



SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended November 22, 2003, or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from to

Commission file number 1-10714

**AUTOZONE, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**62-1482048**  
(I.R.S. Employer  
Identification No.)

**123 South Front Street**  
**Memphis, Tennessee 38103**  
(Address of principal executive offices) (Zip Code)

**(901) 495-6500**  
Registrant's telephone number, including area code

(not applicable)

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Common Stock, \$.01 Par Value – 87,264,463 shares outstanding as of December 19, 2003.

---

## **TABLE OF CONTENTS**

[CONDENSED CONSOLIDATED BALANCE SHEETS](#)  
[CONDENSED CONSOLIDATED STATEMENTS OF INCOME](#)  
[CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS](#)  
[NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS](#)  
[SIGNATURES](#)  
[EXHIBIT INDEX](#)  
[EX-10.1 EMPLOYMENT AGREEMENT STEVE ODLAND](#)  
[EX-12.1 RATIO OF EARNINGS TO FIXED CHARGES](#)  
[EX-15.1 LETTER REGARDING FINANCIAL STATEMENTS](#)  
[EX-31.1 SECTION 302 CERTIFICATION OF THE CEO](#)  
[EX-31.2 SECTION 302 CERTIFICATION OF THE CFO](#)  
[EX-32.1 SECTION 906 CERTIFICATION OF THE CEO](#)  
[EX-32.2 SECTION 906 CERTIFICATION OF THE CFO](#)

---

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****AUTOZONE, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**(Unaudited)  
(in thousands)

	November 22, 2003	August 30, 2003
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 6,664	\$ 6,742
Accounts receivable, net	64,962	43,746
Merchandise inventories, net	1,519,573	1,511,316
Prepaid expenses	34,201	19,194
Deferred income taxes	6,985	3,996
Total current assets	1,632,385	1,584,994
Property and equipment		
Property and equipment	2,600,207	2,573,160
Less: Accumulated depreciation and amortization	880,821	857,407
	1,719,386	1,715,753
Other assets		
Cost in excess of net assets acquired	294,348	294,348
Deferred income taxes	53,853	25,543
Other assets	20,303	59,828
	368,504	379,719
	\$3,720,275	\$3,680,466
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$1,346,909	\$1,321,905
Accrued expenses	282,741	313,683
Income taxes payable	80,469	39,978
Total current liabilities	1,710,119	1,675,566
Long term debt	1,453,345	1,546,845
Other liabilities	83,540	84,297
Stockholders' equity	473,271	373,758
	\$3,720,275	\$3,680,466

See Notes to Condensed Consolidated Financial Statements

## AUTOZONE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)  
(in thousands, except per share amounts)

	Twelve Weeks Ended	
	November 22, 2003	November 23, 2002
Net sales	\$1,282,040	\$1,218,635
Cost of sales, including warehouse and delivery expenses	668,950	669,245
Operating, selling, general and administrative expenses	397,985	361,064
Operating profit	215,105	188,326
Interest expense – net	20,260	19,105
Income before income taxes	194,845	169,221
Income taxes	73,100	64,310
Net income	\$ 121,745	\$ 104,911
Weighted average shares for basic earnings per share	88,741	98,808
Effect of dilutive stock equivalents	1,681	2,398
Adjusted weighted average shares for diluted earnings per share	90,422	101,206
Basic earnings per share	\$ 1.37	\$ 1.06
Diluted earnings per share	\$ 1.35	\$ 1.04

See Notes to Condensed Consolidated Financial Statements

## AUTOZONE, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)  
(in thousands)

	Twelve Weeks Ended	
	November 22, 2003	November 23, 2002
Cash flows from operating activities:		
Net income	\$ 121,745	\$ 104,911
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	23,950	25,593
Increase in accounts receivable, net	(21,216)	(5,117)
Net increase in merchandise inventories	(8,257)	(109,115)
Net change in current liabilities	34,553	(48,448)
Income tax benefit from exercise of options	14,988	18,291
Other, net	(36,093)	(22,011)
Net cash provided by (used in) operating activities	129,670	(35,896)
Cash flows from investing activities:		
Capital expenditures	(29,356)	(30,465)
Proceeds from disposal of capital assets	338	3,631
Net cash used in investing activities	(29,018)	(26,834)
Cash flows from financing activities:		
Proceeds from issuance of senior notes	500,000	300,000
Repayment of debt	(593,500)	(181,425)
Net proceeds from sale of common stock	19,196	21,886
Purchase of treasury stock	(60,445)	(78,523)
Settlement of interest rate hedge instruments	32,166	—
Other	1,853	824
Net cash (used in) provided by financing activities	(100,730)	62,762
Net change in cash and cash equivalents	(78)	32
Cash and cash equivalents at beginning of period	6,742	6,498
Cash and cash equivalents at end of period	\$ 6,664	\$ 6,530

See Notes to Condensed Consolidated Financial Statements

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

**Note A-Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. Certain prior year amounts have been reclassified to conform to the current year presentation. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the twelve weeks ended November 22, 2003, are not necessarily indicative of the results that may be expected for the fiscal year ending August 28, 2004. For further information, refer to the consolidated financial statements and footnotes included in the annual report on Form 10-K for the year ended August 30, 2003 for AutoZone, Inc. (the "Company").

**Note B-New Accounting Standards**

In January 2003, the Financial Accounting Standards Board issued Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 clarifies the application of Accounting Research Bulletin No. 51, "Consolidated Financial Statements," to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. FIN 46 requires the consolidation of certain types of entities in which a company absorbs a majority of another entity's expected losses or residual returns, or both, as a result of ownership, contractual or other financial interests in the other entity. These entities are called variable interest entities. FIN 46 applied immediately to variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 must be applied at the end of periods ending after December 15, 2003. The Company is currently evaluating the impact of FIN 46 and does not expect its adoption to have a significant impact on its Consolidated Financial Statements.

**Note C-Stock-Based Compensation**

The Company has granted options to purchase common stock to some of its employees and directors under various plans, as described more fully in the Company's annual report on Form 10-K for the fiscal year ended August 30, 2003. The Company accounts for those plans using the intrinsic-value-based recognition method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. Accordingly, no stock-based employee compensation cost is reflected in net income, as options are granted under those plans at an exercise price equal to the market value of the underlying common stock on the date of grant. Statement of Financial Accounting Standards

[Table of Contents](#)

("SFAS") No. 123, "Accounting for Stock-Based Compensation," and SFAS 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As allowed under SFAS 123, the Company has elected to continue to apply the intrinsic-value-based method of accounting and has adopted only the disclosure requirements of SFAS 123. The following table illustrates the effect on net income and earnings per share had the Company applied the fair-value recognition provisions of SFAS 123 to stock-based employee compensation:

(in thousands, except per share amounts)	Twelve Weeks Ended	
	November 22, 2003	November 23, 2002
Net income, as reported	\$121,745	\$104,911
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(4,244)	(3,591)
Pro forma net income	\$117,501	\$101,320
Earnings per share		
Basic – as reported	\$ 1.37	\$ 1.06
Basic – pro forma	\$ 1.32	\$ 1.03
Diluted – as reported	\$ 1.35	\$ 1.04
Diluted – pro forma	\$ 1.30	\$ 1.00

**Note D-Inventories**

Inventories are stated at the lower of cost or market using the last-in, first-out ("LIFO") method. A valuation of inventory under the LIFO method is made at the end of each fiscal year based on inventory levels and costs at that time. Accordingly, interim LIFO calculations and resulting adjustments must necessarily be based on management's estimates of expected year end inventory levels and costs. Due to price deflation on the Company's merchandise purchases, the Company's inventory balances are effectively maintained under the first-in, first out method as the Company's policy is not to write up inventory for favorable LIFO adjustments, resulting in cost of sales being reflected at the higher amount. At August 30, 2003, the cumulative balance of this unrecorded adjustment is \$102 million, which will only be reduced upon experiencing price inflation on our merchandise purchases in the future.

**Note E-Financing Arrangements**

The Company's long term debt as of November 22, 2003, and August 30, 2003, consisted of the following:

(in thousands)	November 22, 2003	August 30, 2003
5.875% Senior Notes due October 2012, effective interest rate of 6.33%	\$ 300,000	\$ 300,000
5.5% Senior Notes due November 2015, effective interest rate of 4.86%	300,000	—
4.75% Senior Notes due November 2010, effective interest rate of 4.17%	200,000	—
4.375% Senior Notes due June 2013, effective interest rate of 5.65%	200,000	200,000
6.5% Senior Notes due July 2008	190,000	190,000
7.99% Senior Notes due April 2006	150,000	150,000
6% Senior Notes due November 2003	—	150,000
Bank term loan due November 2004, interest rate of 2.26% at August 30, 2003	—	250,000
Commercial paper, weighted average interest rate of 1.1% at November 22, 2003, and 1.2% at August 30, 2003	74,500	268,000
Other	38,845	38,845
	<u>\$1,453,345</u>	<u>\$1,546,845</u>

The Company maintains \$950 million of revolving credit facilities with a group of banks. Of the \$950 million, \$300 million expires in May 2004. The remaining \$650 million expires in May 2005. The portion expiring in May 2004 includes a renewal feature as well as an option to extend the maturity date of the then-outstanding debt by one year. The credit facilities exist primarily to support commercial paper borrowings and other short term unsecured bank loans. The rate of interest payable under the credit facilities is a function of the London Interbank Offered Rate (LIBOR), the lending bank's base rate (as defined in the agreement) or a competitive bid rate at the Company's option.

The Company agreed to observe certain covenants under the terms of its credit agreements, including limitations on total indebtedness, restrictions on liens and minimum fixed charge coverage. As of November 22, 2003, the Company was in compliance with all covenants. Commercial paper borrowings are classified as long term, as the Company has the ability and intent to refinance them on a long term basis.

During November 2003, the Company issued \$300 million of 5.5% senior notes due November 2015 and \$200 million of 4.75% senior notes due November 2010. Interest under both notes is payable in May and November of each year. Proceeds were used to repay a \$250 million bank term loan, \$150 million in 6% senior notes and to reduce commercial paper

[Table of Contents](#)

borrowings. Also during the quarter, the Company settled all open interest rate hedge instruments, including interest rate swap contracts, treasury lock agreements and forward starting interest rate swaps.

AutoZone reflects the current fair value of all interest rate hedge instruments on its balance sheet. The related gains or losses on these transactions are deferred in stockholders' equity as a component of other comprehensive income or loss. Deferred gains and losses are recognized in income in the period in which the related interest rates being hedged are recognized in expense. However, to the extent that the change in value of an interest rate hedge instrument does not perfectly offset the change in the value of the interest rate being hedged, that ineffective portion is immediately recognized in income.

All of the repayment obligations under its bank lines of credit may be accelerated and come due prior to the scheduled payment date if AutoZone experiences a change in control (as defined in the agreements) of AutoZone or its Board of Directors or if covenants are breached. The Company expects to remain in compliance with all covenants.

**Note F-Stock Repurchase Program**

As of November 22, 2003, the Board of Directors had authorized the Company to repurchase up to \$3.3 billion of common stock in the open market. From January 1998 to November 22, 2003, the Company has repurchased a total of 72.7 million shares at an aggregate cost of \$2.9 billion. During the twelve week period ended November 22, 2003, the Company repurchased 644,000 shares of its common stock at an aggregate cost of \$60.4 million.

**Note G-Comprehensive Income**

Comprehensive income includes foreign currency translation adjustments and changes in the fair value of certain derivative financial instruments that qualify for cash flow hedge accounting. Comprehensive income for all periods presented is as follows:

(in thousands)	Twelve Weeks Ended	
	November 22, 2003	November 23, 2002
Reported net earnings	\$121,745	\$104,911
Foreign currency translation adjustment	(1,060)	558
Net impact from derivative instruments	5,089	(2,675)
Comprehensive income	\$125,774	\$102,794

**Note H-Product Warranties**

The Company or the vendors supplying the products provide the customers limited warranties on certain products that range from 30 days to lifetime warranties. In most cases, the Company's vendors are primarily responsible for warranty claims. Warranty costs relating to merchandise sold under warranty not covered by vendors are estimated and recorded as warranty obligations, which are recorded as a component of accrued expenses in the accompanying condensed consolidated balance sheets, at the time of sale based on each product's historical return rate. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the liability as necessary resulting in income or expense recognition. Changes in the Company's warranty liability during the periods were as follows:

(in thousands)	Twelve Weeks Ended	
	November 22, 2003	November 23, 2002
Balance at beginning of period	\$ 78,482	\$ 82,035
Allowances received from vendors	26,064	27,223
Charge (credit) to earnings	(16,000)	1,000
Claim settlements	(23,556)	(23,864)
Balance at end of period	\$ 64,990	\$ 86,394

**Note I- Vendor Allowances**

Certain vendor allowances are used exclusively for promotions and to partially or fully offset certain other direct expenses. Such vendor funding arrangements entered into on or before December 31, 2002, were recognized as a reduction to selling, general and administrative expenses when earned. However, for such vendor funding arrangements entered into or modified after December 31, 2002, the Company applied the new guidance pursuant to the Emerging Issues Task Force Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Cash Consideration Received from a Vendor" ("EITF 02-16"). Accordingly, all vendor funds are recognized as a reduction to cost of sales as the inventories are sold. As a result of the adoption of EITF 02-16, cost of sales for the twelve week period ended November 22, 2003 included \$21.6 million in vendor allowances that prior to the accounting change would have been recorded as a reduction to selling, general, and administrative expenses.

**Note J- Legal Proceedings**

The Company was one of multiple defendants in a lawsuit entitled "Coalition for a Level Playing Field, L.L.C., et al., v. AutoZone, Inc., et al." filed in the U.S. District Court for the Eastern District of New York in February 2000. The case was brought by approximately 225 plaintiffs, which are principally automotive aftermarket warehouse distributors and jobbers. The plaintiffs claimed that the defendants knowingly received volume discounts, rebates, slotting and other allowances, fees, free inventory, sham advertising and promotional payments, a share in

## [Table of Contents](#)

the manufacturers' profits, and excessive payments for services purportedly performed for the manufacturers in violation of the Robinson-Patman Act. Plaintiffs sought unspecified damages (prior to statutory trebling), ranging from several million dollars to \$35 million for each plaintiff, and a permanent injunction prohibiting defendants from committing further violations of the Robinson-Patman Act and from opening any further stores to compete with plaintiffs as long as defendants continue to violate the Act. The claims of 22 of the original plaintiffs were tried to a jury verdict in favor of the Company in January 2003. On February 26, 2003, the plaintiffs involved in the trial filed a notice to appeal. The U.S. Circuit Court of Appeals for the Second Circuit heard oral argument on the appeal on November 5, 2003. On November 17, 2003, the appeals court upheld the jury's trial decision in favor of the Company.

On July 22, 2003, approximately 200 plaintiffs in the original lawsuit, whose cases had been dismissed without prejudice and with leave to reinstate their claims, filed a notice to be reactivated as parties in the lawsuit and for their claims against the defendants to be reinstated. On September 19, 2003, the previously dismissed plaintiffs filed a "Motion for a Preliminary Injunction (and Related Temporary Restraining Order) Against the AutoZone Defendants as to Payment On Scan Transactions with the Auto Parts Manufacturers." The Company is currently unable to determine the merits of the motion or the claims of the plaintiffs. However, the Company intends to vigorously defend against the motion and all remaining allegations under the lawsuit.

The Company currently, and from time to time, is involved in various other legal proceedings incidental to the conduct of its business. Although the amount of liability that may result from these proceedings cannot be ascertained, the Company does not currently believe that, in the aggregate, these other matters will result in liabilities material to the Company's financial condition, results of operations or cash flows.

Independent Accountants' Review Report

Stockholders  
AutoZone, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of AutoZone, Inc. as of November 22, 2003, and the related condensed consolidated statements of income and cash flows for the twelve week periods ended November 22, 2003 and November 23, 2002. These financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of AutoZone, Inc. as of August 30, 2003, and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein) and, in our report dated September 22, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of August 30, 2003 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

Memphis, Tennessee  
December 8, 2003

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

At November 22, 2003, we operated 3,259 domestic auto parts stores and 50 in Mexico, compared with 3,098 domestic stores and 40 in Mexico at November 23, 2002. During the twelve week period ended November 22, 2003, we opened 40 new stores and replaced 1 store in the U.S. and opened 1 new store in Mexico. We also sell the ALLDATA brand diagnostic and repair software. On the web, we sell diagnostic and repair information and auto and light truck parts through [www.autozone.com](http://www.autozone.com).

Net sales for the twelve weeks ended November 22, 2003, increased \$63.4 million to \$1.3 billion, or 5.2%, over net sales of \$1.2 billion for the comparable period of fiscal 2003. Comparable store sales, or sales for domestic stores opened at least one year, contributed approximately half of this increase, driven by a 1% increase in retail same store sales for domestic stores open at least one year and a 17% increase in commercial same store sales. New stores for the twelve weeks ended November 22, 2003, contributed 2.4 percentage points of the increase and ALLDATA and Mexico sales contributed the balance.

Gross profit for the twelve weeks ended November 22, 2003, was \$613.1 million, or 47.8% of net sales, compared with \$549.4 million, or 45.1% of net sales, during the comparable period for fiscal 2003. Of the 2.7 percentage point gross profit margin improvement over the prior year period, 1.7 percentage points were driven by the change in classification of vendor fundings from operating, selling, general and administrative expenses to cost of sales in accordance with Emerging Issues Task Force Issue No. 02-16, "Accounting by a Customer (including a Reseller) for Cash Consideration Received From a Vendor" ("EITF 02-16"). We implemented EITF 02-16 during the quarter ended May 10, 2003. Prior periods are not reclassified for comparability to the current presentation. The remaining 1.0 percentage point of improvement in gross profit margin was primarily attributable to our continued efforts to minimize our warranty exposure through renegotiating with our vendors, supply chain initiatives, tailoring merchandise mix, the continued implementation of our Good/Better/Best initiative, cost negotiations with vendors and adjusting prices where appropriate. These vendor renegotiations resulted in a \$16.0 million favorable adjustment to warranty expense during the quarter. However, we were exposed to other related offsetting cost increases that resulted in a \$14.1 million net pre-tax impact to current quarter earnings related to warranties.

Operating, selling, general and administrative expenses for the twelve weeks ended November 22, 2003, increased by \$36.9 million over such expenses for the comparable period for fiscal 2003, and increased as a percentage of net sales from 29.6% to 31.0%. The 1.4 percentage point increase over the prior year period is due to a 1.7 percentage point increase resulting from the implementation of EITF 02-16, which was partially offset by a 0.3 percentage point improvement in controlling expenses through continued efforts to better leverage store level expenses and through our various ongoing expense saving initiatives.

Interest expense for the twelve weeks ended November 22, 2003, was \$20.3 million compared with \$19.1 million during the comparable period in prior year. The increase in interest expense was due to higher average borrowing levels over the comparable prior year period.

## [Table of Contents](#)

Average borrowings for the twelve weeks ended November 22, 2003, were \$1.62 billion, compared with \$1.35 billion for the same period of fiscal 2003. Weighted average borrowing rates increased to 5.4% at November 22, 2003, compared with 4.5% for the comparable prior year period. This increase in our weighted average interest rate reflects our issuance of \$500 million of long-term debt during the twelve weeks ended November 22, 2003 and \$500 million of debt issued during the prior fiscal year. Over the past year, we have increased our average long-term debt duration from 4.1 years to 7.5 years.

Our effective income tax rate was 37.5% of pretax income for the twelve weeks ended November 22, 2003, and 38.0% for the twelve weeks ended November 23, 2002.

Net income for the twelve week period ended November 22, 2003 increased by 16.0% to \$121.7 million, and diluted earnings per share increased by 29.8% to \$1.35 from \$1.04 in the comparable prior year period. The impact on current quarter diluted earnings per share of the stock repurchases since the end of the comparable prior year period was an increase of \$0.15.

### **Liquidity and Capital Resources**

For the twelve weeks ended November 22, 2003, our net cash flows from operating activities provided \$129.7 million as compared to a use of \$35.9 million during the comparable prior year period. This improvement over the comparable prior year period is due primarily to reduced merchandise inventory purchases, changes in working capital requirements and the increase in net income.

Additionally, our net cash flows from investing activities used \$29.0 million as compared with \$26.8 million used in the comparable prior year period. Capital expenditures for the twelve weeks ended November 22, 2003, were \$29.4 million compared to \$30.5 million for the comparable prior year period. During the quarter, we opened 40 net new domestic stores, including one store that replaced an existing store, and opened one new store in Mexico. In the comparable period of the prior fiscal year, we opened 30 net new domestic stores. We expect to open approximately 195 new domestic stores during this fiscal year.

Our net cash flows from financing activities for the twelve weeks ended November 22, 2003, used \$100.7 million as compared to providing \$62.8 million in the comparable prior year period. The current period reflects \$500.0 million in proceeds from the issuance of senior notes, offset by debt payments of \$593.5 million, as compared to \$300.0 million in proceeds from the issuance of senior notes, offset by debt payments of \$181.4 million in the prior year comparable period. Stock repurchases were \$60.4 million in the current period as compared with \$78.5 million in stock repurchases in the comparable prior year period. The settlement of interest rate hedge instruments provided \$32.2 million during the current period, with no such activity in the comparable prior year period. For the twelve weeks ended November 22, 2003, exercises of stock options provided \$34.2 million, including \$15.0 million in related tax benefits that are reflected in cash flows from operating activities. In the comparable prior year period, exercises of stock options provided \$40.2 million, including \$18.3 million in related tax benefits. At

## [Table of Contents](#)

November 22, 2003, options to purchase 1.8 million shares were exercisable at a weighted average exercise price of \$36.

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

At November 22, 2003, AutoZone had a senior unsecured debt credit rating from Standard & Poor's of BBB+ and a commercial paper rating of A-2. Moody's Investors Service had assigned us a senior unsecured debt credit rating of Baa2 and a commercial paper rating of P-2. As of November 22, 2003, Moody's and Standard & Poor's had AutoZone listed as having a "negative" and "stable" outlook, respectively. If our credit ratings drop, our interest expense may increase; similarly, we anticipate that our interest expense may decrease if our investment ratings are raised. If our commercial paper ratings drop below current levels, we may have difficulty continuing to utilize the commercial paper market and our interest expense will increase, as we will then be required to access more expensive bank lines of credit. If our senior unsecured debt ratings drop below investment grade, our access to financing may become more limited.

We maintain \$950 million of revolving credit facilities with a group of banks. Of the \$950 million, \$300 million expires in May 2004. The remaining \$650 million expires in May 2005. The portion expiring in May 2004 includes a renewal feature as well as an option to extend the maturity date of the then-outstanding debt by one year. The credit facilities exist primarily to support commercial paper borrowings and other short term unsecured bank loans. The rate of interest payable under the credit facilities is a function of the London Interbank Offered Rate (LIBOR), the lending bank's base rate (as defined in the agreement) or a competitive bid rate at our option.

We have agreed to observe certain covenants under the terms of our credit agreements, including limitations on total indebtedness, restrictions on liens and minimum fixed charge coverage. As of November 22, 2003, we are in compliance with all covenants. Commercial paper borrowings are classified as long term, as we have the ability and intent to refinance them on a long term basis.

During November 2003, we issued \$300 million of 5.5% senior notes due November 2015 and \$200 million of 4.75% senior notes due November 2010. Interest under both notes is payable in May and November of each year. Proceeds were used to repay \$250 million in a bank term loan, \$150 million in 6% senior notes and to reduce commercial paper borrowings. Also during the quarter we settled all open interest rate hedge instruments, including interest rate swap contracts, treasury lock agreements and forward starting interest rate swaps.

All of the repayment obligations under our bank lines of credit may be accelerated and come due prior to the scheduled payment date if AutoZone experiences a change in control (as

## [Table of Contents](#)

defined in the agreements) of AutoZone or its Board of Directors or if covenants are breached. We expect to remain in compliance with all covenants.

As of November 22, 2003, the Board of Directors had authorized us to repurchase up to \$3.3 billion of common stock in the open market. From January 1998 to November 22, 2003, we repurchased a total of 72.7 million shares at an aggregate cost of \$2.9 billion. During the twelve week period ended November 22, 2003, we repurchased 644,000 shares of its common stock at an aggregate cost of \$60.4 million.

### **Off-Balance Sheet Arrangements**

In conjunction with our commercial sales program, we offer credit to some of our commercial customers. The receivables related to the credit program are sold to a third party at a discount for cash with limited recourse. AutoZone has established a reserve for this recourse. At November 22, 2003, the receivables facility had an outstanding balance of \$40.6 million and the balance of the recourse reserve was \$4.9 million.

Since fiscal year end, we issued additional and increased existing stand-by letters of credit that are primarily renewed on an annual basis to cover premium and deductible payments to our workers' compensation carrier and cancelled some surety bonds. Our total standby letters of credit commitment at November 22, 2003, was \$77.6 million compared with \$52.8 million at August 30, 2003, and our total surety bonds commitment at November 22, 2003, was \$8.8 million compared with \$8.1 million at August 30, 2003.

### **Critical Accounting Policies**

For information regarding our critical accounting policies, refer to our annual report on Form 10-K for the fiscal year ended August 30, 2003.

### **Forward-Looking Statements**

Certain statements contained in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements typically use words such as "believe," "anticipate," "should," "intend," "plan," "will," "expect," "estimate," "project," "positioned," "strategy," and similar expressions. These are based on our 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; gasoline prices; war and the prospect of war, including terrorist activity; availability of commercial transportation; and outcome of pending litigation. Forward-looking statements are not guarantees of future performance and actual results; developments and business decisions may differ from those contemplated by such

forward-looking statements, and such events could materially and adversely affect our business. Forward-looking statements speak only as of the date made. Except as required by applicable law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Actual results may materially differ from anticipated results. Please refer to the Risk Factors section contained in our Form 10-K for the fiscal year ended August 30, 2003, for more details.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

At November 22, 2003, there had been no material changes since the disclosures in our annual report to our instruments and positions that are sensitive to market risk except for a \$443.5 million reduction in variable rate debt, a \$350.0 million net increase in fixed rate debt and the settlement of all of our open interest rate hedge instruments, including interest rate swap contracts, treasury lock agreements and forward starting interest rate swaps. We had \$113.3 million of variable rate debt outstanding at November 22, 2003, and \$556.8 million outstanding at August 30, 2003, both of which exclude the effect of any interest rate swaps designated and effective as cash flow hedges of such variable rate debt. At these borrowing levels for variable rate debt, a one percentage point increase in interest rates would have had an unfavorable impact on AutoZone's pretax earnings and cash flows of \$1.1 million in fiscal 2004 and \$5.3 million in fiscal 2003, which includes the effects of any interest rate swaps. The primary interest rate exposure on variable rate debt is based on LIBOR. We had \$1.3 billion and \$990.0 million, respectively, of fixed rate debt outstanding at November 22, 2003 and August 30, 2003. A one percentage point increase in interest rates would reduce the fair value of AutoZone's fixed rate debt at November 22, 2003 and August 30, 2003 by \$83.3 million and \$47.0 million, respectively.

**Item 4. Controls and Procedures**

As of November 22, 2003, an evaluation was performed under the supervision and with the participation of AutoZone's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, AutoZone's management, including the Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of November 22, 2003. No significant changes in AutoZone's internal controls or in other factors have occurred that could significantly affect controls subsequent to November 22, 2003.

**PART II. OTHER INFORMATION**

**Item 1. Legal Proceedings**

The Company was one of multiple defendants in a lawsuit entitled “Coalition for a Level Playing Field, L.L.C., et al., v. AutoZone, Inc., et al.” filed in the U.S. District Court for the Eastern District of New York in February 2000. The case was brought by approximately 225 plaintiffs, which are principally automotive aftermarket warehouse distributors and jobbers. The plaintiffs claimed that the defendants knowingly received volume discounts, rebates, slotting and other allowances, fees, free inventory, sham advertising and promotional payments, a share in the manufacturers’ profits, and excessive payments for services purportedly performed for the manufacturers in violation of the Robinson-Patman Act. Plaintiffs sought unspecified damages (prior to statutory trebling), ranging from several million dollars to \$35 million for each plaintiff, and a permanent injunction prohibiting defendants from committing further violations of the Robinson-Patman Act and from opening any further stores to compete with plaintiffs as long as defendants continue to violate the Act. The claims of 22 of the original plaintiffs were tried to a jury verdict in favor of the Company in January 2003. On February 26, 2003, the plaintiffs involved in the trial filed a notice to appeal. The U.S. Circuit Court of Appeals for the Second Circuit heard oral argument on the appeal on November 5, 2003. On November 17, 2003, the appeals court upheld the jury’s trial decision in favor of the Company.

On July 22, 2003, approximately 200 plaintiffs in the original lawsuit, whose cases had been dismissed without prejudice and with leave to reinstate their claims, filed a notice to be reactivated as parties in the lawsuit and for their claims against the defendants to be reinstated. On September 19, 2003, the previously dismissed plaintiffs filed a “Motion for a Preliminary Injunction (and Related Temporary Restraining Order) Against the AutoZone Defendants as to Payment On Scan Transactions with the Auto Parts Manufacturers.” The Company is currently unable to determine the merits of the motion or the claims of the plaintiffs. However, the Company intends to vigorously defend against the motion and all remaining allegations under the lawsuit.

The Company currently, and from time to time, is involved in various other legal proceedings incidental to the conduct of its business. Although the amount of liability that may result from these proceedings cannot be ascertained, the Company does not currently believe that, in the aggregate, these other matters will result in liabilities material to the Company’s financial condition, results of operations or cash flows.

**Item 6. Exhibits and Reports on Form 8-K**

(a) The following exhibits are filed as part of this report:

- 3.1 Restated Articles of Incorporation of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 10-Q for the quarter ended February 13, 1999.
- 3.2 Third Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 8-K dated October 1, 2002.
- \*10.1 Amended and Restated Employment and Non-Compete Agreement between Steve Odland and AutoZone, Inc., dated October 23, 2003.
- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 15.1 Letter Regarding Unaudited Interim Financial Statements.
- 31.1 Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \* Management contract or compensatory plan or arrangement.

- (b) (1) The Company filed a Form 8-K dated September 22, 2003, furnishing a press release regarding fiscal year 2003 earnings.
- (2) The Company filed a Form 8-K dated October 30, 2003, furnishing a press release regarding ESL Investments, Inc.'s agreement to sell a portion of its AutoZone holdings.
- (3) The Company filed a Form 8-K dated October 31, 2003, furnishing the form of underwriting agreement for ESL Investment, Inc.'s sale of 5.6 million AutoZone shares.

- (4) The Company filed a Form 8-K dated November 3, 2003, providing an update to events covered under the underwriting agreement regarding ESL Investment, Inc.'s sale of 5.6 million AutoZone shares.
- (5) The Company filed a Form 8-K dated November 3, 2003, announcing that the Company sold \$500 million in senior notes under a Form S-3 that was declared effective on August 22, 2003.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTOZONE, INC.

By: /s/ MICHAEL ARCHBOLD

---

Michael Archbold  
Senior Vice President and  
Chief Financial Officer  
(Principal Financial Officer)

By: /s/ CHARLIE PLEAS III

---

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

Dated: December 23, 2003

**EXHIBIT INDEX**

The following exhibits are filed as part of this report:

- 3.1 Restated Articles of Incorporation of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 10-Q for the quarter ended February 13, 1999.
- 3.2 Third Amended and Restated By-laws of AutoZone, Inc. incorporated by reference to Exhibit 3.1 to the Form 8-K dated October 1, 2002.
- \* 10.1 Amended and Restated Employment and Non-Compete Agreement between Steve Odland and AutoZone, Inc., dated October 23, 2003.
- 12.1 Computation of Ratio of Earnings to Fixed Charges.
- 15.1 Letter Regarding Unaudited Interim Financial Statements.
- 31.1 Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- \* Management contract or compensatory plan or arrangement.

## AMENDED AND RESTATED EMPLOYMENT AND NON-COMPETE AGREEMENT

THIS AGREEMENT is between AutoZone, Inc., a Nevada corporation and its various subsidiaries (collectively "AutoZone"), and Steve Odland, an individual ("Employee"), dated as of October 23, 2003 (the "Effective Date") and is an amendment and restatement of the Employment and Non-Compete Agreement between Employee and AutoZone dated January 29, 2001 (as amended and restated the "Agreement"). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Employment.** AutoZone agrees to employ Employee and Employee agrees to remain in the employment of AutoZone, or a subsidiary or affiliate, until the expiration of the Term or until earlier termination as provided under this Agreement. If Employee's employment shall continue after December 31, 2007, Employee's employment shall be at will and, subject to the obligations of AutoZone, Inc. under Paragraph 9(b) or 11(b) (as the case may be), may be terminated by AutoZone with or without Cause or by Employee with or without Good Reason at any time thereafter.
2. **Term.** This Agreement shall be effective as of the Effective Date and shall continue until December 31, 2007 unless sooner terminated pursuant to Paragraph 9, 10 or 11. The period of employment under this Paragraph 2 is referred to as the "Term."
3. **Salary.** Employee shall receive a salary from AutoZone as follows: During the Term, Employee shall receive minimum annual compensation of \$1,000,000, subject to increases as determined by the Compensation Committee of the Board of Directors ("Base Salary"). The Base Salary amount shall be paid on a pro-rated basis for all partial years based on a 364-day year. AutoZone reserves the right to increase the Base Salary above the amounts stated above in its sole discretion. All salary shall be paid at the same time and in the same manner that AutoZone's other senior executives are paid.
4. **Annual Bonuses.** During the Term, Employee shall be entitled to receive an annual bonus (the "Annual Bonus") in an amount equal to 100% of his Base Salary if the Target is met, subject to and determined in accordance with AutoZone's Executive Incentive Compensation Plan (the "Bonus Plan") and the policies and procedures established by AutoZone's Compensation Committee of the Board of Directors which shall be based upon the financial and operational goals and objectives for the Employee and AutoZone established by the Compensation Committee for each of AutoZone's fiscal years ("Target") in accordance with the Bonus Plan. The Target is established at the sole discretion of the Compensation Committee and Board of Directors and is subject to review and revision at any time upon notification to the Employee. All bonuses shall be paid at the same time and in the same manner that AutoZone's other senior executives are paid.
5. **Duties.** Employee shall serve as Chairman of AutoZone's Board of Directors and Chief Executive Officer of AutoZone, Inc., performing such duties as AutoZone, Inc.'s Board of Directors may direct from time to time and as are normally associated with such a position. AutoZone may, in its sole discretion, alter, expand or curtail the services to be performed by Employee or position held by Employee from time to time, without adjustment in compensation. Employee shall devote his full time and attention to AutoZone's business. During the term of this Agreement, Employee shall not engage in any other business activity that conflicts with his duties with AutoZone, regardless of whether it is pursued for gain or profit. Employee may, however, invest his assets in or serve on the Board of Directors of other companies so long as they do not require Employee's services in the day to day operation of their affairs and do not violate AutoZone's conflict of interest policy.
6. **Other Compensation and Benefits.** Other compensation and benefits to be received by Employee from AutoZone shall at least be the ordinary benefits received by AutoZone's other executive officers, which may be changed by AutoZone in its sole discretion from time to time. Employee shall be considered for possible annual or other grants of stock options and other equity compensation as determined by the Compensation Committee of the Board of Directors in its discretion based on Employee's performance, consistent with the treatment of other senior executives of AutoZone. Any grants of stock options or other equity compensation

made to Employee after the Effective Date shall provide by their terms that they (i) shall vest in full and become immediately exercisable upon the termination of Employee's employment with AutoZone pursuant to Paragraphs 9(a), 9(b) or 11, as the case may be, and (ii) shall expire at the earlier of their full normal term or the following dates after the date of Employee's termination of employment with AutoZone for the following reasons: (x) immediately upon termination if by AutoZone for Cause, (y) one year after termination if by reason of Employee's death, (z) 90 days after termination if by AutoZone without Cause or by Employee for any reason or no reason, including a termination of employment by reason of Employee's disability, and that if Employee's employment terminates on or after Employee's normal retirement date under AutoZone's Pension Plan, such options shall expire at the end of their full normal term.

7. Supplemental Pension Plan Service Credit. For all purposes under AutoZone's Executive Deferred Compensation Plan (a copy of which is on file with the Securities and Exchange Commission, the "supplemental pension"), Employee shall continue to be eligible for participation therein and, in addition to his years of service with AutoZone prior to the freeze of the plan, has been credited with four years of defined benefit pension accruals and vesting service for Employee's time in service with Employee's former employer, including, without limitation, a benefit accrual equal to such amounts as Employee would have accrued under the AutoZone tax-qualified pension plan if such plan does not credit Employee with such prior employer service thereunder.
8. Taxes. Employee understands that all salary, bonuses and other benefits will be subject to reduction for amounts required to be withheld by law as taxes and otherwise.
9. Termination by AutoZone or by Employee for Good Reason
  - (a) Without Cause or for Good Reason before January 1, 2008. At any time before January 1, 2008, AutoZone may terminate this Agreement without Cause, and Employee may terminate this Agreement for Good Reason, upon notice by the terminating party to the other party. In such event, Employee shall thereupon resign from AutoZone's Board of Directors and shall cease to be Chief Executive Officer of AutoZone, Inc. In such event, Employee shall continue to be paid his then current Base Salary until December 31, 2007 but for a period of not more than three (3) years (the "Continuation Period"). During the Continuation Period, Employee shall not receive any bonus payments, except as expressly provided herein. During the Continuation Period, Employee shall continue to be an employee of AutoZone or a subsidiary of AutoZone available to perform such services as may be requested by the Chief Executive Officer of AutoZone, pursuant to a mutually satisfactory agreement to be entered into by AutoZone and Employee at that time which shall specify Employee's duties as a common law employee of AutoZone.
  - (i) During the Continuation Period, Employee's stock options shall continue to vest and may be exercised in the manner set forth in the respective stock option agreements until the end of the Continuation Period, at which time Employee's employment with AutoZone shall be terminated and further stock option exercise and vesting shall be governed by the terms of the respective stock option agreements. During the Continuation Period, Employee shall receive such other benefits as other executives of AutoZone, including, but not limited to, health and life insurance, on the same terms and conditions. AutoZone shall pay Employee any earned and unpaid bonus from any prior year and a full bonus for the fiscal year in which this Agreement is terminated pursuant to this Paragraph 9(a) calculated based on the period of time elapsed during such fiscal year until this Agreement is terminated and the formula established by the Compensation Committee for officers for that fiscal year. Said bonus shall be paid when other officer bonuses are paid for that fiscal year.
  - (ii) At the end of the Continuation Period, Employee's employment with AutoZone shall terminate and Employee shall receive as soon as practicable after such termination a lump-sum cash payment in immediately available funds in an amount equal to (a) 2.99 times his then current annual Base Salary minus (b) the total amount of the Base Salary

paid to Employee during the Continuation Period. In addition, during the period beginning on the date of termination of Employee's employment and ending on the earlier of (A) the third anniversary of the date on which the Continuation Period begins or (B) the first day on which Employee becomes eligible to participate in a group health plan of a subsequent employer which provides benefits comparable to AutoZone's health plan, Employee shall receive health insurance coverage under AutoZone's health insurance plan on the same terms and conditions as other senior executive employees of AutoZone; provided, however, that if Employee is ineligible under the terms of AutoZone's health plan to continue to be so covered, AutoZone shall provide Employee with substantially equivalent coverage through other sources or will provide Employee with a lump-sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Employee of providing himself such coverage.

- (iii) AutoZone shall have no other obligations other than those stated herein upon the termination of this Agreement and Employee hereby releases AutoZone from any and all obligations and claims except those as are specifically set forth herein.
- (iv) Any provision of this Agreement to the contrary notwithstanding, "Good Reason" shall mean any one of the following events, unless Employee consents in writing:
  - (1) (I) the material failure of AutoZone to comply with the provisions of Paragraphs 3 through 7 of this Agreement, (II) any material adverse change in the status, responsibilities, perquisites of Employee (except, in the case of perquisites, for across-the-board changes applicable to all other senior executives), including any actual material adverse change in status which results from an assignment of this Agreement by AutoZone pursuant to Paragraph 18 below, (III) approval by AutoZone's Board of Directors of a transaction (other than a Change of Control) pursuant to which Employee would cease to be the Chief Executive Officer of AutoZone, Inc. or the publicly-held successor to AutoZone, Inc., provided that Employee has provided written notice of termination to the Board of Directors within 60 days following such approval and provided that such termination shall not be effective until the consummation of such approved transaction, (IV) any failure to nominate or elect Employee as Chairman of the Board of Directors of AutoZone, Inc. (or the publicly-held successor to AutoZone, Inc.), (V) causing or requiring Employee to report to anyone other than the Board of Directors, (VI) assignment of duties which are materially and adversely inconsistent with his positions and duties described in this Agreement or (VII) any other material breach of the Agreement by AutoZone;  
  
provided, that no such act or omission shall constitute Good Reason unless Employee gives AutoZone 30 days prior written notice (except as provided in clause (III) of this subparagraph (1)) of such act or omission and AutoZone fails to cure such act or omission within the 30-day period;
  - (2) The failure of AutoZone to assign this Agreement to a successor to AutoZone or failure of a successor to AutoZone to explicitly assume and agree to be bound by the Agreement; or
  - (3) The requiring of Employee to be principally based at any office or location more than 60 miles from the current corporate offices of AutoZone in Memphis, Tennessee.
- (b) Without Cause or For Good Reason after December 31, 2007. At any time after December 31, 2007, AutoZone may terminate Employee's employment without Cause, and Employee may terminate Employee's employment for Good Reason (and, for purposes of this Paragraph 9(b), in any determination of "Good Reason" the provisions of Paragraphs 3 through 7 and Paragraph 18 of this Agreement shall be deemed to survive any expiration of this Agreement under Paragraph 2), upon notice by the terminating party to the other party. In such event,

Employee shall thereupon resign from AutoZone's Board of Directors and shall cease to be Chief Executive Officer of AutoZone, Inc. In the event of a termination pursuant to this Paragraph 9(b),

- i. Employee shall receive as soon as practicable after the date of the termination of employment (the "Termination Date") a lump-sum cash amount in immediately available funds equal to 2.99 times his then current annual Base Salary. In addition, AutoZone shall pay Employee his full Annual Bonus for the fiscal year which includes the Termination Date pursuant to this Paragraph 9(b), based on the Targets attained by AutoZone and Employee for such fiscal year. Said bonus shall be paid when other officer bonuses are paid for that fiscal year or cycle. Except as set forth in the preceding sentence, Employee shall not be entitled to receive any bonus payments after the termination of his employment hereunder;
- ii. During the period from the Termination Date and ending on the earlier of (A) the third anniversary of the Termination Date or (B) the first day on which Employee becomes eligible to participate in a group health plan of a subsequent employer which provides benefits comparable to AutoZone's health plan, Employee shall receive health insurance coverage under AutoZone's health insurance plan on the same terms and conditions as other senior executive employees of AutoZone; provided, however, that if Employee is ineligible under the terms of AutoZone's health plan to continue to be so covered, AutoZone shall provide Employee with substantially equivalent coverage through other sources or will provide Employee with a lump-sum payment in such amount that, after all taxes on that amount, shall be equal to the cost to Employee of providing himself such coverage;
- iii. Any grants of stock options or other equity compensation made to Employee after the Effective Date shall vest in full and become immediately exercisable as of the Termination Date and shall expire at the earlier of the last day of each such grant's full normal term or 90 days after the Termination Date.
- iv. AutoZone shall have no other obligations other than those stated herein after the Termination Date and Employee hereby releases AutoZone from any and all obligations and claims except those as are specifically set forth herein.

(c) With Cause. AutoZone shall have the right to terminate this Agreement and Employee's employment with AutoZone for Cause at any time by a determination of a majority of the members of the Board of Directors in good faith. Upon such termination for Cause, Employee shall have no right to receive any compensation, salary, or bonus and shall immediately cease to receive any benefits (other than those as may be required pursuant to the AutoZone Pension Plan or by law) and any stock options shall be governed by the respective stock option agreements in effect between the Employee and AutoZone at that time. "Cause" shall mean (i) the willful engagement by the Employee in conduct which is demonstrably and materially injurious to AutoZone, monetarily or otherwise, and (ii) if reasonably capable of being cured, is not cured by the Employee within thirty (30) days after the Board of Directors provides him with a detailed notice of the conduct that is considered to be grounds for a determination of Cause. For this purpose, no act or failure to act by the Employee shall be considered "willful" unless done, or omitted to be done, by the Employee not in good faith and without reasonable belief that his action or omission was in the best interest of AutoZone.

10. Termination by Employee. Employee may terminate this Agreement and Employee's employment with AutoZone at anytime upon written notice to AutoZone. Upon such termination, other than for Good Reason, Employee's employment shall terminate and Employee shall cease to receive any further salary, benefits, or bonus, and all stock options granted shall be governed by the respective stock option agreement(s) between the Employee and AutoZone.

11. Termination by Employee upon a Change of Control. In the event of a Change of Control at any time during the Term or thereafter, Employee may terminate this Agreement and/or his employment with AutoZone upon a Change of Control of AutoZone after the occurrence of a Change of Control, as follows.
- (a) In the event of Change of Control before January 1, 2008, Employee may terminate this Agreement by giving written notice to AutoZone within sixty (60) days after the occurrence of a Change of Control and the provisions of Paragraph 9(a) of this Agreement shall then apply.
  - (b) In the event of Change of Control after December 31, 2007 and while Employee is employed by AutoZone, Employee may terminate this Agreement and his employment with AutoZone by giving written notice to AutoZone within sixty (60) days after the occurrence of a Change of Control and the provisions of Paragraph 9(b) of this Agreement shall then apply.
  - (c) Any of the following events shall constitute a "Change of Control": (a) the acquisition after the date hereof, in one or more transactions, of beneficial ownership (as defined in Rule 13d-3(a)(1) under the Securities Exchange Act of 1934, as amended ("Exchange Act")), by any person or entity or any group of persons or entities who constitute a group (as defined in Section 13(d)(3) under the Exchange Act) of any securities such that as a result of such acquisition such person, entity or group beneficially owns AutoZone Inc.'s then outstanding voting securities representing 51% or more of the total combined voting power entitled to vote on a regular basis for a majority of the Board of Directors of AutoZone, Inc. or (b) the sale of all or substantially all of the assets of AutoZone (including, without limitation, by way of merger, consolidation, lease or transfer) in a transaction where AutoZone or the beneficial owners (as defined in Rule 13d-3(a)(1) under the Exchange Act) of capital stock of AutoZone do not receive (i) voting securities representing a majority of the total combined voting power entitled to vote on a regular basis for the board of directors of the acquiring entity or of an affiliate which controls the acquiring entity or (ii) securities representing a majority of the total combined equity interest in the acquiring entity, if other than a corporation; provided however, that the foregoing provisions of this Paragraph 11 shall not apply to any reorganization, recapitalization or similar transaction in which all or substantially all of the individuals and entities who were the beneficial owners of the outstanding voting securities of AutoZone immediately prior to such transaction respectively continue to beneficially own, directly or indirectly, the outstanding voting securities of the surviving entity in such transaction in substantially the same proportions as their beneficial ownership immediately prior to such transaction.
12. Effect of Termination. Any termination of Employee's service as an officer of AutoZone shall be deemed a termination of Employee's service on all boards and as an officer of all subsidiaries of AutoZone.
13. Non-Compete. Employee agrees that he will not, for the three (3) year period commencing on the first day of any Continuation Period, if there is one, or commencing on the date of Employee's termination of employment if there is no Continuation Period prior to such termination of Employment (the "Non-Competition Period"), be engaged in or concerned with, directly or indirectly, any business related to or involved in the retail sale of auto parts to "DIY" customers, or the wholesale or retail sale of auto parts to commercial installers in any state, province, territory or foreign country in which AutoZone operates now or shall operate during the term set forth in this Non-Compete section (herein called "Competitor"), as an employee, director, consultant, beneficial or record owner, partner, joint venturer, officer or agent of the Competitor, other than the acquisition of not more than a 1% equity interest in a publicly-traded Competitor; provided, solely for purposes of excluding any retail business with retail stores that sell automotive parts and automotive accessories as a minor portion of the retail business in each of its retail stores from the term "Competitor", any such retail business engaged in the same business or substantially the same business as that of AutoZone either directly or through an operating division or subsidiary of such retail business shall not be deemed to be a "Competitor" if both (a) the average sales per store per annum of the business or the average sales per store per annum of any organizational unit, part, subpart, subsidiary or affiliate of such business from the sale of automotive parts and automotive accessories (excluding sales at stores which do not sell automotive parts and

automotive accessories ) shall be less than 10%

of the average sales per store per annum of AutoZone for the same year and (b) the total sales of automotive parts and accessories for any such retail business (including the sales of automotive parts and automotive accessories by any organizational unit, part, subpart, subsidiary or affiliate of such business) shall be, in the aggregate, less than 10% of such business' total gross sales.

The parties acknowledge and agree that the time, scope, geographic area and other provisions of this Non-Compete section have been specifically negotiated by sophisticated commercial parties and specifically hereby agree that such time, scope, geographic area and other provisions are reasonable under the circumstances and are in exchange for the obligations undertaken by AutoZone pursuant to this Agreement.

Further, Employee agrees not to hire, for himself or any other entity, encourage anyone or entity to hire, or entice away from AutoZone any employee of AutoZone during the term of this non-compete obligation.

If at any time in a proceeding under or arising out of this Agreement (or a proceeding brought on behalf of or at the direction of Employee) a court of competent jurisdiction holds that any portion of this Non-Compete section is unenforceable for any reason, then Employee shall forfeit his right to any further salary, bonus, stock option exercises, or benefits from AutoZone during the Non-Competition Period.

14. Confidentiality. Unless otherwise required by law, Employee shall hold in confidence any proprietary or confidential information obtained by him during his employment with AutoZone, which shall include, but not be limited to, information regarding AutoZone's present and future business plans, vendors, systems, operations and personnel. Confidential information shall not include information: (a) publicly disclosed by AutoZone, (b) rightfully received by Employee from a third party without restrictions on disclosure, (c) approved for release or disclosure by AutoZone, or (d) produced or disclosed pursuant to applicable laws, regulation or court order. Employee acknowledges that all such confidential or proprietary information is and shall remain the sole property of AutoZone and all embodiments of such information shall remain with AutoZone. Unless otherwise required by law, each of AutoZone and Employee shall hold in confidence all matters regarding the termination of employment of Employee and the conduct of Employee or the Board of Directors resulting in such termination.
15. Breach by Employee. The parties further agree that if, at any time, despite the express agreement of the parties hereto, Employee violates the provisions of this Agreement by violating the Non-Compete or Confidentiality sections, or by failing to perform his obligations under this Agreement, Employee shall forfeit any unexercised stock options, vested or not vested, and AutoZone may cease paying any further salary or bonus. In the event of breach by Employee of any provision of this Agreement, Employee acknowledges that such breach will cause irreparable damage to AutoZone, the exact amount of which will be difficult or impossible to ascertain, and that remedies at law for any such breach will be inadequate. Accordingly, AutoZone shall be entitled, in addition to any other rights or remedies existing in its favor, to obtain, without the necessity for any bond or other security, specific, performance and/or injunctive relief in order to enforce, or prevent breach of any such provision.
16. Death of Employee or Disability. If Employee should die or become disabled (such that he is no longer capable of performing his duties) during the term of this Agreement, then all salary and bonuses shall cease as of the date of his death or disability, all stock options shall be governed by the terms of the respective stock option agreements, and Employee shall receive disability or death benefits as may be provided under AutoZone's then existing policies and procedures related to disability or death of AutoZone senior executives. If Employee should die or become disabled (such that he is no longer capable of performing his duties) during the Continuation Period, then Employee, or his estate in the event of Employee's death, shall continue to be paid his then current Base Salary until the expiration of the Continuation Period and shall be paid any severance benefit payable to Employee pursuant to Paragraphs 9(a),9(b) or 11, all stock options shall be governed by the terms of the respective stock option agreements, and Employee shall receive disability or death benefits as may be provided under AutoZone's then existing policies and procedures related to disability or death of AutoZone senior executives.
17. Waiver. Any waiver of any breach of this Agreement by AutoZone shall not operate or be construed as a waiver of any subsequent breach by Employee. No waiver shall be valid unless in writing and signed by an authorized officer of AutoZone.

18. Assignment. Employee acknowledges that his services are unique and personal. Accordingly, Employee shall not assign his rights or delegate his duties or obligations under this Agreement. Employee's rights and obligations under this Agreement shall inure to the benefit of and be binding upon AutoZone successors and assigns. AutoZone may assign this Agreement to any wholly-owned subsidiary operating for the use and benefit of AutoZone.
19. Entire Agreement. This Agreement contains the entire understanding of the parties related to the matters discussed herein. It may not be changed orally but only by an agreement in writing signed by the party against whom enforcement of any waiver, change, modification, extension, or discharge is sought.
20. Jurisdiction. This Agreement shall be governed and construed by the laws of the State of Tennessee, without regard to its choice of law rules. The parties agree that the only proper venue for any dispute under this Agreement shall be in the state or federal courts located in Shelby County, Tennessee.
21. Survival. Paragraphs 9, 11, 13, 14, 15, 16, 20, 23 and 25 of this Agreement shall survive any termination of this Agreement or Employee's employment with AutoZone (including, without limitation termination pursuant to Paragraph 9, 10 or 11).
22. Notices. All notices hereunder shall be in writing and delivered by hand, by nationally-recognized delivery service that guarantees overnight delivery, or by first-class, registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to AutoZone, to: AutoZone, Inc.  
123 South Front Street  
Memphis, TN 38103  
Attention: General Counsel

With copy to: James D.C. Barrall, Esq.  
Gary Olson, Esq.  
Latham & Watkins  
633 West Fifth Street, Suite 4000  
Los Angeles, CA 90071

If to Employee, to: Steve Odland  
c/o AutoZone, Inc.  
123 South Front Street  
Memphis, TN 38103

With copy to: Vedder, Price, Kaufman & Kammholz  
222 North LaSalle Street, Suite 2600  
Chicago, IL 60601  
Attention: Robert J. Stucker

Either party may from time to time designate a new address by notice given in accordance with this Paragraph. Notice shall be effective when actually received by the addressee.

23. Tax Gross-Up Payment. If it shall be finally determined that any payment to Employee pursuant to this Agreement or any other payment or benefit from AutoZone, any affiliate, or any other person would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any similar tax payable under any United States federal, state, local or other law, then Employee shall receive a Tax Gross-Up Payment with respect to all such excise taxes and similar taxes (collectively, the "Excise Tax"). An initial determination as to whether a Tax Gross-Up Payment is required pursuant to this Agreement and the amount of such Tax Gross-Up Payment shall be made at AutoZone's expense by a nationally recognized accounting firm selected by AutoZone (the "Accounting Firm"). The determination by the Accounting Firm (the "Determination") shall be binding, final and conclusive upon AutoZone and the Employee for purposes of any dispute between the parties hereto. The parties hereto shall cooperate with each other in connection with

any proceeding or claim involving any taxing authority under this Paragraph 23 relating to the existence or amount of any liability for the Excise Tax; provided, however, that AutoZone shall control all proceedings taken in connection with such proceeding or claim and shall bear and pay directly all costs, expenses, and tax penalties and interest incurred in connection with such proceeding or claim. As a result of uncertainty in the application of Section 4999 of the Code at the time of the initial Determination by the Accounting Firm, it is possible that the Tax Gross-Up Payment made will have been an amount less than AutoZone should have paid pursuant to this Paragraph 23 (the "Underpayment") or an amount greater than AutoZone should have paid pursuant to this Paragraph 23 (the "Overpayment"). In the event that it is finally determined that an Underpayment exists and the Employee is required to make a payment of any Excise Tax, the Tax Gross-Up Payment shall be adjusted accordingly and the shortfall shall be promptly paid by AutoZone to the Employee or for his benefit. In the event that it is finally determined that an Overpayment exists and AutoZone paid a Tax Gross-Up Payment to the Employee in excess of the amount of the Tax Gross-Up Payment to which he is actually entitled hereunder, such excess shall be promptly reimbursed by the Employee to AutoZone.

24. No Mitigation. The Employee shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise and no such payment shall be offset or reduced by the amount of any compensation or benefits provided to the Employee in any subsequent employment.
25. Indemnification. Employee shall be indemnified while serving as Chief Executive Officer or Chairman of the Board of Directors to the same extent and in the same manner as other members of the Board of Directors and senior executives of AutoZone.
26. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterpart signature pages may be delivered via facsimile.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the respective parties execute this Agreement.

AUTOZONE, INC.

By: /s/ Edward S. Lampert  
-----  
Title: Chairman, Compensation Committee

/s/ Steve Odland  
-----  
Employee

EXHIBIT 12.1

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

	Fiscal Year Ended August					Fiscal Quarter Ended November	
	2000 (52 weeks)	2001 (52 weeks)	2001* (52 weeks)	2002 (53 weeks)	2003 (52 weeks)	2004 (12 weeks)	2003 (12 weeks)
<b>Earnings:</b>							
Income before income taxes	\$ 435,190	\$ 287,026	\$ 443,826	\$ 691,148	\$ 833,007	\$ 194,845	\$ 169,221
Fixed charges	97,520	121,141	121,142	98,688	121,129	28,753	27,021
Less: Capitalized interest	(2,773)	(1,380)	(1,381)	(437)	(791)	(126)	(117)
Adjusted earnings	\$ 529,937	\$ 406,787	\$ 563,587	\$ 789,399	\$ 953,345	\$ 223,472	\$ 196,125
<b>Fixed charges:</b>							
Gross interest expense	\$ 77,699	\$ 98,466	\$ 98,467	\$ 76,573	\$ 77,862	\$ 17,929	\$ 17,701
Amortization of debt expense	2,209	4,202	4,202	3,893	8,773	2,456	1,525
Interest portion of rent expense	17,612	18,473	18,473	18,222	34,494	8,368	7,795
Total fixed charges	\$ 97,520	\$ 121,141	\$ 121,142	\$ 98,688	\$ 121,129	\$ 28,753	\$ 27,021
Ratio of earnings to fixed charges	5.4	3.4	4.7	8.0	7.9	7.8	7.3

\* Excludes the impact of the pretax restructuring and impairment charges of \$156.8 million in fiscal 2001.

The Board of Directors and Stockholders  
AutoZone, Inc.

We are aware of the incorporation by reference in the following Registration Statements of AutoZone, Inc. and in the related Prospectuses of our report dated December 8, 2003, related to the unaudited condensed consolidated interim financial statements of AutoZone, Inc. that are included in its Form 10-Q for the quarter ended November 22, 2003:

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

Registration Statement (Form S-8 and S-3 No. 33-41618) pertaining to the AutoZone, Inc. Amended and Restated Stock Option Plan

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

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

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

Registration Statement (Form S-8 No. 333-83436) pertaining to a shelf registration to sell 15,000,000 shares of common stock owned by certain selling stockholders

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

Registration Statement (Form S-3 No. 333-103665) pertaining to the AutoZone, Inc. 2003 Director Compensation Plan

Registration Statement (Form S-3 No. 333-103666) pertaining to the AutoZone, Inc. 2003 Director Stock Option Plan

/s/ Ernst & Young LLP

Memphis, Tennessee  
December 19, 2003

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

I, Steve Odland, Chairman, President and Chief Executive Officer of AutoZone, Inc. ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoZone, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter

(the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 23, 2003

/s/ STEVE ODLAND  
-----  
Steve Odland  
Chairman, President and  
Chief Executive Officer

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

I, Michael G. Archbold, Senior Vice President and Chief Financial Officer of AutoZone, Inc. ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of AutoZone, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter

(the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

December 23, 2003

/s/ MICHAEL G. ARCHBOLD  
-----  
Michael G. Archbold  
Senior Vice President and  
Chief Financial Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AutoZone, Inc. (the "Company") on Form 10-Q for the period ended November 22, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steve Odland, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

December 23, 2003

/s/ STEVE ODLAND  
-----  
Steve Odland  
Chairman, President and  
Chief Executive Officer

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of AutoZone, Inc. (the "Company") on Form 10-Q for the period ended November 22, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael G. Archbold, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

December 23, 2003

/s/ MICHAEL G. ARCHBOLD  
-----  
Michael G. Archbold  
Senior Vice President and  
Chief Financial Officer