



## **AutoZone 2nd Quarter Sales up 4.1%; Same Store Sales up 0.4%**

March 1, 2006

MEMPHIS, Tenn., March 1, 2006 (PRIMEZONE) -- AutoZone, Inc. (NYSE:AZO) today reported sales of \$1.254 billion for its second quarter (12 weeks) ended February 11, 2006, up 4.1% from fiscal second quarter 2005. Same store sales, or sales for stores open at least one year, were up 0.4% for the quarter.

Operating margin for the quarter increased 187 basis points from last year to 14.2%, while operating profit increased 19.9% over the prior year. Net income for the quarter increased 3.1% over the same period last year to \$97.0 million, while diluted earnings per share increased 7.6% to \$1.25 per share from \$1.16 per share reported in the year-ago quarter.

For the quarter, gross profit, as a percentage of sales, was 49.1% (versus 48.4% last year). The improvement in comparable gross margin was largely due to the Company's ongoing category management initiatives as well as reduced sales of non-core, lower-margin merchandise. Operating expenses, as a percentage of sales, were 34.9% (versus 36.0% last year). On a comparable basis, adjusted operating expenses were 34.6% (versus 32.7% last year) or 192 basis points over last year. A portion of the increase in operating expenses this year reflected \$4.2 million in share-based expenses resulting from the adoption of the Financial Accounting Standards Board ("FASB") Statement No. 123(R), "Share-Based Payments." The remaining increase in comparable operating expenses reflected both short-term expenditures to complete the remaining store resets underway during the first quarter and longer-term efforts to improve the customer shopping experience, from expanding hours of operation to continuing to improve the in-store merchandising presentation.

Excluding this quarter's share-based expenses and last year's adjustments to both operating expenses and income taxes, adjusted operating profit decreased 3.4%, while adjusted diluted earnings per share were flat versus the year-ago quarter at \$1.29.

The Company's total per store inventory level, including supplier owned pay-on-scan inventory, as of February 11, 2006, was \$494 thousand versus \$484 thousand last year. Net inventory, defined as merchandise inventories less accounts payable, decreased on a per store level to \$79 thousand from \$86 thousand last year. AutoZone continues to provide excellent product availability while effectively financing those inventory levels.

"The second quarter marked the completion of our store adjacencies initiative, and I would like to thank our AutoZoners for their amazing efforts," said Bill Rhodes, President and Chief Executive Officer of AutoZone. "Additionally during the quarter, we continued our relentless focus on improving the customer shopping experience by increasing store-level training, improving our in-stock position, and continuing to focus on our unique and powerful culture to ensure we provide our customers with trustworthy advice.

"Over the past two quarters, we have deployed many new initiatives designed to deepen the relationship we have with our customers. Our operating margin reflects the impact of those initiatives. While some of them have been completed, many will be ongoing. We are pleased with our progress and believe we are well positioned as we enter our peak selling season," commented Bill Rhodes, President and Chief Executive Officer.

During the quarter ended February 11, 2006, AutoZone opened 41 new stores, replaced 4 stores, and closed 1 store in the U.S. while additionally opening 4 new stores in Mexico. Additionally, the Company re-opened 3 of 13 U.S. stores closed due to hurricane-related damage. As of February 11, 2006, the Company had 3,655 domestic stores and 88 stores in Mexico.

AutoZone is the nation's leading retailer of automotive parts and accessories. Each store 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 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. AutoZone also sells the ALLDATA brand diagnostic and repair software. On the web, AutoZone sells diagnostic and repair information, and auto and light truck parts through [www.autozone.com](http://www.autozone.com). AutoZone does not derive revenue from automotive repair or installation.

AutoZone will host a one-hour conference call this morning, Wednesday, March 1, 2006, beginning at 10:00 a.m. (EST) to discuss the second quarter results. Investors may listen to the conference call live and review supporting slides on the AutoZone corporate website, [www.autozoneinc.com](http://www.autozoneinc.com) by clicking "Investor Relations," "Conference Calls." The call will also be available by dialing (210) 839-8923. A replay of the call and slides will be available on AutoZone's website. In addition, a replay of the call will be available by dialing (203) 369-3524 through Wednesday, March 8, 2006, at 11:59 p.m. (EST).

This release includes certain financial information not derived in accordance with generally accepted accounting principles ("GAAP"). These non-GAAP measures include adjusted debt, adjusted debt/EBITDAR, adjusted rent expense, adjusted operating expense, adjusted operating profit, adjusted income before taxes, adjusted income taxes, adjusted net income, adjusted basic earnings per share, and adjusted diluted earnings per share. The Company believes that the presentation of these non-GAAP measures provides information that is useful to investors as it indicates more clearly the Company's comparative year-to-year operating results, but this information should not be considered a substitute for any measures derived in accordance with GAAP. Management manages the Company's debt levels to a ratio of adjusted debt to EBITDAR and manages cash flows available for share repurchase by monitoring cash flows before share repurchases, as shown on the following tables. This is important information for the Company's management of its debt levels and share repurchases. We have included a reconciliation of this information to the most comparable GAAP measures in the accompanying reconciliation tables.

Certain statements contained in this press release 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; gasoline prices; war and the prospect of war, including terrorist activity; availability of

consumer 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 of AutoZone's Form 10-K for the fiscal year ended August 27, 2005, for more information related to those risks.

AutoZone's 2nd Quarter Highlights - Fiscal 2006

Condensed Consolidated Statements of Operations

2nd Quarter

(in thousands, except per share data)

	GAAP Results		Adjustments	
	12 Weeks Ended		12 Weeks Ended	
	Feb. 11, 2006	Feb. 12, 2005	Feb. 11, 2006(a)	Feb. 12, 2005(b)
Net sales	\$1,253,815	\$1,204,055	\$ --	\$ --
Cost of sales	637,625	621,684	--	--
Gross profit	616,190	582,371	--	--
Operating, SG&A expenses	437,845	433,652	(4,242)	(40,321)
Operating profit (EBIT)	178,345	148,719	4,242	40,321
Interest expense, net	24,333	23,645	--	--
Income before taxes	154,012	125,074	4,242	40,321
Income taxes	56,990	30,981	1,570	30,219
Net income	\$ 97,022	\$ 94,093	\$ 2,672	\$ 10,102
Net income per share:				
Basic	\$ 1.26	\$ 1.18	\$ 0.04	\$ 0.13
Diluted	\$ 1.25	\$ 1.16	\$ 0.04	\$ 0.13
Weighted average shares outstanding:				
Basic	76,784	79,692		
Diluted	77,474	80,860		

Adjusted

	12 Weeks Ended	
	Feb. 11, 2006	Feb. 12, 2005
	Net sales	\$1,253,815
Cost of sales	637,625	621,684
Gross profit	616,190	582,371
Operating, SG&A expenses	433,603	393,331
Operating profit (EBIT)	182,587	189,040
Interest expense, net	24,333	23,645
Income before taxes	158,254	165,395
Income taxes	58,560	61,200

Net income	----- \$ 99,694 =====	----- \$ 104,195 =====
Net income per share:		
Basic	\$1.30	\$1.31
Diluted	\$1.29	\$1.29
Weighted average shares outstanding:		
Basic	76,784	79,692
Diluted	77,474	80,860

- (a) Fiscal 2006 operating expense includes \$4.2MM in share-based compensation expense related to the adoption of SFAS No.123(R).
- (b) Fiscal 2005 includes a non-cash adjustment, substantially all of which relates to prior years, of \$40.3 million (\$25.4 million net of tax) associated with accounting for leases and leasehold improvements.

Additionally, fiscal year 2005 income taxes include a \$15.3 million benefit primarily from the planned one-time repatriation from foreign subsidiaries.

Year-to-date 2nd Quarter, F2006

	GAAP Results		Adjustments	
	----- 24 Weeks Ended -----		----- 24 Weeks Ended -----	
	Feb. 11, 2006	Feb. 12, 2005	Feb. 11, 2006(a)	Feb. 12, 2005(b)
	-----	-----	-----	-----
Net sales	\$2,591,891	\$2,490,258	\$ --	\$ --
Cost of sales	1,320,172	1,287,086	--	--
Gross profit	1,271,719	1,203,172	--	--
Operating, SG&A expenses	888,081	838,140	(10,782)	(40,321)
Operating profit (EBIT)	383,638	365,032	10,782	40,321
Interest expense, net	48,072	45,435	--	--
Income before taxes	335,566	319,597	10,782	40,321
Income taxes	124,170	102,981	3,989	30,219
Net income	\$ 211,396	\$ 216,616	\$ 6,793	\$ 10,102
	=====	=====	=====	=====
Net income per share:				
Basic	\$ 2.76	\$ 2.72	\$ 0.09	\$ 0.12
Diluted	\$ 2.73	\$ 2.68	\$ 0.09	\$ 0.13
Weighted Average Shares outstanding:				
Basic	76,686	79,702	76,686	79,702
Diluted	77,313	80,803	77,313	80,803

Adjusted

----- 24 Weeks Ended -----	
February 11, 2006	February 12, 2005

Net sales	----- \$2,591,891	----- \$2,490,258
Cost of sales	----- 1,320,172	----- 1,287,086
Gross profit	----- 1,271,719	----- 1,203,172
Operating, SG&A expenses	----- 877,299	----- 797,819
Operating profit (EBIT)	----- 394,420	----- 405,353
Interest expense, net	----- 48,072	----- 45,435
Income before taxes	----- 346,348	----- 359,918
Income taxes	----- 128,159	----- 133,200
Net income	----- \$ 218,189	----- \$ 226,718
Net income per share:	=====	=====
Basic	\$ 2.85	\$ 2.84
Diluted	\$ 2.82	\$ 2.81
Weighted Average Shares outstanding:		
Basic	76,686	79,702
Diluted	77,313	80,803

- (a) Fiscal 2006 operating expense includes \$2.8MM in hurricane related expense and \$8.0MM in share-based compensation expense related to the adoption of SFAS No.123(R).
- (b) Fiscal year 2005 includes a non-cash adjustment, substantially all of which relates to prior years, of \$40.3 million (\$25.4 million net of tax) associated with accounting for leases and leasehold improvements.

Additionally, fiscal year 2005 income taxes include a \$15.3 million benefit primarily from the planned one-time repatriation from foreign subsidiaries.

Selected Balance Sheet Information  
(in thousands)

	February 11, 2006	February 12, 2005	August 27, 2005
	-----	-----	-----
Merchandise inventories	\$1,722,681	\$1,591,996	\$1,663,860
Current assets	2,034,992	1,847,054	1,929,459
Property and equipment, net	1,992,415	1,837,260	1,937,615
Total assets	4,401,853	4,059,437	4,245,257
Accounts payable	1,427,672	1,286,780	1,539,776
Current liabilities	1,794,801	1,645,420	1,811,159
Debt	1,779,300	1,901,500	1,861,850
Stockholders' equity	641,158	384,731	391,007
Working capital	240,191	201,634	118,300

Adjusted Debt/EBITDAR (Trailing 4 Qtrs)

	February 11, 2006	February 12, 2005
	-----	-----
Net income	\$ 565,799	\$ 569,419
Add: Interest	105,080	96,057
Taxes	323,391	314,632
EBIT	994,270	980,108

Add: Depreciation	126,582	129,873
Rent expense	135,712	141,859
Option expense	7,982	--
	-----	-----
EBITDAR	\$1,264,546	\$1,251,840
Debt	\$1,779,300	\$1,901,500
Add: Adjusted rent x 6(a)	814,272	721,992
	-----	-----
Adjusted debt	\$2,593,572	\$2,623,492
Adjusted debt to EBITDAR	2.1	2.1

(a) Adjusted rent is defined as GAAP rent expense less the impact from the cumulative lease accounting adjustment recorded in the second quarter of fiscal year 2005.

Selected Cash Flow Information  
(in thousands)

	12 Weeks Ended		24 Weeks Ended	
	Feb. 11, 2006	Feb. 12, 2005	Feb. 11, 2006	Feb. 12, 2005
Depreciation	\$ 31,493	\$ 45,667	\$ 62,309	\$ 71,324
Capital spending	\$ 57,405	\$ 59,971	\$115,862	\$118,778
Cash flow before share repurchase:				
Net increase (decrease) in cash and cash equivalents	\$ (6)	\$ 16,258	\$ 6,562	\$ 3,287
Subtract increase (decrease) in debt	(10,475)	76,725	(82,550)	32,250
Subtract share repurchases	--	--	(9,787)	(30,000)
	-----	-----	-----	-----
Cash flow before share repurchases and changes in debt	\$ 10,469	\$ (60,467)	\$ 98,899	\$ 1,037
	=====	=====	=====	=====

Other Selected Financial Information  
(in thousands)

	February 11, 2006	February 12, 2005
Cumulative share repurchases (\$)	\$4,111,553	\$3,704,913
Cumulative share repurchases (shares)	87,158	82,570
Shares outstanding, end of quarter	76,910	79,806

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Trailing 4 Quarters

	February 11, 2006	February 12, 2005
Net income	\$ 565,799	\$ 569,419
Add: After-tax interest	66,831	61,861

After-tax rent	86,313	91,357
	-----	-----
After-tax return	718,943	722,637
Average debt	1,945,764	1,917,682
Average equity	424,949	252,845
Rent x 6	814,272	851,154
	-----	-----
Pre-tax invested capital	3,184,985	3,021,681
Return on Invested Capital (ROIC)	22.6%	23.9%

AutoZone's 2nd Quarter Fiscal 2006  
Selected Operating Highlights

Store Count & Square Footage

	12 Weeks Ended		24 Weeks Ended	
	Feb. 11, 2006	Feb. 12, 2005	Feb. 11, 2006	Feb. 12, 2005
Domestic stores:				
Store count:				
Stores opened	41	27	74	55
Store closures	1	1	1	1
Re-opened hurricane stores	3	-	3	-
Hurricane-related store closures	10	-	13	-
Replacement stores	4	1	7	2
Total domestic stores	3,655	3,474	3,655	3,474
Stores with commercial sales	2,107	2,131	2,107	2,131
Square footage (in thousands):	23,221	22,035	23,221	22,035
Square footage per store	6,353	6,343	6,353	6,343
Stores in Mexico:				
Stores opened	4	3	7	4
Total stores in Mexico	88	67	88	67
Total stores chainwide	3,743	3,541	3,743	3,541

Sales Statistics (Domestic Stores Only)

	12 Weeks Ended		Trailing 4 Quarters	
	Feb. 11, 2006	Feb. 12, 2005	Feb. 11, 2006	Feb. 12, 2005
Total retail sales (\$ in thousands)	\$1,040,931	\$1,005,292	\$4,876,160	\$4,768,667
% Increase vs. LY retail sales	4%	4%	2%	2%
Total commercial sales (\$ in thousands)	\$ 154,729	\$ 154,415	\$ 715,282	\$ 737,449
% Increase vs. LY commercial sales	0%	0%	(3%)	4%
Sales per average store (\$ in thousands)	\$ 329	\$ 335	\$ 1,569	\$ 1,626

Sales per average square foot	52	53	247	256
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	12 Weeks Ended		24 Weeks Ended	
	Feb. 11, 2006	Feb. 12, 2005	Feb. 11, 2006	Feb. 12, 2005
Same store sales	0.4%	0.4%	0.6%	(1.5%)

Inventory Statistics (Total Stores)

	as of February 11, 2006	as of February 12, 2005
Accounts payable/inventory	82.9%	80.8%

(\$ in thousands)

Inventory(a)	\$ 1,722,681	\$ 1,591,996
Pay-on-scan inventory	126,607	121,109
Total inventory	\$ 1,849,288	\$ 1,713,105
Total inventory per store	\$ 494	\$ 484
Net inventory (net of payables)	\$ 295,009	\$ 305,216
Net inventory / store	\$ 79	\$ 86

(a) This is reported balance sheet inventory

	Trailing 4 Quarters	
	February 11, 2006	February 12, 2005
Inventory turns based on ending inventories(b)	1.7 x	1.8 x

(b) Inventory turns include \$122.2MM in cost of sales related to Pay on Scan merchandise for F06 and \$97.6MM for F05. Pay on Scan inventory not recorded on the balance sheet was \$126.6MM in F06 and \$121.1MM in F05.

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