

Dear Customers, AutoZoners, and Stockholders:

We made AutoZone a stronger company in 2005. We continued our string of record earnings and earnings per share since becoming a public company in 1991.

- We invested more than \$280 million to improve our current stores, open 193 new stores, add a new distribution center, and improve our strong technology infrastructure.
- We grew operating cash flows and maintained our investment grade credit rating while using excess cash to repurchase shares.
- We continued to expand the reach of our proprietary brands across categories throughout the store. These key brands, including Valucraft and Duralast, are some of the strongest brands in the automotive aftermarket.
- We repositioned our Commercial business to not only become immediately more profitable but to position it for profitable future growth.
- We opened our 81st store in Mexico, while continuing to expand our reach by opening our first stores in Puerto Rico.
- We launched 2006 by initiating the theme “Live the Pledge.” We know winning in this business means providing exceptional customer service and by living our Pledge, we will ensure satisfied customers.

AutoZone has enjoyed a truly amazing history. Our meteoric rise, since our first store in Forrest City, Arkansas in 1979, is due to our incredible AutoZoners and their commitment to customer satisfaction. I often get asked, “What makes AutoZone so different from others? Why have you been so

successful?” While we enjoy many structural advantages, the true answer always comes back to our AutoZoners. We begin every meeting with the AutoZone Cheer, the AutoZone Pledge, and we share Extra Miler stories. These stories are from customers who took the time to share their incredible experiences. It’s this dedication to the customer that is at the center of our operating plan for 2006. Our Vision is: Relentlessly create the most exciting Zone for vehicle solutions! Our three strategic priorities remain U.S. Retail, Commercial, and Mexico.

Since being named President and CEO in March, our team has performed a significant assessment of our performance and our practices. While our industry has remained strong, we have not been satisfied with our sales performance over the past several quarters. We conducted extensive research, and our customers confirmed our convictions. Focus on the basics. We must exceed our customers’ expectations by leading with trustworthy advice. We must have the right merchandise at the right price, at the right time in order to deepen our relationship with our customers—one transaction at a time. In an environment where our customers’ disposable incomes continue to be challenged by historically high gas prices, and competition for those customers exists, we must exceed our customers’ expectations. Our focus is to “Live the Pledge.”

52,000

All our AutoZoners that help to make this great organization what it is today: the number one auto parts and accessories provider across the United States. We know that staying on top is about delivering great customer service!



"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."

Our Pledge clearly articulates our commitments to our customer. As we "Live the Pledge," we remain confident AutoZone will continue to be incredibly successful.

The Environment We See

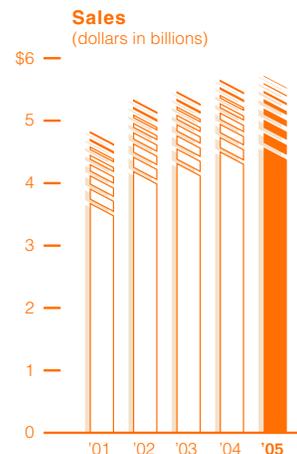
Our industry continues to experience stable growth in spite of the near-term macroeconomic challenges. Last year, the Retail or DIY segment, an estimated \$35 billion* industry, grew at 4%* while Commercial, an estimated \$48 billion* industry, grew at an even faster 4.8%* clip. This marks the 14th consecutive year of steady growth in both of these segments. With the average age of a passenger vehicle on the road being 9.5 years and rising, the need for AutoZone is greater than ever. Additionally, Americans are driving longer distances and own more vehicles per household than ever before. It will be our job well into the future to service their needs.

*2005/2006 AAIA Factbook

U.S. Retail: Continues to Be Our #1 Priority

With 3,592 stores in the U.S. at the end of our fiscal year, and an expectation to continue to open new stores at a mid-single digit growth rate, we are firmly committed to servicing all our customers' needs in this, our core business. With an approximate 13%* market share in this \$35 billion* industry, we continue to see many years of profitable growth. Our success in the upcoming year will be driven by several initiatives to help our AutoZoners succeed. At the store level, we'll be providing our AutoZoners with significantly more training. We will increase the number of AutoZoners with ASE (Automotive Service Excellence) certifications. Our customers deserve that. We will continue to focus on helping our customers complete the job right, the first time, with the right parts, at the right price! From the store manager to the newest AutoZoner, we're committed to having our AutoZoners have the tools and knowledge necessary to deliver trustworthy advice to every customer. These are the basics and they are what have made us the number one destination for auto parts.

2005 marked the 26th consecutive year of sales increases for AutoZone. This amazing record has been a team effort. Our focus for 2006 will be to live up to our Pledge. It starts with our customers. Putting our customers first will ensure our continued success.





Customer Service

Knowledgeable Employees

Great Looking Stores

The Best Merchandise

Our customers have spoken through numerous surveys, and we have listened.

- We will intensely focus on our stores to improve the customer shopping experience by making sure they are properly merchandised and well presented.
- We're also offering an expanded special order network that allows us to offer, on a next-day basis, more than double the number of unique items we previously carried. The initiative, named Project Got It!, more than doubles the available skus to our customers to over 750,000 on a same day or special order basis!
- We are expanding the hours of operations in many of our stores.
- We will make sure our marketing messages are informative and effectively delivered to our targeted audience.

This relentless pursuit of improving the customer experience will also be seen through improvements in store appearance.

**2005/2006 AAIA Factbook*

We have purposely reduced the amount of "off-shelf" merchandise placements in our stores to allow a smoother shopping experience. We're continuing our store refresh program and increasing our relocation efforts to meet the changing needs of our customers.

Our goal continues to be to optimize shareholder value. We started four years ago with a Return on Invested Capital (ROIC) of 13%, and I'm proud to say today we have achieved almost 24%, one of the highest in all of retail!

Commercial: Continued Significant Growth Opportunities

Commercial, our second strategic priority, is a far newer business for AutoZone than the DIY segment. We've grown the business to roughly \$720 million in just 10 years! Sitting today with only an approximate 1.5%* market share, we see significant growth opportunities with both the smaller up-and-down-the-street customers and the larger "chain" players. With 2,104 Commercial programs at the end of 2005, we believe we can add to that count while enhancing the relationships we have with our current customers.

6 million

The approximate number of our weekly customers.

6,000 The approximate number

of ASE certifications our AutoZoners proudly carry. ASE certifications validate the depth of our AutoZoners' knowledge and experience. It assures our customers that we offer trustworthy advice, and we know our parts and products.

600 The approximate number of customer thank you notes we receive weekly recognizing our wonderful AutoZoners for going that extra mile to help!



FORTY

*members of the CEO team
leading the charge.*

Our leadership team is comprised of about 40 talented individuals. It is these executives who work tirelessly to create the AutoZone that exists today. We lead as a team, and we win as a team. Through their continued guidance, the Company is well positioned for a strong future.



While growth potential is huge, 2005 was a repositioning year for the Commercial business at AutoZone, as we focused on increasing profitability. While this effort had immediate positive effects to the bottom line, it reduced sales. Our management team determined that it was imperative to focus on growing the business profitably, for the long term. We've got a superb team in place to lead this renewed effort, and we've launched new initiatives to jumpstart our sales performance.

At the core of the business for us sits the Commercial Specialist. This AutoZoner handles all the day-to-day orders from our professional customers. In the past six months we've provided the Specialists with new training, technology and marketing tools to go and win the business. Through the use of our new "PDA" handheld devices, our Specialists and Drivers record and time-stamp every phase in a Commercial sale. This new

knowledge allows us to place the right resources when and where they're most in demand. Additionally, we developed and launched a new marketing initiative that offers "the more you buy, the more you save" incentives. We understand this business is won day in and day out at the customer level. Our Commercial Specialists must be trained and motivated appropriately to win the business. While the industry is highly fragmented, with the top three players having only an approximate 17%* market share, it can be highly competitive. In order for us to win, we will focus on our strengths: national reach, extensive parts availability, speedy delivery service, and industry leading technology—all to provide excellent service.

And, we have ALLDATA. It continues to be the premier provider of automotive diagnostic and repair information to the professional technician. With over 60,000 customers today,

*2005/2006 AAIA Factbook

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AutoZone is the proud sponsor of the ppc Racing #22 car driven by Kenny Wallace in the NASCAR Busch Series.





and the continued expansion into a full suite of service products, ALLDATA continues to provide a competitive advantage in the development of this customer base.

With a low startup requirement for capital investment and the ability to leverage our pre-existing stores and distribution system, Commercial will continue to be our second overall priority as it is highly accretive to our ROIC.

Mexico: Steady Growth, Future Potential

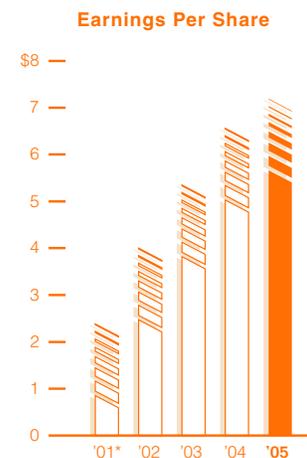
Our third priority continues to be Mexico. At the end of 2005, we had 81 stores in Mexico being serviced by a distribution center in Nuevo Laredo and a store support center in Monterrey. Mexico represents superb growth opportunities. Our stores in Mexico have customized inventory and are unique to the Mexican automotive landscape as most competition is poorly capitalized and dedicated to very specific lines of products and services.

We will continue to open stores in Mexico, as we expect to celebrate our 100th store opening in 2006.

The Future

I can promise you we will continue to be efficient stewards of your capital. We will maintain our financial disciplines and focus only on those initiatives that exceed our after-tax return on invested capital hurdle. This past year, while successful by many companies' standards, we certainly were not satisfied. We will never be satisfied. My first task as the new CEO was to travel extensively, talking to AutoZoners across the Company to hear what they said. I also talked to a tremendous number of customers. We performed broad-scale customer research and came to the conclusion that our future growth doesn't reside with any one new initiative, or any other silver bullets for that matter. Our success has and

AutoZone continues to deliver record EPS growth. However, we cannot simply sit back and expect continued successes. Complacency is not an option. We have to be relentless. Our plan for 2006 is about focusing on the basics. Get the blocking and tackling right, and our customers will continue to generously reward us.



*Excludes impact from restructuring and impairment charges.



will continue to come from our AutoZoners. What struck me over and over again was the passion they have for our business. When AutoZoners go the extra mile to help the customer, we hear about it. Our customers love to tell us about their great experiences. Our success has been built on exceeding customers' expectations and we are determined to do that by focusing on the basics. We have to make sure we're doing the right things every day to win every customer's business.

In summary, AutoZone continues to be the leader in an exciting and fast growing industry. We have a clear plan for the future and a strong, experienced team to execute it. We are focused on operating AutoZone to exceed our customers' expectations and be the desired place of employment across our industry, all while creating long-term shareholder value.

I would personally like to thank our AutoZoners across the Company for their amazing dedication and commitment to customer satisfaction. Our AutoZoners have an enormous amount of pride in what they do. They are my inspiration! I would also like to thank our CEO Team, comprised of the 40 officers of our Company, for their commitment to providing passionate leadership to all our AutoZoners. They are incredible leaders!

Can we grow this business, and grow it profitably into the future? Yes. AutoZone is well positioned to profitably grow sales. We have a clear plan for the future and a strong team to execute it. I look forward to updating you on our continued success well into the future.



Living the Pledge,

Bill Rhodes

Bill Rhodes

*President and Chief Executive Officer
Customer Satisfaction*