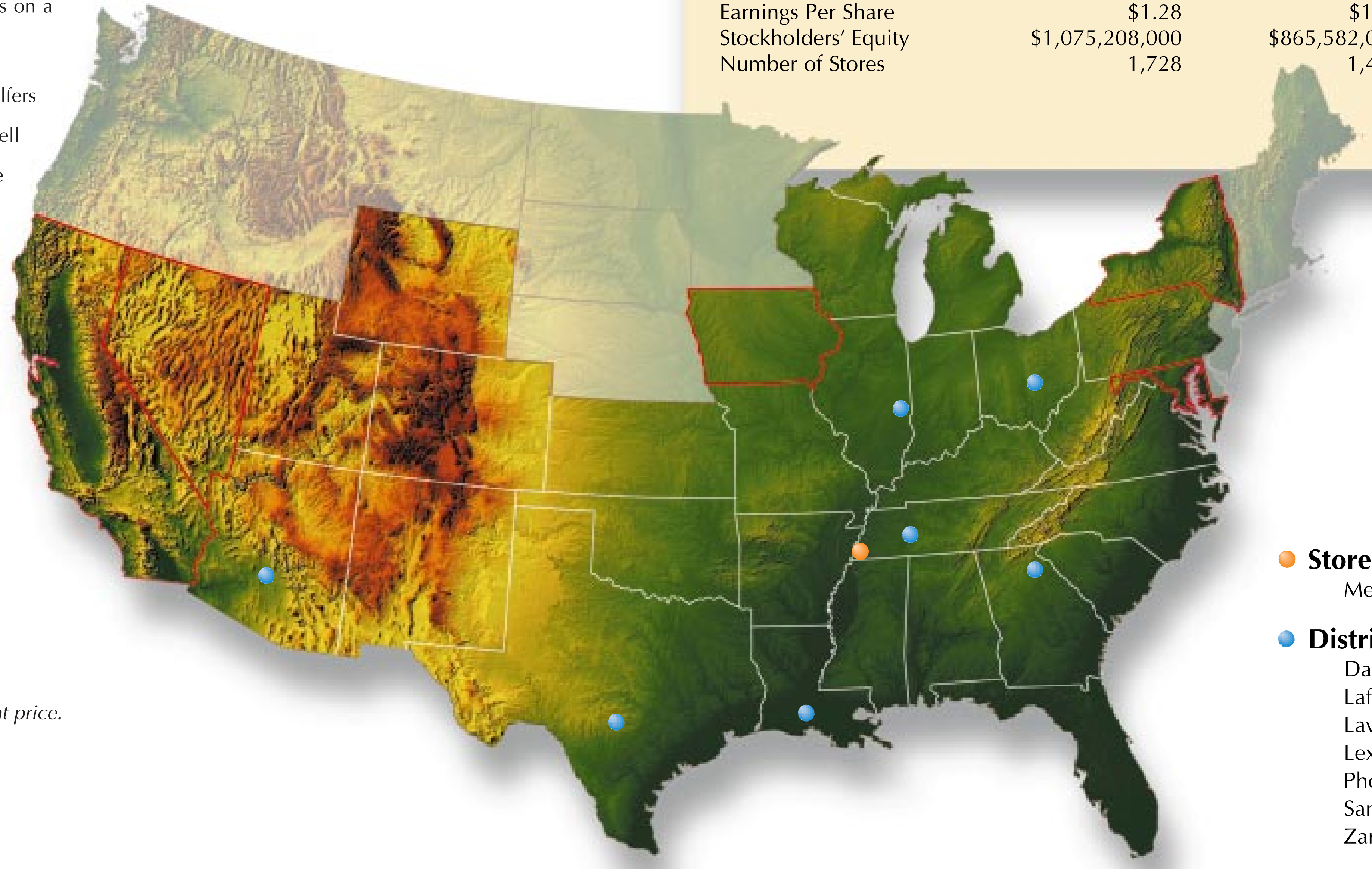
Our stores look great.

And we've got the best merchandise at the right price.

Financial Highlights

	1997	1996*	% Change
Sales	$2,691,440,000	$2,242,633,000	+20%
Operating Profit	$321,351,000	$268,934,000	+19%
Net Income	$195,008,000	$167,165,000	+17%
Earnings Per Share	$1.28	$1.11	+15%
Stockholders' Equity	$1,075,208,000	$865,582,000	+24%
Number of Stores	1,728	1,423	+21%

*includes a 53rd week



Store Support Center
Memphis, TN

Distribution Centers
Danville, IL
Lafayette, LA
Lavonia, GA
Lexington, TN
Phoenix, AZ
San Antonio, TX
Zanesville, OH

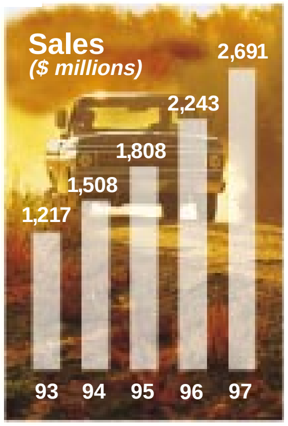
AutoZone Stores By State

- Alabama............77
- Arizona.............64
- Arkansas............39
- California............8
- Colorado...........32
- Florida..............82
- Georgia.............96
- Illinois...............56
- Indiana.............85
- Iowa..................10
- Kansas...............31
- Kentucky...........48
- Louisiana...........70
- Maryland.............1
- Michigan...........27
- Mississippi..........61
- Missouri............72
- Nevada...............1
- New Mexico........23
- New York...........11
- North Carolina.......87
- Ohio...............166
- Oklahoma..........60
- Pennsylvania........28
- South Carolina.......49
- Tennessee.........106
- Texas..............264
- Utah.................19
- Virginia.............34
- West Virginia.......13
- Wisconsin............5
- Wyoming.............3

Indicates a new state for F97

To our Customers, AutoZoners and Stockholders:

Fiscal 1997 – the year we finally answered the frequently asked question, "When will AutoZone be in California?" That answer came on July 4 – our 18th birthday – when we opened our doors in the town of El Centro. While we're excited about saying we now serve customers from coast to coast, we've continued to focus on being our customers' neighborhood auto parts store everywhere we do business.

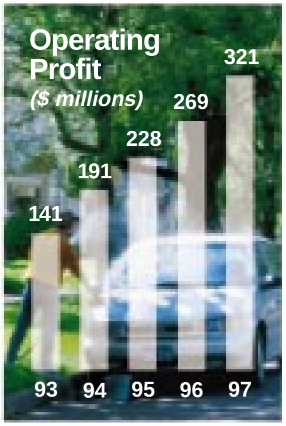


El Centro was just one of 305 net new stores we opened in fiscal 1997. And one of many we opened in markets where we didn't have a presence 12 months ago. That means our customer base – both the do-it-yourself (DIY) market and the professional mechanic sector we call commercial – continues to expand, along with the number of AutoZone neighborhoods. We also:

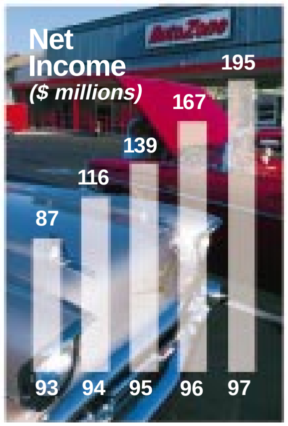
- Entered five new states – California, Iowa, Maryland, Nevada and New York.
- Turned a profit in our commercial sales program.
- Surpassed the $1 billion mark in stockholders' equity.

Fiscal 1997 was another record year financially:

- Sales rose 20% to $2.69 billion.



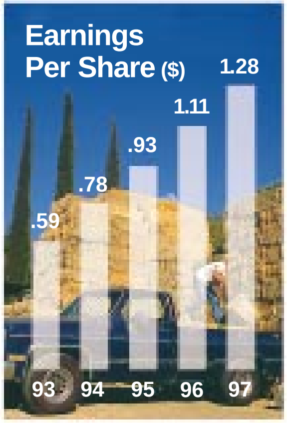
- Comparable store sales increased by 8%.
- Net income increased 17% to $195 million.
- Earnings per share rose 15% to $1.28.



We're particularly pleased with our financial gains, given the fact that we're measuring ourselves against a 53-week year in fiscal 1996. We're gaining leverage on expenses through a revival of our culture of thrift – more commonly known outside AutoZone as tight expense control.

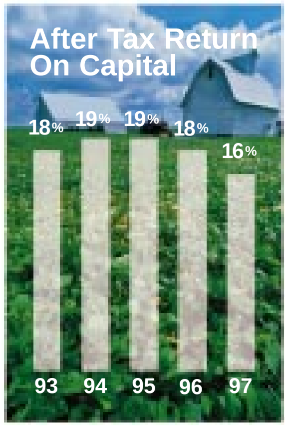
Less than two years ago we were kicking off the commercial program in our first store. Today that business accounts for more than 10% of our total sales. And although DIY sales were soft industrywide for the first half of the year, we've felt a real momentum shift since the third quarter. Looking ahead, we will maintain our focus on our core DIY business and expect the commercial business to continue to have a favorable impact on same store sales and earnings as it grows.

Once again, our new store openings are among the best in retailing. With the addition of 305 net new stores, we ended the year with 1,728 stores in 32 states. We're confident there's still lots of room for expansion, and we project 350



new stores in the coming year.

Professional technicians across the nation are reaping the benefits of the research and development investment we've made this year in ALLDATA. In the coming year, we believe ALLDATA's software will rise to a new level – clearly establishing itself as the unassailable leader in automotive diagnostic and repair information.



We'd like to take this opportunity to thank Pitt Hyde and Tom Hanemann for their leadership and service to AutoZone. Tom retired after 23 years, dating back to his days with Malone & Hyde, our former parent company. He was vital in developing AutoZone's culture and his influence will be felt for years to come.

Pitt retired 18 years after founding AutoZone and 30 years after joining Malone & Hyde. His vision of taking customer service to a new level in the auto parts industry is what made AutoZone the best in the business. Pitt continues to offer his expertise as a member of our board.

If you've followed AutoZone closely as we've grown, you won't find our strategy for the coming year all that unusual. We'll continue to profitably expand our store count faster than anyone else in our industry. We'll continue to seek out competitive advantages in areas like technology, store design and product quality. And we will always look for new opportunities to create more value for our customers.

President Tim Vargo and Chairman John Adams

Wall Street may see AutoZone as a rapidly growing chain of more than 1,700 stores spread across 32 states. But we know that to our millions of loyal customers, AutoZone is the man or woman in the red shirt behind the counter of the neighborhood auto parts store just a few minutes from home. As we focus on growing our business and gaining new customers, we'll never lose sight of our obligation to invest in the more than 28,000 AutoZoners who continue to find new ways to deliver extraordinary customer service every day.

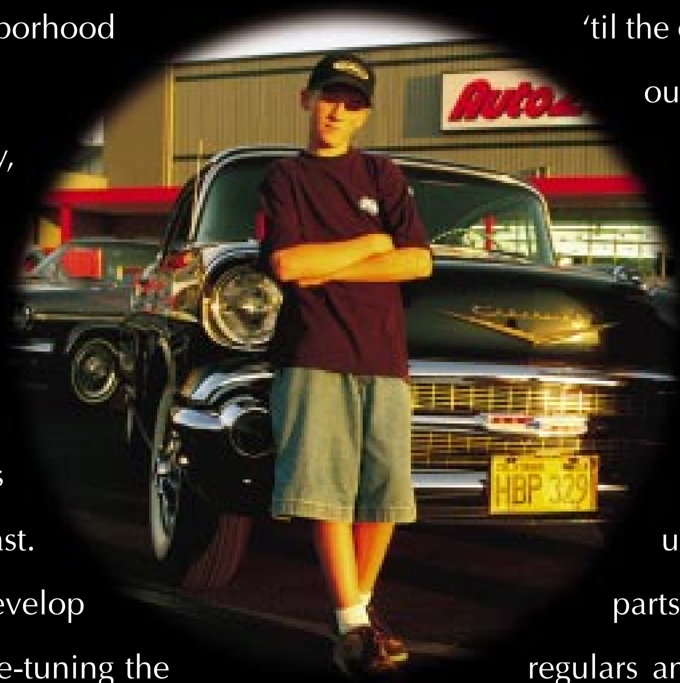
John Adams
Chairman & CEO
Customer Satisfaction

Tim Vargo
President & COO
Customer Satisfaction

Your neighborhood auto parts store – all across America.

From Sumter, South Carolina to El Centro, California. From Indianapolis, Indiana to Brownsville, Texas. From Detroit, Michigan to Andalusia, Alabama. It's something that's as common in small town America as it is in our bustling big cities. The neighborhood AutoZone store.

It was born in Forrest City, Arkansas, in 1979. Needless to say, we've come a long way since then. We've grown from a small time operation in the South to the nation's leading auto parts chain with stores from coast to coast. We've introduced and helped develop new products. We're constantly fine-tuning the way our stores are designed and operated. We're even into the development of automotive diagnostic and repair software.

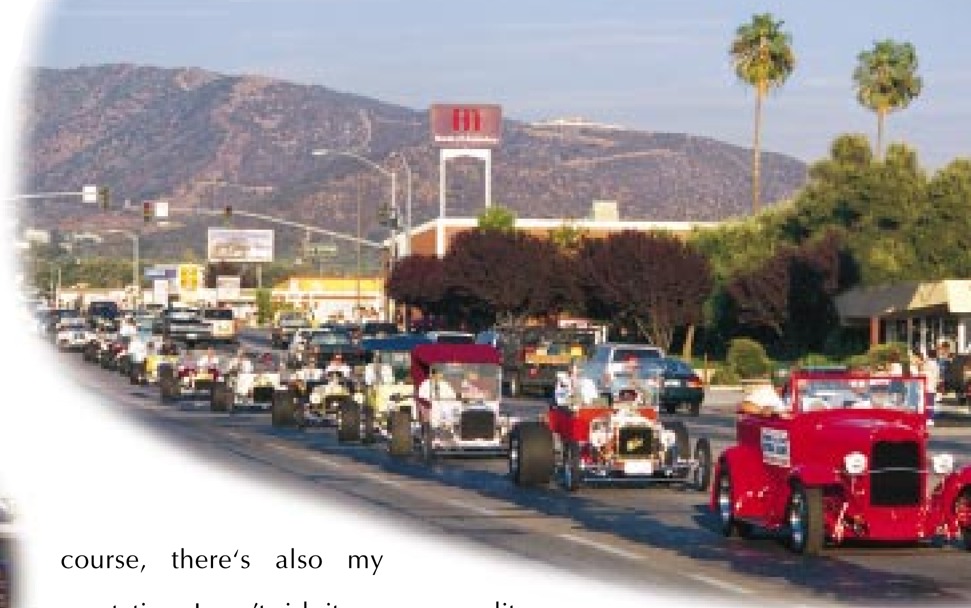


Fact of the matter is, we've enhanced our business in more ways than we have room to mention here. But for all the enhancements, there's a part of our business we don't want to change a bit. And that's the way we relate to our customers. We can create whizbang systems 'til the cows come home, but if we don't treat our customers like friends and give them the service they deserve, we can kiss it all goodbye.

Because when it's all said and done, AutoZone is still the place where somebody's dad, somebody's mom, somebody's uncle, friend or neighbor goes to buy parts. The place where we know the regulars and they know us. Where we can tell newcomers the best way to fix a leaky radiator or just the best place to get a bite to eat. Because while we're in a lot more neighborhoods than ever before, we're still your neighborhood auto parts store.

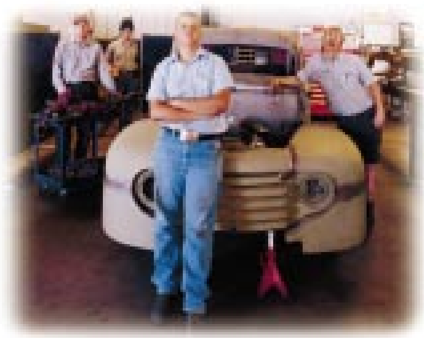
Yucaipa
California

Nestled in the foothills of the San Bernardino mountains is the community of Yucaipa. The Serrano Indians first viewed this land from the backs of horses and gave the town its name, which means "green valley." The current natives still rely on horsepower, but their horses tend to reside under the hoods of their cars and trucks.



More than 500 Yucaipa residents are members of the town's four car clubs – a tribute to Southern California's hot rod heritage. One local car enthusiast is AutoZone customer Jeff Ranney. And his pride and joy is a '68 Chevy pickup.

Jeff is co-owner of local repair shop and was one of our very first customers when we opened our doors in July. "When you buy as many parts as I do, you've got to trade with people who are serious about quality," he says. "The price has to be right on, because I have to watch my bottom line, too. And of course, there's also my reputation. I can't risk it on poor quality parts. I trust the people at AutoZone. They always take the time to help you out and let you know your business is appreciated."

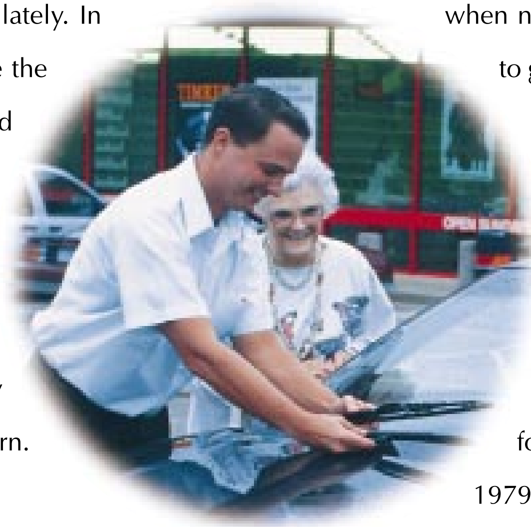


That's a testimonial we're pretty proud of from somebody who's eager to be one of our first commercial customers in the state of California. At press time, Yucaipa's commercial program wasn't in place. That's because in new stores, we get our core do it yourself business up and running before we roll out commercial. assured, Jeff is at the top our list. And we know e'll be in good company ith our thousands of other ommercial customers all cross the country.


AutoZone

Cedar Rapids
Iowa

If rolling cornfields and dusty farm roads are the only images you associate with Iowa, you probably haven't been there lately. In Cedar Rapids, towering grain silos and windmills share the skyline with office buildings, manufacturing facilities and neighborhood stores, like AutoZone.



Mark Petersen manages the AutoZone store on Blairs Ferry Road – one of three that opened in Cedar Rapids this year and one of 305 that opened up all across America. If you had driven down Blairs Ferry Road five years ago, you would've seen nothing but corn. Today it's one of the busiest shopping areas in town.

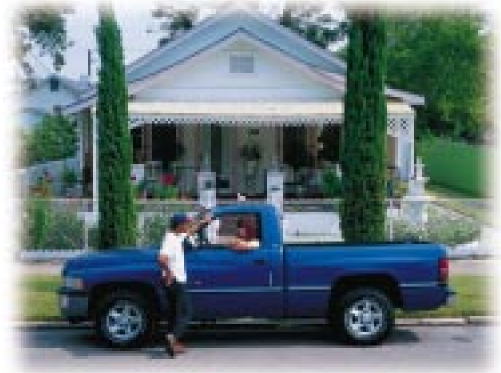
Mark grew up in the area, and he's excited to work for a company that's part of the city's growth. "When I returned home after four years in the Air Force, I almost didn't recognize some parts of town," Mark said. "But what's great is that we still look out for each other, no matter how big Cedar Rapids has gotten. When new people move here, they aren't strangers very long."

Although his store isn't a year old yet, Mark already has a list of regular customers a mile long. "We knew many of our customers before AutoZone ever came to town. And when new people come through the doors, we make it a point to get to know them, too." Mark says this is one of the things that sets AutoZone apart. "If we know what our customers drive and the kinds of problems they've been having, we'll be able to solve their problems better the next time they come in."

Customers in Cedar Rapids – whether they're lifelong residents or new to the area – can count on us for everything from alternators for their 1979 Oldsmobile Cutlasses to control modules for their 1995 Chevy Luminas. And just in case, we even carry batteries for 1994 John Deere model 8960 tractors.

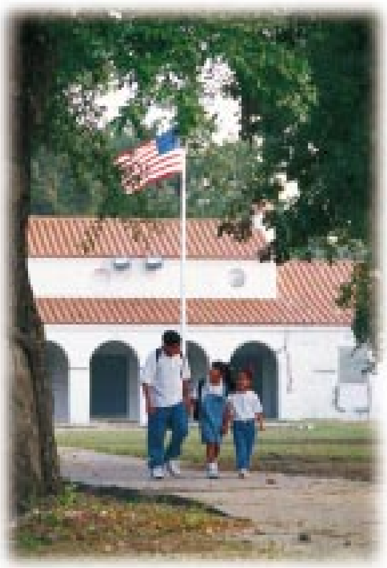

AutoZone

HOUSTON
TEXAS



People in Texas are proud of their reputation for doing things in big ways. From the vast plains of the West Texas cattle ranches to the sprawling oil refineries of Beaumont, that same pride is found in our 264 stores throughout the Lone Star State. Perhaps none more so than at a store in Houston fondly referred to as "Sergeant Garcia."

Located in the heart of a Hispanic neighborhood, this store sits next to a quiet side street named after WWII hero Sergeant Juan Garcia. The store has been a part of the community so long that a few of the AutoZoners have become almost as legendary as the Sergeant himself. Joe Calvillo is a great example. Having worked in other parts stores for many years, Joe came to AutoZone about nine years ago. When he did, many of his customers came with him.



They like the way he goes the extra mile to get the job done right. It's because of people like Joe that the Sergeant Garcia store is one of the company's highest volume stores. It was one of the first stores to receive multiple deliveries of merchandise a week to serve its customers better. And like the folks in their neighborhood, each and every AutoZoner at Sergeant Garcia speaks fluent Spanish.

So how has the store remained so successful despite other parts stores moving into the neighborhood? Joe probably summed it up best, "Tratamos a nuestros clientes como queremos ser tratados." That's "We treat our customers the way we'd want to be treated." – for the Spanish impaired.

Joe speaks other languages his customers appreciate, as well. Ford and Chevy, just to name a couple.


AutoZone
Your Discount
BILSTEIN
NOW AVAILABLE
TIMKEN

Johnstown
Pennsylvania

The state of Pennsylvania is well known as the home of “the City of Brotherly Love.” But due west of Philadelphia, at the junction of the Conemaugh and Stonycreek rivers is a town you may not have heard quite as much about, Johnstown – “the Friendly City."

With our focus on pleasing customers, we knew we’d be right at home in a town with this motto, but our customer service has impressed even the friendliest of residents. Take Ken Bilger, the service manager at the Horner Street Service Station, for example. Ken’s been coming by a couple of times a day ever since we opened our doors. “There’s just something different about the way they treat you here,” Ken says. “They don’t just sell parts – they really listen to your problem and help you try to solve it.”

Those are the kind of comments Lynn Shumate likes to

hear. After all, she’s the manager of our Johnstown store. Lynn and her husband, Ron, moved to Johnstown from Memphis. His job? He’s the manager of the AutoZone in nearby Somerset, Pennsylvania. “We kept hearing about how the company needed experienced AutoZoners in this market,” Lynn said. “We’re glad we got this opportunity. We feel a little bit like pioneers, spreading the AutoZone culture in a new district.”

Since our Johnstown store was the first we opened in the area, Lynn and Ron trained six new crews for stores in neighboring towns. “The thing that sets AutoZone apart is our culture – and that boils down to our people. It was neat to teach new AutoZoners how we treat our customers,” Lynn said. “We were responsible for seeing that the same service we’ve been delivering down South was happening up here.” These two transplanted Southerners have found their new home to be just what it claims to be – “the Friendly City.” What they haven’t found is a place that serves grits.

Ten-Year Review

(in thousands, except per share data and selected operating data)

Income Statement Data

	5-Year Compound Growth	10-Year Compound Growth	1997	1996*	1995	1994	1993	1992	1991*	1990	1989	1988	1987
			Fiscal Year Ended August										
Net sales	22%	22%	$2,691,440	$2,242,633	$1,808,131	$1,508,029	$1,216,793	$1,002,327	$817,962	$671,725	$535,843	$437,399	$354,205
Cost of sales, including warehouse and delivery expenses			1,559,296	1,307,638	1,057,033	886,068	731,971	602,956	491,261	416,846	341,130	277,043	224,878
Operating, selling, general and administrative expenses			810,793	666,061	523,440	431,219	344,060	295,701	247,355	205,609	169,786	142,868	113,123
Operating profit	25%	35%	321,351	268,934	227,658	190,742	140,762	103,670	79,346	49,270	24,927	17,488	16,204
Interest income (expense)			(8,843)	(1,969)	623	2,244	2,473	818	(7,295)	(10,936)	(9,799)	(8,826)	(7,107)
Income before income taxes	24%	42%	312,508	266,965	228,281	192,986	143,235	104,488	72,051	38,334	15,128	8,662	9,097
Income taxes			117,500	99,800	89,500	76,600	56,300	41,200	27,900	14,840	6,200	3,770	4,980
Net income	25%	47%	$ 195,008	$ 167,165	$ 138,781	$ 116,386	$ 86,935	$ 63,288	$ 44,151	$ 23,494	$ 8,928	$ 4,892	$ 4,117
Net income per share	24%	46%	$1.28	$1.11	$0.93	$0.78	$0.59	$0.43	$0.33	$0.19	$0.07	$0.04	$0.03
Average shares outstanding, including common stock equivalents			152,535	151,238	149,302	148,726	147,608	145,940	134,656	121,212	119,320	119,936	119,096

Balance Sheet Data

	1997	1996*	1995	1994	1993	1992	1991*	1990	1989	1988	1987
Current assets	$778,802	$613,097	$447,822	$424,402	$378,467	$279,350	$233,439	$191,736	$177,824	$137,098	$124,569
Working capital	186,350	219	30,273	85,373	92,331	72,270	55,807	26,803	35,831	35,226	26,760
Total assets	1,884,017	1,498,397	1,111,778	882,102	696,547	501,048	397,776	327,368	296,546	232,977	213,076
Current liabilities	592,452	612,878	417,549	339,029	286,136	207,080	177,632	164,933	141,993	101,872	97,809
Debt	198,400	94,400	13,503	4,252	4,458	7,057	7,246	74,851	93,293	77,138	65,500
Stockholders' equity	1,075,208	865,582	684,710	528,377	396,613	278,120	204,628	80,356	54,592	45,608	40,795

Selected Operating Data

	1997	1996*	1995	1994	1993	1992	1991*	1990	1989	1988	1987
Number of stores at beginning of year	1,423	1,143	933	783	678	598	538	504	440	396	313
New stores	308	280	210	151	107	82	60	38	70	47	84
Replacement stores	17	31	29	20	20	14	4	7	7	1	0
Closed stores	3	0	0	1	2	2	0	4	6	3	1
Net new stores	305	280	210	150	105	80	60	34	64	44	83
Number of stores at end of year	1,728	1,423	1,143	933	783	678	598	538	504	440	396
Total store square footage (000's)	11,611	9,437	7,480	5,949	4,839	4,043	3,458	3,031	2,758	2,318	2,029
Percentage increase in square footage	23%	26%	26%	23%	20%	17%	14%	10%	19%	14%	30%
Percentage increase in comparable store net sales	8%	6%	6%	9%	9%	15%	12%	13%	10%	6%	10%
Average net sales per store (000's)	$1,691	$1,702	$1,742	$1,758	$1,666	$1,570	$1,408	$1,289	$1,135	$1,046	$999
Average net sales per store square foot	$253	$258	$269	$280	$274	$267	$246	$232	$211	$201	$198
Total employment	28,700	26,800	20,200	17,400	15,700	13,200	11,700	9,300	7,900	7,100	6,300
Gross profit – percentage of sales	42.0%	41.7%	41.5%	41.2%	39.8%	39.8%	39.9%	37.9%	36.3%	36.6%	36.5%
Operating profit – percentage of sales	11.9%	12.0%	12.6%	12.6%	11.5%	10.3%	9.7%	7.3%	4.6%	4.0%	4.6%
Net income – percentage of sales	7.2%	7.5%	7.7%	7.7%	7.1%	6.3%	5.4%	3.5%	1.7%	1.1%	1.2%
Debt-to-capital – percentage	15.6%	9.8%	1.9%	0.8%	1.1%	2.5%	3.4%	48.2%	63.1%	62.8%	61.6%
Inventory turnover	2.5x	2.7x	2.9x	3.0x	3.2x	3.0x	2.6x	2.4x	2.4x	2.3x	2.3x
Return on average equity	20%	22%	23%	25%	26%	26%	31%	35%	18%	11%	11%

* 53 weeks. Comparable store sales, average net sales per store and average net sales per store square foot for fiscal year 1996 and 1991 have been adjusted to exclude net sales for the 53rd week.

Quarterly Summary

(Unaudited)

	Twelve Weeks Ended			Sixteen Weeks Ended
	(in thousands, except per share data)			
	November 23, 1996	February 15, 1997	May 10, 1997	August 30, 1997
Net sales	$569,145	$538,012	$637,895	$946,388
Increase in comparable store sales	7%	10%	7%	8%
Gross profit	$240,298	$226,956	$268,975	$395,915
Operating profit	61,898	49,217	76,775	133,461
Income before income taxes	60,725	47,107	74,103	130,573
Net income	37,975	29,407	46,103	81,523
Net income per share	0.25	0.19	0.30	0.53
Stock price range:				
High	$30.63	$27.50	$26.13	$29.50
Low	$24.50	$20.13	$22.25	$22.25

				Seventeen Weeks Ended
	November 18, 1995	February 10, 1996	May 4, 1996	August 31, 1996
Net sales	$463,029	$425,838	$524,175	$829,591
Increase in comparable store sales	5%	3%	8%	7%
Gross profit	$193,220	$176,033	$215,531	$350,211
Operating profit	55,397	43,424	60,432	109,681
Income before income taxes	55,397	43,424	59,705	108,439
Net income	34,797	27,324	37,605	67,439
Net income per share	0.23	0.18	0.25	0.44
Stock price range:				
High	$29.63	$30.13	$37.50	$37.13
Low	$24.75	$24.13	$25.75	$27.00

Financial Review

Results of Operations

The following table sets forth income statement data of AutoZone expressed as a percentage of net sales for the periods indicated:

	Fiscal Year Ended		
	August 30, 1997	August 31, 1996	August 26, 1995
Net sales	100.0%	100.0%	100.0%
Cost of sales, including warehouse and delivery expenses	58.0	58.3	58.5
Gross profit	42.0	41.7	41.5
Operating, selling, general and administrative expenses	30.1	29.7	28.9
Operating profit	11.9	12.0	12.6
Interest expense – net	0.3	0.1	
Income taxes	4.4	4.4	4.9
Net income	7.2%	7.5%	7.7%

Fiscal 1997 Compared to Fiscal 1996

Net sales for fiscal 1997 increased by $448.8 million or 20.0% over net sales for fiscal 1996. This increase was due to a comparable store net sales increase of 8% (which was primarily due to sales growth in the Company's newer stores and the added sales of the Company's commercial program) and an increase in net sales of $313.1 million for stores opened since the beginning of fiscal 1996, offset by net sales for the 53rd week of fiscal 1996. At August 30, 1997, the Company had 1,728 stores in operation, a net increase of 305 stores, or approximately 23% in new store square footage for the year.

Gross profit for fiscal 1997 was $1,132.1 million, or 42.0% of net sales, compared with $935.0 million, or 41.7% of net sales, for fiscal 1996. The increase in gross profit percentage was due primarily to improved leveraging of warehouse and delivery expenses.

Operating, selling, general and administrative expenses for fiscal 1997 increased by $144.7 million over such expenses for fiscal 1996 and increased as a percentage of net sales from 29.7% to 30.1%. The increase in the expense ratio was primarily due to operating costs of ALLDATA and to costs of the Company's commercial program.

Net interest expense for fiscal 1997 was $8.8 million compared with $2.0 million for fiscal 1996. The increase in interest expense was primarily due to higher levels of borrowings.

AutoZone's effective income tax rate was 37.6% of pre-tax income for fiscal 1997 and 37.4% for fiscal 1996.

Fiscal 1996 Compared to Fiscal 1995

Net sales for fiscal 1996 increased by $434.5 million or 24.0% over net sales for fiscal 1995. This increase was due to a comparable store net sales increase of 6% (which was primarily due to sales growth in the Company's newer stores and added sales of the Company's commercial program), an increase in net sales of $275.1 million for stores opened since the beginning of fiscal 1995 and net sales for the fifty-third week of fiscal 1996. At August 31, 1996, the Company had 1,423 stores in operation, a net increase of 280 stores, or approximately 26% in new store square footage for the year.

Gross profit for fiscal 1996 was $935.0 million, or 41.7% of net sales, compared with $751.1 million, or 41.5% of net sales, for fiscal 1995. The increase in gross profit percentage was due primarily to improved leveraging of warehouse and delivery expenses, favorable results of store and distribution center inventories and the added sales of higher margin ALLDATA products.

Operating, selling, general and administrative expenses for fiscal 1996 increased by $142.6 million over such expenses for fiscal 1995 and increased as a percentage of net sales from 28.9% to 29.7%. The increase in the expense ratio was primarily due to acquisition and operating costs of ALLDATA and to costs of the Company's commercial program.

Net interest expense for fiscal 1996 was $2.0 million compared with interest income of $0.6 million for fiscal 1995. The increase in interest expense was primarily due to higher levels of borrowings.

AutoZone's effective income tax rate was 37.4% of pre-tax income for fiscal 1996 and 39.2% for fiscal 1995. The decrease in the tax rate was primarily due to a reduction in state income taxes.

Liquidity and Capital Resources

The Company's primary capital requirements have been the funding of its continued new store expansion program, the increase in distribution centers and inventory requirements. The Company has opened 1,050 net new stores and constructed four new distribution centers from the beginning of fiscal 1993 to August 30, 1997. The Company has financed this growth through a combination of internally generated funds and, to a lesser degree, borrowings. Net cash provided by operating activities was $177.5 million in fiscal 1997, $174.2 million in fiscal 1996 and $180.1 million in fiscal 1995.

Capital expenditures were $297.5 million in fiscal 1997, $288.2 million in fiscal 1996, and $258.1 million in fiscal 1995. The Company opened 305 net new stores in fiscal 1997. Construction commitments totaled approximately $52 million at August 30, 1997.

The Company's new store development program requires significant working capital, principally for inventories. Historically, the Company has negotiated extended payment terms from suppliers, minimizing the working capital required by its expansion. The Company believes that it will be able to continue financing much of its inventory growth by favorable payment terms from suppliers, but there can be no assurance that the Company will be successful in obtaining such terms.

The Company anticipates that it will rely primarily on internally generated funds to support a majority of its capital expenditures and working capital requirements; the balance of such requirements will be funded through borrowings. The Company has an unsecured revolving credit agreement with several banks providing for borrowings up to $275 million. At August 30, 1997, the Company had available borrowings under these agreements of $76.6 million.

At August 30, 1997, the Company had outstanding stock options to purchase 10,599,254 shares of Common Stock. Assuming all such options become vested and are exercised, such options would result in proceeds of $210.3 million to the Company. Such proceeds constitute an additional source for liquidity and capital resources for the Company. For fiscal 1997, proceeds from sales of stock under stock option and employee stock purchase plans were $14.6 million, including related tax benefits.

Inflation

The Company does not believe its operations have been materially affected by inflation. The Company has been successful, in many cases, in mitigating the effects of merchandise cost increases principally due to economies of scale resulting from increased volumes of purchases, selective forward buying and the use of alternative suppliers.

Seasonality and Quarterly Periods

The Company's business is somewhat seasonal in nature, with the highest sales occurring in the summer months of June through August, in which average weekly per store sales historically have run about 20% to 30% higher than in the slowest months of December through February. The Company's business is also affected by weather conditions. Extremely hot or extremely cold weather tends to enhance sales by causing parts to fail and spurring sales of seasonal products. Mild or rainy weather tends to soften sales as parts' failure rates are lower in mild weather and elective maintenance is deferred during periods of rainy weather.

Each of the first three quarters of AutoZone's fiscal year consists of twelve weeks and the fourth quarter consists of sixteen weeks (seventeen weeks in fiscal 1996). Because the fourth quarter contains the seasonally high sales volume and consists of sixteen weeks (seventeen weeks in fiscal 1996) compared to twelve weeks for each of the first three quarters, the Company's fourth quarter represents a disproportionate share of the annual net sales and net income. For fiscal 1997 and 1996, the fourth quarter represented 35.2% and 37.0%, respectively, of annual net sales and 41.8% and 40.3%, respectively, of net income.

Forward-Looking Statements

Certain statements contained in the Financial Review and elsewhere in this annual report are forward-looking statements. These statements discuss, among other things, expected growth, future revenues and future performance. The forward-looking statements are subject to risks, uncertainties and assumptions including, but not limited to competitive pressures, demand for our products, the market for auto parts, the economy in general, inflation, consumer debt levels and the weather. Actual results may materially differ from anticipated results described in these forward-looking statements.

Consolidated Statements of Income

	Year Ended		
	August 30, 1997 (52 Weeks)	August 31, 1996 (53 Weeks)	August 26, 1995 (52 Weeks)
	(in thousands, except per share data)		
Net sales	$2,691,440	$2,242,633	$1,808,131
Cost of sales, including warehouse and delivery expenses	1,559,296	1,307,638	1,057,033
Operating, selling, general and administrative expenses	810,793	666,061	523,440
Operating profit	321,351	268,934	227,658
Interest income (expense) – net	(8,843)	(1,969)	623
Income before income taxes	312,508	266,965	228,281
Income taxes	117,500	99,800	89,500
Net income	$ 195,008	$ 167,165	$ 138,781
Net income per share	$ 1.28	$ 1.11	$ 0 .93
Average shares outstanding, including common stock equivalents	152,535	151,238	149,302

See Notes to Consolidated Financial Statements.

Consolidated Balance Sheets

Assets

	August 30, 1997	August 31, 1996
	(in thousands, except per share data)	
Current assets:		
Cash and cash equivalents	$ 4,668	$ 3,904
Accounts receivable	18,713	15,466
Merchandise inventories	709,446	555,894
Prepaid expenses	20,987	19,225
Deferred income taxes	24,988	18,608
Total current assets	778,802	613,097
Property and equipment:		
Land	243,587	190,660
Buildings and improvements	682,710	523,240
Equipment	267,536	248,275
Leasehold improvements and interests	45,667	36,708
Construction in progress	97,411	62,283
	1,336,911	1,061,166
Less accumulated depreciation and amortization	255,783	198,292
	1,081,128	862,874
Other assets:		
Cost in excess of net assets acquired, net of accumulated amortization of $8,084 in 1997 and $7,467 in 1996	16,570	17,187
Deferred income taxes	4,339	2,938
Other assets	3,178	2,301
	24,087	22,426
	$1,884,017	$1,498,397

Liabilities and Stockholders' Equity

	August 30, 1997	August 31, 1996
Current liabilities:		
Accounts payable	$ 449,793	$ 401,309
Accrued expenses	122,580	104,909
Income taxes payable	20,079	12,260
Short-term debt		94,400
Total current liabilities	592,452	612,878
Long-term debt	198,400	
Other liabilities	17,957	19,937
Commitments and contingencies (See notes G and I)		
Stockholders' equity:		
Preferred Stock, authorized 1,000 shares; no shares issued		
Common Stock, par value $.01 per share, authorized 200,000 shares; issued and outstanding 151,313 shares in 1997 and 150,137 shares in 1996	1,513	1,501
Additional paid-in-capital	249,853	235,247
Retained earnings	823,842	628,834
	1,075,208	865,582
	$1,884,017	$1,498,397

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Year Ended		
	August 30, 1997 (52 Weeks)	**August 31, 1996 (53 Weeks)**	**August 26, 1995 (52 Weeks)**
		(in thousands)	
Cash flows from operating activities:			
Net income	$195,008	$167,165	$138,781
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	77,163	62,919	47,733
Amortization of intangible and other assets	658	622	616
Deferred income tax expense (benefit)	(7,781)	6,082	(7,240)
Net loss (gain) on disposals of property and equipment	(16)	(735)	832
Net increase in accounts receivable and prepaid expenses	(5,009)	(7,564)	(6,091)
Net increase in merchandise inventories	(153,552)	(158,673)	(61,687)
Net increase in accounts payable and accrued expenses	66,155	94,916	64,666
Net increase in income taxes payable	7,819	6,493	578
Net change in other assets and liabilities	(2,898)	2,930	1,880
Net cash provided by operating activities	177,547	174,155	180,068
Cash flows from investing activities:			
Capital expenditures	(297,467)	(288,182)	(258,060)
Proceeds from disposals of property and equipment	2,066	8,680	1,364
Net cash used in investing activities	(295,401)	(279,502)	(256,696)
Cash flows from financing activities:			
Repayment of long-term debt		(4,003)	(249)
Net borrowings under debt agreements	104,000	84,900	9,500
Net proceeds from sale of Common Stock, including related tax benefit	14,618	17,699	17,552
Net cash provided by financing activities	118,618	98,596	26,803
Net increase (decrease) in cash and cash equivalents	764	(6,751)	(49,825)
Cash and cash equivalents at beginning of year	3,904	6,411	56,236
Beginning cash balance of pooled entity		4,244	
Cash and cash equivalents at end of year	$4,668	$ 3,904	$ 6,411
Supplemental cash flow information:			
Interest paid, net of interest cost capitalized	$8,779	$1,971	$160
Income taxes paid	$109,681	$ 69,791	$ 81,862

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

	Common Stock	Additional Paid-in Capital	Retained Earnings	Total
	(in thousands)			
Balance at August 27, 1994	$1,454	$179,090	$347,833	$ 528,377
Net income			138,781	138,781
Sale of 1,635 shares of Common Stock under stock option and stock purchase plans	17	5,335		5,352
Tax benefit of exercise of stock options		12,200		12,200
Balance at August 26, 1995	1,471	196,625	486,614	684,710
Net income			167,165	167,165
Equity of pooled entity (issued 1,697 shares)	17	20,936	(24,945)	(3,992)
Sale of 1,386 shares of Common Stock under stock option and stock purchase plans	13	6,836		6,849
Tax benefit of exercise of stock options		10,850		10,850
Balance at August 31, 1996	1,501	235,247	628,834	865,582
Net income			195,008	195,008
Sale of 1,176 shares of Common Stock under stock option and stock purchase plans	12	7,676		7,688
Tax benefit of exercise of stock options		6,930		6,930
Balance at August 30, 1997	$1,513	$249,853	$823,842	$1,075,208

See Notes to Consolidated Financial Statements.

Notes To Consolidated Financial Statements

Note A – Significant Accounting Policies

Business: The Company is a specialty retailer of automotive parts and accessories. At the end of fiscal 1997, the Company operated 1,728 stores in 32 states.

Fiscal Year: The Company's fiscal year consists of 52 or 53 weeks ending on the last Saturday in August.

Basis of Presentation: The consolidated financial statements include the accounts of AutoZone, Inc. and its wholly owned subsidiaries (the Company). All significant intercompany transactions and balances have been eliminated in consolidation.

Merchandise Inventories: Inventories are stated at the lower of cost or market using the last-in, first-out (LIFO) method.

Property and Equipment: Property and equipment is stated at cost. Depreciation is computed principally by the straight-line method over the estimated useful lives of the assets. Leasehold interests and improvements are amortized over the terms of the leases.

Amortization: The cost in excess of net assets acquired is amortized by the straight-line method over 40 years.

Preopening Expenses: Preopening expenses, which consist primarily of payroll and occupancy costs, are expensed as incurred.

Advertising Costs: The Company expenses advertising costs as incurred. Advertising expense, net of vendor rebates, was approximately $24,622,000, $23,129,000 and $18,531,000 in fiscal 1997, 1996 and 1995, respectively.

Warranty Costs: The Company provides the retail consumer with a warranty on certain products. Estimated warranty obligations are provided at the time of sale of the product.

Financial Instruments: The Company has certain financial instruments which include cash, accounts receivable, accounts payable and debt. The carrying amounts of these financial instruments approximate fair value because of their short maturities or variable interest rates.

Income Taxes: The Company accounts for income taxes under the liability method. Deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Cash Equivalents: Cash equivalents consist of investments with maturities of 90 days or less at the date of purchase.

Use of Estimates: Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Net Income Per Share: Net income per share of common stock is computed using the weighted average number of shares of common stock outstanding during each period, including common stock equivalents, consisting of stock options calculated using the treasury stock method, when dilutive.

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." SFAS No. 128 requires dual presentation of basic earnings per share (EPS) and diluted EPS on the face of all statements of earnings issued after December 15, 1997. Basic EPS is computed as net earnings divided by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock-based compensation including stock options. Assuming the Company had adopted the provisions of SFAS No. 128, EPS as reported and pro forma for the last three fiscal years would be as follows 1997 – as reported: $1.28, basic: $1.29, 1996 – as reported: $1.11, basic: $1.13; 1995 – as reported: $0.93, basic: $0.95. The Company's reported EPS calculations are the same as pro forma diluted EPS.

Impairment of Long-Lived Assets: In fiscal 1997 the Company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, in general, long-lived assets and certain identifiable intangibles to be disposed of should be reported at the lower of carrying amount or fair value less cost to sell. This pronouncement did not have a material effect on the Company's financial position or results of operations.

Note B – Accrued Expenses

Accrued expenses consist of the following:

	August 30, 1997	August 31, 1996
	(in thousands)	
Medical and casualty insurance claims	$ 35,121	$ 33,800
Accrued compensation and related payroll taxes	26,481	18,490
Property and sales taxes	27,161	21,485
Other	33,817	31,134
	$122,580	$104,909

Note C – Income Taxes

At August 30, 1997, the Company has net operating loss carryforwards (NOLs) of approximately $13.3 million that expire in years 2000 through 2009. These carryforwards resulted from the Company's acquisition of ALLDATA Corporation (ALLDATA) during fiscal 1996. The use of the NOLs is limited to future taxable earnings of ALLDATA and is subject to annual limitations. A valuation allowance of $5,247,000 and $5,573,000 in fiscal 1997 and 1996, respectively, has been recognized to offset the deferred tax assets related to those carryforwards. If realized, the tax benefit for those NOLs will reduce income tax expense.

The provision for income taxes consists of the following:

	Year Ended		
	August 30, 1997	August 31, 1996	August 26, 1995
	(in thousands)		
Current:			
Federal	$114,113	$86,469	$81,460
State	11,168	7,249	15,280
	125,281	93,718	96,740
Deferred:			
Federal	(6,427)	5,531	(6,160)
State	(1,354)	551	(1,080)
	(7,781)	6,082	(7,240)
	$117,500	$99,800	$89,500

Significant components of the Company's deferred tax assets and liabilities are as follows:

	August 30, 1997	August 31, 1996
	(in thousands)	
Deferred tax assets:		
Insurance reserves	$12,078	$11,282
Unearned income	5,620	6,296
Net operating loss carryforwards	5,247	5,573
Property and equipment	1,901	
Other	9,728	5,767
	34,574	28,918
Less valuation allowance	5,247	5,573
	29,327	23,345
Deferred tax liabilities:		
Property and equipment		1,799
Net deferred tax assets	$29,327	$21,546

A reconciliation of the provision for income taxes to the amount computed by applying the federal statutory tax rate of 35% to income before income taxes is as follows:

	Year Ended		
	August 30, 1997	August 31, 1996	August 26, 1995
	(in thousands)		
Expected tax at statutory rate	$109,378	$93,438	$79,898
State income taxes, net	6,379	5,070	9,230
Other	1,743	1,292	372
	$117,500	$99,800	$89,500

Note D – Financing Arrangements

During December 1996, the Company executed an agreement with a group of banks for a $275 million five-year unsecured revolving credit facility to replace the existing revolving credit agreements. The rate of interest payable under the agreement is a function of the London Interbank Offered Rate (LIBOR), or the lending bank's base rate (as defined in the agreement), or a competitive bid rate, at the option of the Company. At August 30, 1997, the Company's borrowings under this agreement were $198.4 million and the weighted average interest rate was 5.79%. At August 31, 1996, revolving credit borrowings were $94.4 million and the weighted average interest rate was 5.67%. The unsecured revolving credit agreement contains a covenant limiting the amount of debt the Company may incur relative to its total capitalization. Based on the term of the Company's new five-year credit facility, amounts outstanding under the revolving credit facility have been classified as long-term.

On March 27, 1997, the Company executed a negotiated rate unsecured revolving credit agreement totaling $25 million which extends until March 26, 1998. There were no amounts outstanding under this agreement as of August 30, 1997.

Interest costs of $2,119,000 in fiscal 1997, $2,416,000 in fiscal 1996, and $981,000 in fiscal 1995 were capitalized.

Note E – Equity

The Company has granted options to purchase common stock to certain employees under various plans at prices equal to the market value of the stock on the dates the options were granted. Options are generally exercisable over a three to seven year period, and generally expire in 10 years. A summary of outstanding stock options is as follows:

	Wtd. Avg. Exercise Price	Number of Shares
Outstanding August 26, 1995	$14.77	9,503,981
Assumed	4.46	221,841
Granted	28.50	1,621,395
Exercised	4.55	(1,332,588)
Canceled	24.38	(254,873)
Outstanding August 31, 1996	17.96	9,759,756
Granted	22.69	2,707,370
Exercised	4.93	(1,032,989)
Canceled	25.54	(834,883)
Outstanding August 30, 1997	$19.84	10,599,254

The following table summarizes information about stock options outstanding at August 30, 1997:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	No. of Options	Wtd. Avg. Exercise Price	Wtd. Avg. Contractual Life (in years)	No. of Options	Wtd. Avg. Exercise Price
$1.00 – 20.13	4,163,226	$10.15	5.13	2,619,363	$4.99
22.69 – 25.25	4,069,178	24.89	7.49		
25.75 – 35.13	2,366,850	28.19	8.40		
$1.00 – 35.13	10,599,254	$19.84	6.77	2,619,363	$4.99

Options to purchase 2,619,363 shares at August 30, 1997, and 2,901,140 shares at August 31, 1996, were exercisable. Shares reserved for future grants were 4,199,055 shares at August 30, 1997, and 725,363 at August 31, 1996.

The Company adopted the disclosure requirement of SFAS No. 123, "Accounting for Stock-Based Compensation," issued in October 1995. In accordance with the provisions of SFAS No. 123, the Company applies APB Opinion 25 and related interpretations in accounting for its stock option plans and, accordingly no compensation expense for stock options has been recognized. If the Company had elected to recognize compensation cost based on the fair value of the options granted at the grant date prescribed in SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below. The effects of applying SFAS No. 123 and the results obtained through the use of the Black-Scholes option pricing model in this pro forma disclosure are not indicative of future amounts. SFAS No. 123 does not apply to awards prior to fiscal 1996. Additional awards in future years are anticipated.

		1997	1996
Net Income ($000)	As reported	$195,008	$167,165
	Pro forma	$191,118	$165,992
Earnings per share	As reported	$1.28	$1.11
	Pro forma	$1.26	$1.10

The weighted-average fair value of the stock options granted during fiscal 1997 and 1996 was $9.26 and $12.25, respectively. The fair value of each option is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions for grants in 1997 and 1996: expected price volatility of .34; risk-free interest rates ranging from 5.7 to 5.98 percent; and expected lives between 3.75 and 7.75 years.

The Company also has an employee stock purchase plan under which all eligible employees may purchase Common Stock at no less than 85% of fair market value (determined quarterly) through regular payroll deductions. Annual purchases are limited to $4,000 per employee. Under the plan, 308,141 shares were sold in fiscal 1997 and 226,541 shares were sold in fiscal 1996, including 168,362 and 173,572 shares, respectively, purchased by the Company for sale under the plan. No shares of Common Stock are reserved for future issuance under this plan.

Note F – Pension Plan

Substantially all full-time employees are covered by a defined benefit pension plan. The benefits are based on years of service and the employee's highest consecutive five-year average compensation.

The Company's funding policy is to make annual contributions in amounts at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974.

The following table sets forth the plan's funded status and amounts recognized in the Company's financial statements (in thousands):

	August 30, 1997	August 31, 1996
Actuarial present value of accumulated benefit obligation, including vested benefits of $22,005 in 1997 and $17,225 in 1996	$26,886	$20,400
Projected benefit obligation for service rendered to date	$42,687	$31,533
Less plan assets at fair value, primarily stocks and cash equivalents	39,598	27,367
Projected benefit obligation in excess of plan assets	3,089	4,166
Unrecognized prior service cost	(289)	(427)
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	(3,721)	(3,470)
Unrecognized net asset	118	268
Accrued (prepaid) pension cost	$(803)	$537

Net pension cost included the following components (in thousands):

	Year Ended		
	August 30, 1997	August 31, 1996	August 26, 1995
Service cost of benefits earned during the year	$6,034	$4,580	$3,536
Interest cost on projected benefit obligation	2,496	1,748	1,367
Actual return on plan assets	(5,616)	(3,677)	(1,289)
Net amortization and deferral	2,820	2,518	481
Net periodic pension cost	$5,734	$5,169	$4,095

The actuarial present value of the projected benefit obligation was determined using weighted-average discount rates of 7.94% and 7.93% at August 30, 1997 and August 31, 1996, respectively, and assumed increases in future compensation levels of 6%. The expected long-term rate of return on plan assets was 9.5%, 7% and 7% at August 30, 1997, August 31, 1996 and August 26, 1995, respectively. Prior service cost is amortized over the estimated average remaining service lives of the plan participants, and the unrecognized net experience gain or loss is amortized over five years.

Note G – Leases

A portion of the Company's retail stores and certain equipment are leased. Most of these leases include renewal options and some include options to purchase and provisions for percentage rent based on sales.

Rental expense was $39,078,000 for fiscal 1997, $30,626,000 for fiscal 1996 and $26,460,000 for fiscal 1995. Percentage rentals were insignificant.

Minimum annual rental commitments under non-cancelable operating leases are as follows (in thousands):

Year	Amount
1998	$35,096
1999	31,760
2000	29,164
2001	24,861
2002	15,097
Thereafter	66,716
	$202,694

Note H – Related Party Transactions

Management fees of $272,000 for fiscal 1996 and $371,000 for fiscal 1995 were paid to KKR Associates (KKR), which directly and through several limited partnerships, of which it is a general partner, owned approximately 13% of the Company's outstanding Common Stock at August 30, 1997 and August 31, 1996. There were no management fees paid to KKR during fiscal 1997.

Note I – Commitments and Contingencies

Construction commitments, primarily for new stores, totaled approximately $52 million at August 30, 1997.

The Company is a party to various claims and lawsuits arising in the normal course of business which, in the opinion of management, are not, singularly or in aggregate, material to the Company's financial position or results of operations.

The Company is self-insured for workers' compensation, automobile, general and product liability losses. The Company is also self-insured for health care claims for eligible active employees. The Company maintains certain levels of stop loss coverage for each self-insured plan. Self-insurance costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported.

Note J – Business Combination

On March 29, 1996, ALLDATA became a wholly owned subsidiary of AutoZone in a stock-for-stock merger, accounted for as a pooling of interests. Under the terms of the merger agreement, AutoZone issued approximately 1.7 million shares of Common Stock and stock options covering approximately 200,000 shares of Common Stock. Financial information of ALLDATA has been included in the results of operations from the date of acquisition. Financial statements for periods prior to the date of combination have not been restated as the effect is not material to the Company's financial condition and results of operations. The assets and liabilities of ALLDATA were approximately $17.4 million and $21.4 million, respectively, at the date of combination.

Management's Report

AutoZone's management takes responsibility for the integrity and objectivity of the financial statements in this annual report. These financial statements were prepared from accounting records which management believes fairly and accurately reflect the operations and financial position of AutoZone.

The financial statements in this report were prepared in conformity with generally accepted accounting principles. In certain instances, management used its best estimates and judgments based upon currently available information and management's view of current conditions and circumstances.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are protected from improper use and accounted for in accordance with its policies and that transactions are recorded accurately in the Company's records. The concept of reasonable assurance is based upon a recognition that the cost of the controls should not exceed the benefit derived.

The financial statements of AutoZone have been audited by Ernst & Young LLP, independent auditors. Their accompanying report is based on an audit conducted in accordance with generally accepted auditing standards, including a review of internal accounting controls and financial reporting matters.

Robert J. Hunt
Executive Vice President – Finance
Chief Financial Officer
Customer Satisfaction

Report of Independent Auditors

Stockholders
AutoZone, Inc.,

We have audited the accompanying consolidated balance sheets of AutoZone, Inc. as of August 30, 1997 and August 31,1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended August 30, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AutoZone, Inc. at August 30, 1997 and August 31,1996, and the consolidated results of its operations and its cash flows for each of the three fiscal years in the period ended August 30, 1997 in conformity with generally accepted accounting principles.

Ernst & Young LLP

Memphis, Tennessee
September 19, 1997

Corporate Information

Transfer Agent and Registrar
First Chicago Trust Company of New York
P.O. Box 2500
Jersey City, New Jersey 07303-2500
(800) 756-8200
(201) 324-0498

Stock Exchange Listing
New York Stock Exchange
Ticker Symbol: AZO

Auditors
Ernst & Young LLP
Memphis, Tennessee

Store Support Center
123 South Front Street
Memphis, Tennessee 38103-3607
(901) 495-6500

AutoZone Web Site
http://www.autozone.com

Annual Meeting
The Annual Meeting of Stockholders of AutoZone will be held at 10:00 a.m. on December 18, 1997, at AutoZone's store support center, 123 South Front Street, Memphis, Tennessee.

SEC Form 10-K/Quarterly Reports
AutoZone does not produce quarterly reports because the information is not timely and is costly to distribute. Stockholders may obtain free of charge a copy of the Company's annual report on Form 10-K as filed with the Securities and Exchange Commission or our quarterly press releases by writing to Stockholder Relations, P.O. Box 2198, Memphis, Tennessee 38101.

Copies of all documents filed by the company with the Securities and Exchange Commission, including Form 10-K and Form 10-Q, are also available at the SEC's EDGAR server at http://www.sec.gov.

Stockholders of Record
As of September 30, 1997, there were 3,330 stockholders of record, excluding the number of beneficial owners whose shares were represented by security position listings.

Officers

Johnston C. Adams Jr.
Chairman and CEO
Customer Satisfaction

Timothy D. Vargo
President and COO
Customer Satisfaction

Other Corporate Officers
Customer Satisfaction

Emma Jo Kauffman
Assistant Treasurer

Donald R. Rawlins
Assistant Secretary

Executive Vice Presidents
Customer Satisfaction

Lawrence E. Evans
Store Development

Robert J. Hunt
Chief Financial Officer

Shawn P. McGhee
Merchandising

Senior Vice Presidents
Customer Satisfaction

Gerald E. Colley
Stores

Harry L. Goldsmith
General Counsel
and Secretary

Anthony D. Rose Jr.
Advertising

Stephen W. Valentine
Chief Information Officer
Systems Technology
& Support

David J. Wilhite
Merchandising

Vice Presidents
Customer Satisfaction

Richard F. Adams Jr.
Merchandising Analysis
& Support

Michael B. Baird
Stores

David W. Barczak
Real Estate

Jon A. Bascom
Systems Technology
& Support

B. Craig Blackwell
Stores

Francis C. Brown III
Human Resources

Michael E. Butterick
Controller

William L. Cone
Loss Prevention

Brett D. Easley
Merchandising Systems

Tara C. Elliot
Treasurer

William D. Gilmore
Store Design & Construction

Frank B. Goodman
Business Planning
& Analysis

Clifford E. Green
Merchandising

Mark D. Hamm
Systems Technology
& Support

Phillip J. Jackson
Distribution

Michael E. Longo
Distribution

William R. McCawley Jr.
Stores

Steven R. McClanahan
Stores

Grantland E. McGee Jr.
Stores

John Minervini
Business Development

David W. Nichols
Stores

Robert F. Osswald
AutoZoner Development
& Training

William C. Rhodes
Operations Analysis
& Support

Richard C. Smith
Stores

Dennis P. Tolivar Sr.
Stores

Board of Directors

Johnston C. Adams Jr.
Chairman and CEO
Customer Satisfaction

Timothy D. Vargo
President and COO
Customer Satisfaction

Robert J. Hunt
Executive Vice President
and CFO
Customer Satisfaction

Joseph R. Hyde III
Former Chairman and CEO
Customer Satisfaction

Andrew M. Clarkson (3*)
Chairman
Finance Committee
Customer Satisfaction

Dr. N. Gerry House (2)
Superintendent
Memphis City Schools

James F. Keegan (1*, 2)
Chairman
Staff Line, Inc.

Michael W. Michelson (3)
Member
Kohlberg Kravis Roberts
& Co. LLC

John E. Moll (1)
Retired President
The Fleming Companies, Inc.

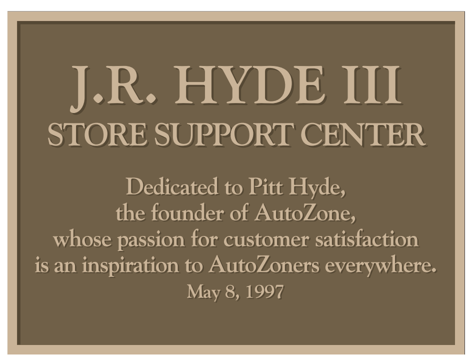
George R. Roberts
Member
Kohlberg Kravis Roberts
& Co. LLC

Ronald A. Terry (1, 2*)
Retired Chairman
First Tennessee
National Corporation

(1) Audit Committee
(2) Compensation Committee
(3) Finance Committee
(*) Committee Chairman

Pitt Hyde was convinced that the lessons of value and customer service he'd learned in the grocery business could be applied to the automotive aftermarket with great results. Eighteen years later, there's little question he was right.

As chairman and CEO of AutoZone, Pitt guided the company he founded to be the leading auto parts chain in the country. He started by establishing a strong culture that revolved around the people on both sides of the parts counter. For our customers, his vision was to make AutoZone the best customer service provider in the business. For AutoZoners, Pitt wanted them to know what it was like to be part of a winning team and to understand how their efforts contributed to AutoZone's growth.



Creating this culture wasn't easy, but seeing the impact it's had on AutoZone's success is. Today, there are more than 28,000 AutoZoners carrying the culture forward – a testament to Pitt's ability to spread his ideas throughout the organization.

The relentless pursuit of the ultimate customer service experience is a passion that lives on at AutoZone. He's taught us well. Pitt retired as chairman in March. In his honor at a companywide meeting of store managers in May, we renamed our headquarters building – the J. R. Hyde III Store Support Center. Yet, the biggest tribute we can pay him is to continue to find new ways to amaze our customers.

AutoZone®