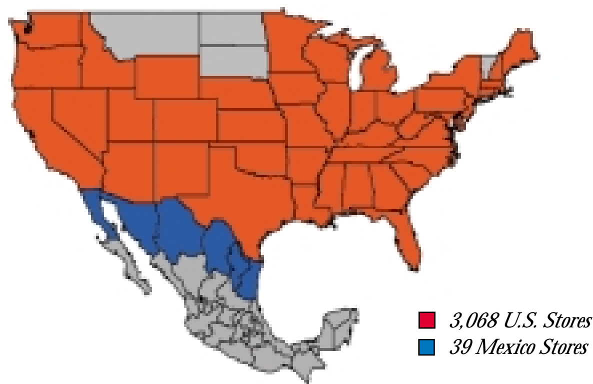
Annual
Report
2002

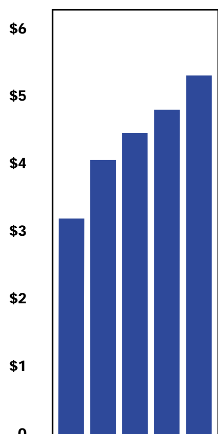
Accelerating!

Sales • Earnings • Shareholder Value

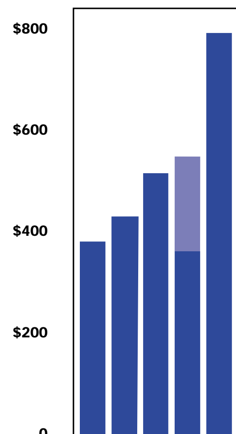
GEOGRAPHIC REACH



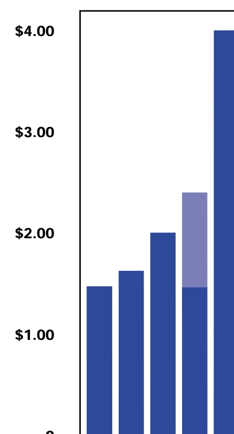
SALES



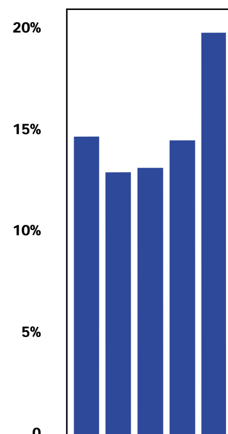
OPERATING PROFIT (EBIT)



EARNINGS PER SHARE



AFTER-TAX RETURN ON INVESTED CAPITAL



NYSE: AZO

Founded in 1979.
Listed on the NYSE in 1991.
Component of the S&P 500 since 1996.
Operating 3,068 stores in 44 states and 39 stores in Mexico.
Selling auto and light truck replacement parts and much more.
From additives to motor oils, from accessories to detailing kits,
our stores are designed to inspire the do-it-yourselfer.
Providing state-of-the-art diagnostics, technical advice and easy on-line ordering.
Reaching out to the professional technician, through our commercial business.
Striving to build the most efficient parts delivery system ever.
Delivering the best instructive technology available through ALLDATA.
We're 44,000 AutoZoners strong, all committed to bringing you the very best customer service.
AutoZone—assortment, availability, assistance, answers.

Relentlessly creating the most exciting Zone for vehicle solutions!

AZO
LISTED
NYSE

Financial Highlights

AutoZone Fiscal 2002

An outstanding year...

Sales grew 10.5% to $5.3 billion.

Earnings per share increased to a record $4.00 per share.

Cash flow from operations strengthened to $739 million.

Return on invested capital reached a record 19.8%.

102 **new U.S. stores,** 3,068 total stores across the country.

AutoZone stock delivered a 52% annual return to shareholders.

...an extraordinary foundation for future growth!

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To our Customers, AutoZoners and Shareholders:

The collective talents of AutoZoners drove yet another year of industry-leading performance for our Company!

Sales reached a record $5.3 billion. Market share increased. Gross profit margins expanded. Net income grew 58 percent, and earnings per share rose 68 percent, excluding the fiscal 2001 nonrecurring charges. Cash flow from operations strengthened to $739 million and exceeded our capital needs, allowing us to repurchase almost $700 million of our stock. And, with concerted efforts to be disciplined with our investment of capital and to control our costs, return on invested capital reached an outstanding 19.8 percent!

Recognizing this exceptional performance and our positive outlook for the future, our stock appreciated 52 percent for the fiscal year ended August 31, making AutoZone one of the best-performing stocks in the S&P 500. Each of our three core businesses contributed to these outstanding results.

In our $4.6 billion U.S. Retail business, same store sales rose 8 percent. In our stores, we generated excitement with a large assortment of quality parts, accessories and vehicle solutions. We added attractive merchandising displays and invested in compelling advertising to drive greater demand and strengthen our brand recognition. Our team adopted a category management process, which improved in-stock positions and identified new merchandising opportunities. **We opened 102 new stores, broadening our reach to 44 states with a total of 3,068 U.S. stores.** And, as always, AutoZoners offered trustworthy advice and curbside diagnostics to bring vehicle solutions to our customers.

In our $532 million AZ Commercial business, we grew an outstanding 20 percent. We expanded our selection of hard parts and the number of AutoZone stores equipped to handle commercial orders. The Company dedicated a sales force to reach out to national customers, regional chains and independent automotive repair shops. ALLDATA—our premier professional diagnostic and repair software—also delivered record sales.

The beauty of our emerging commercial business is that within a short time, it has grown to over a half billion dollars in sales, requiring relatively little new investment. It capitalizes on our existing retail stores, our supply chain, our broad inventories, our ALLDATA relationships and our extensive geographic reach to drive incremental sales, profit and return on invested capital.

In Mexico, we furthered our presence by opening new stores. At year end, the Company operated 39 stores, mainly along the U.S. border—each incorporating our successful AutoZone format and customer service. To date, our Mexican stores are very successful. Expansion in Mexico will continue to be prudently paced.

Importantly, over the past two years, **we added greater rigor to our financial disciplines.** We reevaluated our entire real estate pipeline and raised our after-tax hurdle rate on all investments to 15 percent. This resulted in new stores starting out even stronger. Our team adopted an economic value based incentive program to focus managers on growing our business, while controlling costs and scrutinizing capital utilization. These changes help ensure that we expand with the goal of creating incremental shareholder value.

While pleased with this past year's performance, we are committed to driving an even more profitable future.

This is an exciting industry with incredible growth potential. According to the Federal Highway

Steve Odland
Chairman, President, and Chief Executive Officer

Administration, Americans are driving over 2.5 trillion miles per year. The number of older vehicles on the road is increasing. SUVs, mini-vans and light trucks are aging and becoming "our-kind-of-vehicles," or OKVs. The number of people engaged in do-it-yourself (DIY) automotive activities is growing. Today, almost half of all U.S. households engage in DIY automotive maintenance and repairs.

An estimated $60 billion in automotive maintenance goes unperformed each year,* and an estimated 25 million cars are driven with their check-engine lights on. Tapping these opportunities has the potential to significantly increase the size of our industry. We are eager to capture our share of that growth and more.

Our goal is to deliver strong, profitable growth and to sustain AutoZone as one of the best performing retailers in the United States.

It begins with our relentless focus on the customer. We understand vehicles, but more importantly, we understand drivers. Our customers need solutions—quality parts and trustworthy advice to get the job done right the first time, without frustrating guesswork.

Inside AutoZone stores are highly trained sales staffs ready to help with parts selection and parts pros ready to answer the most complicated of questions. Combined with our curbside diagnostic equipment and our on-line assistance at AutoZone.com, we believe **we have the most responsive customer solutions system available.**

But our relationship with the customer does not stop there. AutoZoners seek to inspire drivers to maintain their vehicles in the safest possible condition. Our upbeat ads communicate—in English and in Spanish—the importance of automotive safety and reliability. Owning a car is a significant investment. We explain the role that routine maintenance, cleaning, waxing and tuning play in preserving vehicle longevity and value. Inside our stores, we create attention-getting product displays—"Zones"—that encourage maintenance and enhancement. Zones feature filters, waxes, polishes and products that upgrade aging vehicles, such as car mats and seat covers. Our stores also offer products that personalize vehicles and that improve the driving experience, such as hands-free-phone and other driving accessories. **Overall, we are making AutoZone stores more exciting and productive than ever, with relevant merchandise for drivers and their cars.**

We are in tune with commercial technicians, too. By offering a wide variety of quality parts and quick delivery, we are giving professionals what they want most—time. Our innovative hub-and-spoke store delivery system takes advantage of our national reach, while providing local sourcing. We think of it as delivering real-time vehicle solutions for commercial customers.

Beyond serving our customers, we look to serving our shareholders. Across our organization, we stress the importance of delivering profitable growth, not growth for growth's sake. Our people are encouraged to seek innovations and efficiencies of scale, to uncover ways to be more responsive to our customers and to better partner with our suppliers.

At the same time, **we are committed to acting with the highest ethical standards, providing transparency in our reporting and working as hard as we can to drive long term shareholder value.** We recognize that creating value is not a short term pursuit. It's ongoing. It requires a continuous commitment to innovative customer solutions, an unending focus on improving every aspect of our business, and a passion for delivering results.

Ultimately, we want to be the best and most exciting vehicle solutions supplier, bar none.

I am proud to have been a part of the AutoZone team these past couple of years. Our goal is to make you proud to be a part of our Company as we create future growth, enhance profitability and drive stronger cash flows, well into the future.

Steve Odland
Chairman, President, and Chief Executive Officer
Customer Satisfaction
Relentlessly creating the most exciting Zone for vehicle solutions!

October 22, 2002

**SOURCE: Automotive Aftermarket Industry Association*

AutoZone U.S. Retail

Sales: $4.6 billion

MARKET POSITION	MARKET SHARE	RETAIL MARKET SIZE	MARKET GROWTH
#1	12%	$36 billion	5% five-year CAGR

We're more than retailers.

We're innovators

creating *excitement* with our assortment, availability, assistance and trustworthy advice.

Product line:
Parts and accessories

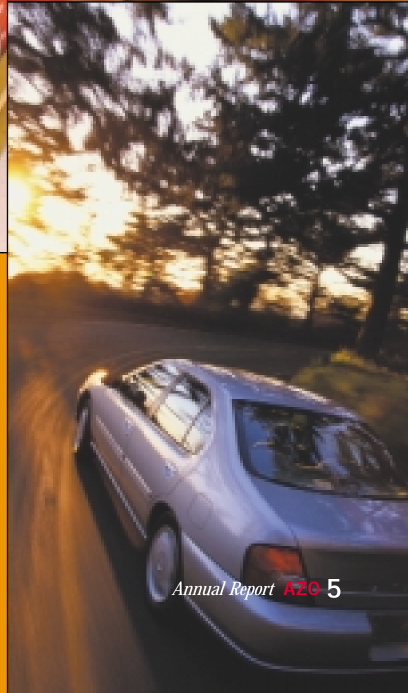
Solutions support:
In-store, curbside and on-line diagnostic tools, equipment and specialists

MARKET DATA SOURCE: Automotive Aftermarket Industry Association

There are more vehicles on the road today

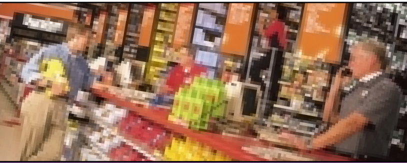
than ever before...over 209 million of them. The average age of those vehicles is increasing, putting more cars, vans, SUVs and light trucks outside of the manufacturer's warranty cycle. These are our-kind-of-vehicles (OKVs). At AutoZone, we target the drivers of OKVs, "do-it-yourselfers," who change their own oil, wiper blades, batteries, belts and more.

Memorable advertising, compelling merchandising and prominent product displays encourage drivers to extend the life of their vehicles through routine maintenance, timely repairs and upgraded accessories.



AutoZone

U.S. Retail



Number of stores: 3,068

NUMBER of "OKV"s	GEOGRAPHIC REACH	SALES PER SQUARE FOOT	SAME STORE SALES
109 million	44 states	$258	+8%

We're more than helpful salespeople.

We're trouble-shooters

simplifying repairs, demystifying technology, enhancing reliability and providing solutions.

We keep making it easier

to diagnose automotive problems. On-line, at www.autozone.com, we help troubleshoot problems through a series of questions about vehicles' symptoms. In-store and curbside, we have ASE® certified parts professionals, diagnostic specialists and equipment to decode the on-board computer systems in cars today. Through our Loan-a-Tool program, we take the cost and complexity out of repairs by putting specialty tools in the hands of the do-it-yourselfer. Ultimately, our goal is to help folks keep their vehicles in good repair, making them safer, longer lasting and reliable.

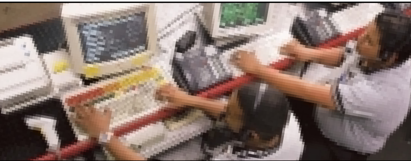
ASE is a registered mark of the National Institute for Automotive Service Excellence.

With nearly $60 billion in unperformed annual maintenance

and 25 million activated check-engine lights, the industry's growth potential is phenomenal. At AutoZone, we view the opportunity as ours to capture and are pursuing it with a passion.

AutoZone

AZ Commercial



Sales: $532 million

MARKET POSITION	MARKET SHARE	COMMERCIAL MARKET SIZE	MARKET GROWTH
#3	1%	$47 billion	+5% five-year CAGR

We're more than suppliers.

We're team players

working against time to put a full range of *quality parts* in the hands of professional technicians.

With millions of vehicles on the road today and over 400,000 professional technicians to service them, the need for one-stop parts ordering and delivery is clear. Yet, the market supplying repair and replacement parts is highly fragmented. Company-owned and operated, full-assortment, national suppliers are virtually non-existent, leaving most commercial technicians reliant on a myriad of supply sources to fulfill parts orders.

Sensing a unique opportunity, we began establishing a commercial delivery business. Today, we are a leading national player and full-assortment provider to professional technicians. With the full-assortment inventories and extensive reach of our AutoZone stores, we put brand name parts in the hands of "do-it-for-me" technicians faster and more cost effectively than ever before.

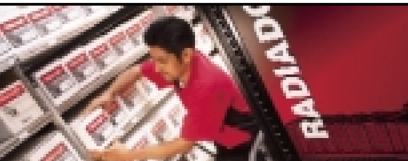
Product line:
Parts, ALLDATA diagnostic/repair software

Solutions support:
2,009 AutoZone stores across 44 states

Our ALLDATA system offers commercial technicians access

to our extensive database of automotive diagnostic and repair information. ALLDATA puts engine-specific diagnostics, electrical diagrams, repair information, recalls and technical bulletins at their fingertips in the click of a mouse.

One-stop ordering, one-stop sourcing and one-stop access through AutoZone and ALLDATA are becoming a whole new way of doing business for the repair pro. Being the number three player with a mere one percent share of the commercial automotive aftermarket, we see the road to growth as wide open. We're charging full speed ahead to capture the industry's tremendous opportunities.



Number of stores: 39

MARKET POSITION	NUMBER OF VEHICLES	ESTIMATED MARKET SIZE	MARKET GROWTH
emerging	14 million	$5 billion	+5% forward outlook

Product line:
Parts and accessories

Solutions support:
In-store, curbside and on-line diagnostic tools, equipment, specialists and technicians

We're more than U.S. focused.

We're becoming international

extending our successful store concept into Mexico.

Fourteen million cars,

mainly with the same parts and accessories as sold in the United States, make Mexico an ideal market for AutoZone. With an average age of 13 years, versus nine years in the United States, many vehicles are well into the maintenance and repair cycle. Yet, the supply of quality automotive parts is limited. The Mexican market is highly fragmented between traditional parts stores and thousands of small repair shops that rebuild broken parts.

With 39 company-owned stores, AutoZone is introducing a welcomed new way to buy auto parts and products in Mexico. We offer high-quality products and services, a broad inventory selection and great value. While still a young market for us, Mexico poses a solid opportunity for future growth.

A Nuestros clientes, AutoZoners e Inversionistas:

- *Aumento en ventas de 10.5% a $5.3 mil millones.*
- *Las Ganancias por acción subieron a $4.00.*
- *Hemos abierto 102 tiendas nuevas en los Estados Unidos y 18 en México.*
- *Como resultado, las acciones de AutoZone subieron 52%.*

Aunque estoy muy contento con el éxito excepcional del 2002, estamos comprometidos a tener un futuro todavia más rentable. Estamos operando en una industria excitante con un gran potencial de desarrollo. El número de automóviles viejos en las calles está aumentando.

Los SUV, mini-vans y camionetas se están envejeciendo y pasando a manos de nuestros clientes. Se estima que hay unos $60 mil millones de dólares cada año en mantenimiento de automóviles que no se realizan* y se estima que 25 millones de automóviles están siendo manejados con la luz de "check-engine" encendida. Abrir estas oportunidades tiene la capacidad de crecer nuestra industria en forma muy significativa. Y estamos muy ansiosos de capturar nuestra parte de ese crecimiento. No estamos solo tratando de dejar atrás a la competencia, pero también de mantener a AutoZone como el mejor comerciante.

Esto empieza con nuestro énfasis y dedicación a los clientes. Entendemos y conocemos sobre vehículos, pero lo más importante, es que entendemos al conductor. Nuestros clientes necesitan soluciones- partes de calidad y valiosos consejos para hacer un buen trabajo. Dentro de cada tienda de AutoZone hay personal de ventas altamente entrenado y listos para ayudar en la selección de partes. Tenemos verdaderos profesionales en autopartes para contestar las preguntas más complicadas. Combinando nuestro equipo de diagnóstico y la asistencia en línea por medio de AutoZone.com, sabemos que tenemos disponible el mejor sistema de soluciones.

Deseamos inspirar al conductor a mantener sus vehículos en las mejores condiciones de seguridad posibles. Nuestros anuncios llamativos comunican en Español y en Inglés la importancia de la seguridad y confiabilidad del vehículo. Ser dueño de un automóvil es una inversión importante. Un mantenimiento apropiado puede preservar la vida y el valor de un vehículo. Dentro de nuestras tiendas hay vibrantes exhibidores de productos "Zones" que resaltan y fomentan el mantenimiento. Estos contienen filtros, ceras, pulidores y productos que mejoran la apariencia del vehículo, tal como alfombras y cubre asientos. También tenemos productos que personalizan el vehículo y mejoran la experiencia de manejo tal como accesorios de teléfonos que le permiten hablar sin tener el teléfono en la mano. Nuestra meta es hacer las tiendas de AutoZone más excitantes y productivas que nunca.

También estamos en comunicación con los técnicos comerciales. Nuestro sistema inovativo de envío "hub-and-spoke" nos da la ventaja de tener un alcance nacional mientras también proporciona surtido local. Nosotros lo vemos como entregar en tiempo real soluciones de vehículos a nuestros clientes comerciales.

Más allá de servirle a nuestros clientes, nos complace servirle a nuestros accionistas. A través de nuestra organización nos esforzamos en la importancia de tener un crecimiento rentable, no solo crecer por crecer. Animamos a nuestros gerentes a buscar nuevas ideas y escalas de eficiencia, para descubrir formas de responder mejor a nuestros clientes y asociarnos mejor con nuestros proveedores. Al mismo tiempo nos comprometemos a actuar en una manera alta de estándares éticos y trabajar duro para darle a nuestros accionistas ganancias a largo plazo.

Estoy muy orgulloso de formar parte del equipo de AutoZone. Mi meta es que todos los AutoZoners los hagan sentir orgullosos de ser parte de nuestra compañía a la vez que capturamos el crecimiento futuro, incrementamos nuestras ganancias y encaminándonos hacia un flujo de fondos mas fuerte en el futuro. Estoy muy ansioso de darles noticias de nuestro progreso.

Steve Odland
Presidente del Consejo Administrativo, Presidente y Director General
Satisfacción del Cliente

Creando incansablemente la mejor Zona en soluciones de vehículos!

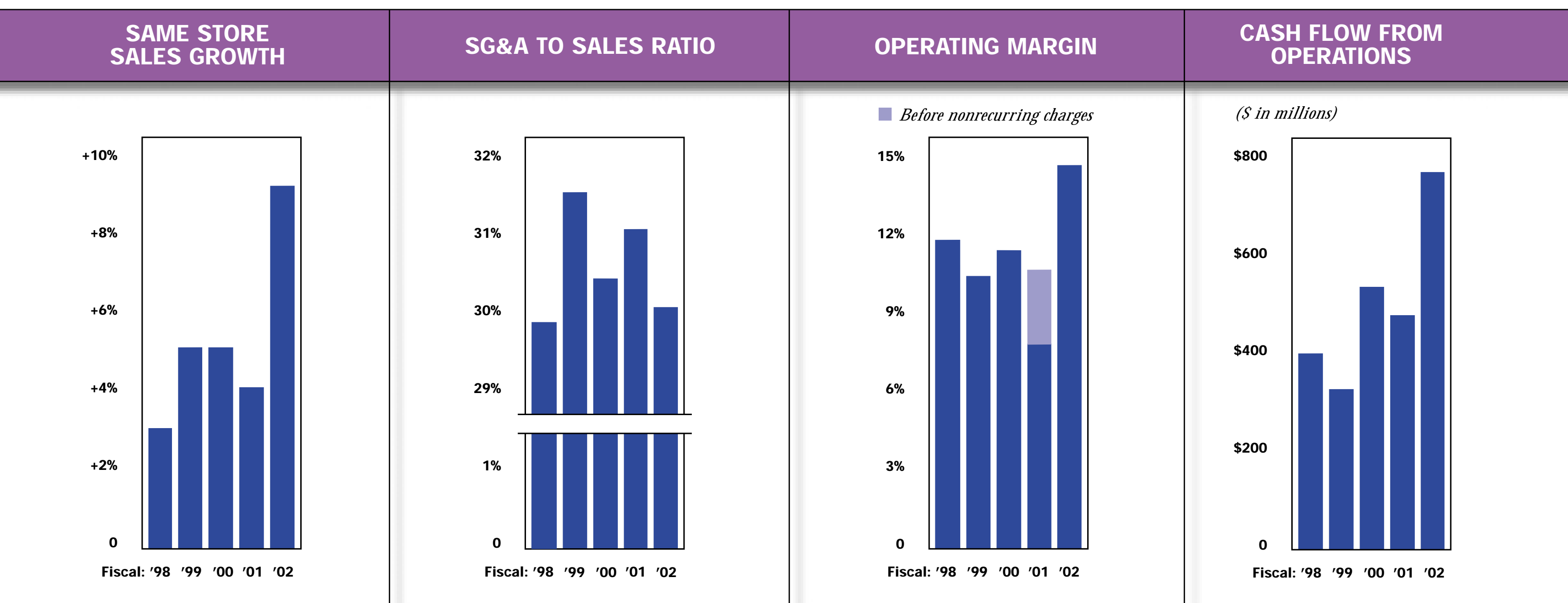
October 22, 2002

**SOURCE: Automotive Aftermarket Industry Association*

We're more than effective managers.

We're disciplined stewards of capital

intent on growing sales profitably, controlling costs and meeting or exceeding our financial hurdles.



Perspective on AutoZone's 2002 Financial Results

An Interview with AutoZone's CFO Mike Archbold.

What macro factors drive AutoZone's growth?

The growing number of older vehicles on the road—including cars, light trucks and SUVs—and the increasing number of miles being driven in the United States. A record number of cars and light trucks continue to move outside of their warranty cycle, becoming "our kind of vehicles." These factors, and the estimated $60 billion in unperformed automotive maintenance each year, all bode well for our continued long term growth.

What contributed to retail same store sales growth in 2002?

Compelling marketing and effective merchandising contibuted to greater store traffic and an increase in our average sales receipt per customer. Our advertising encouraged routine maintenance to enhance vehicle safety and reliability. Inside our stores, exciting displays and signage put relevant merchandise within arms' reach of customers. We enhanced our product lines by stocking a wider variety of hard parts, application products, exciting accessories and customization items.

What was the source of the Company's improved operating margin?

Reductions in our overall cost structure, a more profitable product mix and effective advertising. Category management techniques allowed us to respond more effectively to changes in consumer dynamics, to price more competitively and to efficiently cycle in and out of product categories–ultimately driving a more profitable product mix. At the same time, solid cost management and volume growth improved the efficiency of our supply chain. And, by purchasing national advertising instead of regional "spot" ads, we improved the cost-effectiveness of our marketing spending.

Why does AutoZone have debt?

Debt is an important tool in managing our overall capital structure. It allows us to positively affect our overall cost of capital, by adjusting the weighting of equity versus debt needed to support the Company. Our cost of debt is less than one-half of our cost of equity. AutoZone debt is investment grade and is managed in proportion to cash flows.

Why does the Company buy back its stock?

It's another important tool in managing our overall capital structure. In fiscal 2002, our strong cash flow allowed us to reinvest in internal growth projects *and* repurchase $699 million of stock *at prices that were accretive to earnings*. This reduces the most costly portion of our capital structure, while enhancing our EPS for shareholders.

What is ROIC and why is it such an important measure of financial progress?

Return on Invested Capital (ROIC) is calculated as our after-tax operating profit before interest and rents divided by average invested capital, including the value of leased properties. It reflects the average return produced on each dollar invested in our business. Our record 19.8% ROIC put us among the top-performing retailers in the country in 2002.

Focusing on ROIC encourages us to expand our businesses economically, to use our assets more productively, to reduce our overall cost structure and to create efficiencies in every phase of our operations. Doing these things simultaneously drives long term cash flows, which in turn, creates incremental shareholder value—our ultimate goal.

The business press recently cited AutoZone for its strong corporate governance—what was behind this recognition?

In September 2000, our Board formed a Nominating and Corporate Governance Committee. Subsequently it adopted governance principles and increased the representation of independent directors from 55% to 80%. All of our directors are elected annually. All committees of the Board of Directors are comprised of independent directors. We repealed our poison pill and instituted a Code of Conduct across the Company that encourages every AutoZoner to do the right thing every day. From the CEO Team to the AutoZoners in our stores, we demand the highest ethical standards of all employees and will settle for nothing less.

(in thousands, except per share data and selected operating data)	5-Year Compound Growth	10-Year Compound Growth	2002 [1]	2001 [2]	2000
Income Statement Data					
Net sales	15%	18%	**$ 5,325,510**	$ 4,818,185	$ 4,482,696
Cost of sales, including warehouse and delivery expenses			**2,950,123**	2,804,896	2,602,386
Operating, selling, general and administrative expenses			**1,604,379**	1,625,598	1,368,290
Operating profit (EBIT)	19%	22%	**771,008**	387,691	512,020
Interest income (expense) - net			**(79,860)**	(100,665)	(76,830)
Income before income taxes	17%	21%	**691,148**	287,026	435,190
Income taxes			**263,000**	111,500	167,600
Net income	17%	21%	**$ 428,148**	$ 175,526	$ 267,590
Diluted earnings per share	26%	25%	**$ 4.00**	$ 1.54	$ 2.00
Adjusted weighted average shares for diluted earnings per share			**107,111**	113,801	133,869
Balance Sheet Data					
Current assets			**$ 1,450,128**	$ 1,328,511	$ 1,186,780
Working capital			**(83,443)**	61,857	152,236
Total assets			**3,477,791**	3,432,512	3,333,218
Current liabilities			**1,533,571**	1,266,654	1,034,544
Debt			**1,194,517**	1,225,402	1,249,937
Stockholders' equity			**689,127**	866,213	992,179
Selected Operating Data					
Number of domestic auto parts stores at beginning of year			**3,019**	2,915	2,711
New stores			**102**	107	208
Replacement stores			**15**	16	30
Closed stores			**53**	3	4
Net new stores			**49**	104	204
Number of domestic auto parts stores at end of year			**3,068**	3,019	2,915
Number of Mexico auto parts stores at end of year			**39**	21	13
Total domestic auto parts store square footage (000s)			**19,683**	19,377	18,719
Average square footage per domestic auto parts store			**6,416**	6,418	6,422
Percentage increase in domestic auto parts store square footage			**2%**	4%	8%
Percentage increase in domestic auto parts comparable store net sales [3]			**9%**	4%	5%
Average net sales per domestic auto parts store (000s)			**$ 1,658**	$ 1,543	$ 1,517
Average net sales per domestic auto parts store square foot			**$ 258**	$ 240	$ 236
Total employment			**44,179**	44,557	43,164
Inventory turnover			**2.25 x**	2.39 x	2.32 x
Net inventory turnover [4]			**11.19 x**	9.09 x	7.52 x
After-tax return on invested capital [5]			**19.8%**	14.3%	13.3%
Adjusted debt to EBITDAR [6]			**1.81**	2.35	2.48
Cash flow before share repurchases [7]			**$ 729,868**	$ 390,632	$ 245,970
Return on average equity			**55%**	19%	23%

(1) 53 weeks. Comparable store sales, average net sales per domestic auto parts store and average net sales per store square foot for fiscal years 2002 and 1996 have been adjusted to exclude net sales for the 53rd week.

(2) Fiscal year 2001 operating results include pretax restructuring and impairment charges of $156.8 million, or $0.84 per share after tax.

(3) Comparable store sales for fiscal years 1994 through 2002 are based on increases in sales for domestic auto parts stores open at least one year. All other periods are increases in sales for stores open since the beginning of the preceding fiscal year.

(4) Net inventory turnover is calculated as cost of sales divided by the average of beginning and ending merchandise inventories less accounts payable.

(5) After-tax return on invested capital is calculated as after-tax operating profit (excluding rent) divided by average invested capital (which includes a factor for capitalized leases). After-tax return on invested capital for fiscal 2001 is before nonrecurring charges.

(6) Adjusted debt to EBITDAR is calculated as debt plus a factor for capitalized leases divided by EBITDAR, or net income plus interest expense, income taxes, depreciation and amortization, and rent. Adjusted debt to EBITDAR for fiscal 2001 is before nonrecurring charges.

(7) Cash flow before share repurchases is calculated as the change in debt plus share repurchases.

Fiscal Year Ended August

1999	1998	1997	1996 (1)	1995	1994	1993	1992
$ 4,116,392	$ 3,242,922	$ 2,691,440	$ 2,242,633	$ 1,808,131	$ 1,508,029	$ 1,216,793	$1,002,327
2,384,970	1,889,847	1,559,296	1,307,638	1,057,033	886,068	731,971	602,956
1,298,327	970,768	810,793	666,061	523,440	431,219	344,060	295,701
433,095	382,307	321,351	268,934	227,658	190,742	140,762	103,670
(45,312)	(18,204)	(8,843)	(1,969)	623	2,244	2,473	818
387,783	364,103	312,508	266,965	228,281	192,986	143,235	104,488
143,000	136,200	117,500	99,800	89,500	76,600	56,300	41,200
$ 244,783	$ 227,903	$ 195,008	$ 167,165	$ 138,781	$ 116,386	$ 86,935	$ 63,288
$ 1.63	$ 1.48	$ 1.28	$ 1.11	$ 0.93	$ 0.78	$ 0.59	$ 0.43
150,257	154,070	152,535	151,238	149,302	148,726	147,608	145,940
$ 1,225,084	$ 1,117,090	$ 778,802	$ 613,097	$ 447,822	$ 424,402	$ 378,467	$ 279,350
224,530	257,261	186,350	219	30,273	85,373	92,331	72,270
3,284,767	2,748,113	1,884,017	1,498,397	1,111,778	882,102	696,547	501,048
1,000,554	859,829	592,452	612,878	417,549	339,029	286,136	207,080
888,340	545,067	198,400	94,400	13,503	4,252	4,458	7,057
1,323,801	1,302,057	1,075,208	865,582	684,710	528,377	396,613	278,120
2,657	1,728	1,423	1,143	933	783	678	598
245	952	308	280	210	151	107	82
59	12	17	31	29	20	20	14
191	23	3	–	–	1	2	2
54	929	305	280	210	150	105	80
2,711	2,657	1,728	1,423	1,143	933	783	678
6	–	–	–	–	–	–	–
17,405	16,499	11,611	9,437	7,480	5,949	4,839	4,043
6,420	6,210	6,719	6,632	6,544	6,376	6,180	5,963
5%	42%	23%	26%	26%	23%	20%	17%
5%	3%	9%	7%	7%	10%	9%	15%
$ 1,465	$ 1,568	$ 1,691	$ 1,702	$ 1,742	$ 1,758	$ 1,666	$ 1,570
$ 232	$ 238	$ 253	$ 258	$ 269	$ 280	$ 274	$ 267
40,483	38,526	28,700	26,800	20,200	17,400	15,700	13,200
2.28 x	2.26 x	2.46 x	2.73 x	2.90 x	2.98 x	3.19 x	2.99 x
7.28 x	6.96 x	7.53 x	10.72 x	12.35 x	13.81 x	15.02 x	9.30 x
12.8%	14.5%	16.6%	18.5%	18.7%	19.5%	18.7%	17.1%
2.23	1.65	0.99	0.77	0.57	0.69	0.88	1.19
$ (108,671)	$ (317,921)	$ (104,000)	$ (80,897)	$ (9,251)	$ 206	$ 2,599	$ 189
19%	19%	20%	22%	23%	25%	26%	26%

Quarterly Summary (unaudited)

(in thousands, except per share data)	Twelve Weeks Ended November 17, 2001	Twelve Weeks Ended February 9, 2002	Twelve Weeks Ended May 4, 2002	Seventeen Weeks Ended August 31, 2002
Net sales	**$ 1,176,052**	**$ 1,081,311**	**$ 1,224,810**	**$ 1,843,337**
Increase in comparable store sales	**9%**	**12%**	**9%**	**7%**
Gross profit	**$ 516,136**	**$ 474,900**	**$ 541,984**	**$ 842,367**
Operating profit	**155,504**	**121,149**	**182,433**	**311,922**
Income before income taxes	**136,077**	**102,871**	**165,014**	**287,186**
Net income	**84,077**	**63,771**	**102,314**	**177,986**
Basic earnings per share	**$ 0.78**	**$ 0.60**	**$ 0.98**	**$ 1.77**
Diluted earnings per share	**$ 0.76**	**$ 0.58**	**$ 0.96**	**$ 1.73**
Stock price range:				
High	**$ 68.00**	**$ 80.00**	**$ 80.00**	**$ 84.50**
Low	**$ 38.07**	**$ 61.35**	**$ 61.23**	**$ 59.20**

(in thousands, except per share data)	Twelve Weeks Ended November 18, 2000	Twelve Weeks Ended February 10, 2001	Twelve Weeks Ended May 5, 2001	Sixteen Weeks Ended August 25, 2001
Net sales	$ 1,063,566	$ 973,999	$ 1,139,957	$ 1,640,663
Increase in comparable store sales	2%	2%	5%	8%
Gross profit	$ 445,565	$ 397,333	$ 482,578	$ 687,813 (b)
Operating profit	110,768	77,280	127,866 (a)	71,777 (b)(c)
Income before income taxes	87,788	51,736	104,025	43,477
Net income	53,788	31,736	63,525	26,477
Basic earnings per share	$ 0.46	$ 0.28	$ 0.57	$ 0.24
Diluted earnings per share	$ 0.46	$ 0.28	$ 0.56	$ 0.24
Stock price range:				
High	$ 28.00	$ 29.75	$ 31.98	$ 49.20
Low	$ 21.00	$ 24.60	$ 24.37	$ 30.32

(a) Includes pretax impairment charges of $5.2 million.
(b) Includes pretax inventory writedowns resulting from restructuring initiatives of $30.1 million.
(c) Includes pretax impairment and restructuring charges of $121.5 million.

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

	Year Ended		
	August 31, 2002	August 25, 2001	August 26, 2000
Net sales	**100.0%**	100.0%	100.0%
Cost of sales, including warehouse and delivery expenses	**55.4**	58.2	58.1
Gross profit	**44.6**	41.8	41.9
Operating, selling, general and administrative expenses	**30.1**	31.1	30.5
Restructuring and impairment charges	**–**	2.7	–
Operating profit	**14.5**	8.0	11.4
Interest expense – net	**1.5**	2.1	1.7
Income taxes	**5.0**	2.3	3.7
Net income	**8.0%**	3.6%	6.0%

Overview

AutoZone is the nation's leading specialty retailer of automotive parts and accessories, with most of our sales to "do-it-yourself" (DIY) customers. We began operations in 1979 and at August 31, 2002, operated 3,068 auto parts stores in the United States and 39 in Mexico. We also sell parts and accessories online at *autozone.com*. Each auto parts store carries an extensive product line for cars, vans and light trucks, including new and remanufactured automotive hard parts, maintenance items and accessories. We also have a commercial sales program in the United States (AZ Commercial) that provides commercial credit and prompt delivery of parts and other products to local, regional and national repair garages, dealers and service stations. In addition, we sell automotive diagnostic and repair software through ALLDATA and through *alldatadiy.com*.

Results of Operations

For an understanding of the significant factors that influenced our performance during the past three fiscal years, this financial review should be read in conjunction with the Consolidated Financial Statements presented in this annual report.

Disclosure and Internal Controls

As of August 31, 2002, an evaluation was performed under the supervision and with the participation of AutoZone's management, including the CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, AutoZone's management, including the CEO and CFO, concluded that our disclosure controls and procedures were effective as of August 31, 2002. No significant changes in AutoZone's internal controls or in other factors have occurred that could significantly affect controls subsequent to August 31, 2002.

Critical Accounting Policies

Product Warranties: We provide our customers limited warranties on certain products that range from 30 days to lifetime warranties. We provide a reserve for warranty obligations at the time of sale based on each product's historical return rate. Certain product vendors pay all or a portion of our warranty expense. However, at times, the vendors may not cover all of the warranty expense. If we materially underestimate our warranty expense on products that are not fully warranted to us by our vendors, we may experience a material adverse impact on our reported financial position or results of operations. If we incorrectly estimate our warranty expense, we will recognize any adjustment in income at the time it is determined.

Litigation and Other Contingent Liabilities: We have received claims related to and been notified that we are a defendant in a number of legal proceedings resulting from our business, such as employment matters, product liability, general liability related to our store premises and alleged violation of the Robinson-Patman Act (as specifically described in Note M to the Consolidated Financial Statements). We calculate contingent loss accruals using our best estimate of our probable and reasonably estimable contingent liabilities, such as lawsuits and our retained liability for insured claims. We do not believe that any of these contingent liabilities, individually or in the aggregate, will have a material adverse effect upon our consolidated financial position or results of operations. However, if our estimates related to these contingent liabilities are

incorrect, the future results of operations for any particular fiscal quarter or year could be materially adversely affected. Some of our litigation is being conducted before juries in states where past jury awards have been significant, and we are unable to predict the results of any jury verdict. If we incorrectly estimate our contingent liabilities, we will recognize any adjustment in income at the time it is determined.

Vendor Allowances: We receive various payments and allowances from our vendors based on volume of purchases and in payment of services that AutoZone provides to the vendors. Monies received from vendors include rebates, allowances and cooperative advertising funds. Typically these funds are determined periodically and are, at times, dependent on projected purchase volumes and advertising plans. Certain vendor allowances are used exclusively for promotions and other direct expenses and are recognized as a reduction to selling, general and administrative expenses when earned. Rebates and other miscellaneous incentives are earned based on purchases and/or product sales. These monies are treated as a reduction of inventories and are recognized as a reduction to cost of sales as the inventories are sold. The amounts to be received are subject to changes in market conditions, vendor marketing strategies and changes in the profitability or sell-through of the related merchandise for AutoZone.

Restructuring and Impairment Charges

In fiscal 2001, AutoZone recorded restructuring and impairment charges of $156.8 million. The planned closure of 51 domestic auto parts stores and the disposal of real estate projects in process and excess properties accounted for the largest portion, or $56.1 million, of the charge. In fiscal 2002, these stores were closed, and sales of certain excess properties resulted in gains of approximately $2.6 million. Remaining excess properties are currently being marketed for sale. During the third quarter of fiscal 2002, all remaining excess properties were reevaluated. At that time, it was determined that several properties could be developed. This resulted in the reversal of accrued lease obligations totaling $6.4 million. It was also determined that additional writedowns were needed to state remaining excess properties at fair value. These writedowns totaled $9.0 million. Because fiscal 2002 adjustments offset, there was no impact on net income.

Another portion of the charge, $32.0 million, related to other asset writedowns and the accrual of lease obligations associated with the closure of a supply depot and for the unoccupied ALLDATA office building. During the fourth quarter of fiscal 2002, the ALLDATA office building was sold to a third party. The reserve previously established was adequate to cover the loss incurred on the sale. We continue to pursue the sale, sublease or early termination of the leases associated with the remaining leased facilities.

We also reserved $30.1 million for inventory rationalization, including a provision for inventory losses in closed stores. All of the scheduled recalls and disposals of inventory took place during fiscal 2002. The reserve was adequate to cover losses incurred.

Asset writedowns and contractual obligations aggregating $29.9 million related to the planned sale of TruckPro, our heavy-duty truck parts subsidiary, were recorded. In December 2001, TruckPro was sold to a group of investors for cash proceeds of $25.7 million and a promissory note. We have deferred a gain on the sale of $3.6 million due to uncertainties associated with the realization of the gain. Refer to Note K in the Consolidated Financial Statements for further discussion of this transaction.

The remainder of the restructuring and impairment charges, $8.7 million, related to contractual obligations, severance and other charges. We did not reverse any reserves into income.

Total remaining accrued obligations for restructuring charges were $18.1 million at August 31, 2002. The following table presents a summary of the activity in accrued obligations for the restructuring charges:

(in thousands)	Lease Obligations	Contract Settlements/ Terminations	Severance & Other
Beginning balance	$ 29,576	$ 6,713	$ 2,715
Cash outlays/adjustments	11,436	6,713	2,715
Balance at August 31, 2002	$ 18,140	$ –	$ –

Fiscal 2002 Compared with Fiscal 2001
Net sales for fiscal 2002 increased by $507.3 million or 10.5% over net sales for fiscal 2001. Excluding TruckPro, which was sold during the year, net sales increased 13%. The sales increases were attributable to a 9% increase in comparable store sales, or sales for domestic auto parts stores opened at least one year. New store sales in fiscal year 2002 contributed two percentage points and net sales from the 53rd week contributed approximately two percentage points of the increase. Comparable store sales increased as a result of an increase in customer count and an increase in average dollars spent per transaction over the amounts in the prior year.

At August 31, 2002, we operated 3,068 domestic auto parts stores and 39 in Mexico, compared with 3,019 domestic auto parts stores, 21 in Mexico and 49 TruckPro stores at August 25, 2001.

Gross profit for fiscal 2002 was $2.4 billion, or 44.6% of net sales, compared with $2.0 billion, or 42.4% of net sales (excluding nonrecurring charges) for fiscal 2001. Gross margin improvement reflected lower product costs, more efficient supply chain costs, reduced inventory shrinkage, the benefits of more strategic and disciplined pricing due to category management and the addition of more value-added, high-margin merchandise than in the prior year.

Operating, selling, general and administrative expenses for fiscal 2002 increased by $105.5 million over such expenses for fiscal 2001 but declined as a percentage of net sales from 31.1% to 30.1% (excluding nonrecurring charges in the prior year). The improved ratio reflects the fact that revenues rose more rapidly than the growth of store-level expenses (a 1.1 percentage point improvement), combined with operating savings resulting from the restructuring in fiscal year 2001 related to controlling staffing, base salaries and technology spending of 0.4 percentage points. Additionally, the prior year included other expenses related to strategic initiatives not included in the restructuring and impairment charges of 0.3 percentage points. The adoption of new accounting rules for goodwill reduced operating expenses in fiscal 2002 by approximately $8.6 million, or 0.2 percentage points. These improvements in the expense ratio were partially offset by additional bonus, legal, pension and insurance expenses incurred in the current year of 1.1 percentage points.

Net interest expense for fiscal year 2002 was $79.9 million compared with $100.7 million during fiscal 2001. The decrease in interest expense was primarily due to lower levels of debt compared with the prior fiscal year and lower average interest rates on short term borrowings. Weighted average borrowings for fiscal year 2002 were $1.33 billion, compared with $1.45 billion for fiscal 2001. Additionally, weighted average borrowing rates were lower in the current year compared with the prior year at 4.41% compared with 6.24%.

AutoZone's effective income tax rate was 38.1% of pretax income for fiscal 2002 and 38.8% for fiscal 2001. The decrease in the tax rate is due primarily to the change in goodwill accounting.

Fiscal 2001 Compared with Fiscal 2000
Net sales for fiscal 2001 increased by $335.5 million or 7.5% over net sales for fiscal 2000. Same store sales, or sales for domestic auto parts stores opened at least one year, increased 4%. Additionally, new store sales in fiscal 2001 contributed 3% of the sales increase. The remaining sales increase was due to increased sales in our Mexico stores, ALLDATA and TruckPro. At August 25, 2001, we operated 3,019 domestic auto parts stores compared with 2,915 at August 26, 2000.

Gross profit for fiscal 2001 (excluding nonrecurring charges) was $2.0 billion, or 42.4% of net sales, compared with $1.9 billion, or 41.9% of net sales, for fiscal 2000. The increase in the gross profit percentage was primarily due to a shift in sales mix to higher gross margin products in the current year and higher warranty expense in the prior year.

Operating, selling, general and administrative expenses for fiscal 2001 increased by $130.6 million over such expenses for fiscal 2000 (excluding nonrecurring charges) and increased as a percentage of net sales from 30.5% to 31.1%. The increase in the expense ratio was primarily due to an increase in group insurance expenses of 0.1 percentage points, an increase in risk management insurance expenses of 0.1 percentage points, an increase in other expenses related to strategic initiatives not included in the restructuring and impairment charges of 0.3 percentage points and higher levels of payroll of 0.1 percentage points, primarily in the first half of the year.

Net interest expense for fiscal 2001 was $100.7 million compared with $76.8 million for fiscal 2000. The increase in interest expense is due to higher weighted average borrowings in fiscal 2001 compared with fiscal 2000. Weighted average borrowings were $1.45 billion in fiscal 2001 compared with $1.18 billion in fiscal 2000. Weighted average borrowing rates were slightly lower in fiscal 2001 compared with fiscal 2000 at 6.24% compared with 6.37%.

AutoZone's effective income tax rate was 38.8% of pretax income for fiscal 2001 and 38.5% for fiscal 2000.

Financial Market Risk

AutoZone is exposed to market risk from changes in foreign exchange and interest rates. To reduce such risks, we may periodically use various financial instruments. To date, foreign exchange exposure has not been material. All hedging transactions are authorized and executed pursuant to policies and procedures. Further, we do not buy or sell financial instruments for trading purposes.

Derivatives and Hedging: Financial market risk relating to AutoZone's operations results primarily from changes in interest rates. We comply with Statement of Financial Accounting Standards Nos. 133, 137 and 138 (collectively "SFAS 133") pertaining to the accounting for derivatives and hedging activities. SFAS 133 requires us to recognize all derivative instruments on the balance sheet at fair value. AutoZone reduces its exposure to increases in interest rates by entering into interest rate swap contracts and treasury lock agreements. All of our interest rate swaps and treasury locks are designated as cash flow hedges.

AutoZone has utilized interest rate swaps to convert variable rate debt to fixed rate debt. At August 31, 2002, and at August 25, 2001, we held interest rate swap contracts related to $190 million of variable rate debt. Of the $190 million, $115 million of the swaps mature in December 2003 and are used to hedge the variable rate debt associated with AutoZone's $115 million term loan. The remaining $75 million of swaps expire throughout fiscal years 2003 and 2004, and are used to hedge the variable rate debt associated with commercial paper borrowings. Additionally, at August 31, 2002, we held treasury lock agreements with notional amounts of $300 million that expire in October 2002 and are used to hedge the exposure to variability in future cash flows of anticipated debt transactions. The agreements will be settled upon the issuance of the debt. Upon settlement of the agreements, the realized gain or loss to be paid or received by AutoZone will be amortized as interest expense over the life of the underlying debt.

In accordance with SFAS 133, AutoZone reflects the current fair value of interest rate swaps and treasury lock agreements on its balance sheet. The related gains or losses on these transactions are deferred in stockholders' equity as a component of comprehensive income. These deferred gains and losses are recognized in income in the period in which the related interest rates being hedged have been recognized in expense. However, to the extent that the change in value of an interest rate swap contract or treasury lock agreement does not perfectly offset the change in the value of the interest rate being hedged, that ineffective portion is immediately recognized in income. For the fiscal years ended August 31, 2002, and August 25, 2001, all of our interest rate swap contracts and treasury lock agreements were determined to be highly effective, and no ineffective portion was recognized in income.

The fair value of AutoZone's debt was estimated at $1.22 billion as of August 31, 2002, and $1.21 billion as of August 25, 2001, based on the market values of the debt at those dates. Such fair value is greater than the carrying value of debt at August 31, 2002, by $27.2 million and less than the carrying value of debt at August 25, 2001, by $17.3 million. We had $699.8 million of variable rate debt outstanding at August 31, 2002, and $730.4 million outstanding at August 25, 2001. At these borrowing levels, a one percentage point increase in interest rates would have had an unfavorable impact on AutoZone's pretax earnings and cash flows of $5.1 million in 2002 and $6.6 million in 2001, which includes the effects of interest rate swaps. The primary interest rate exposure on variable rate debt is based on the London Interbank Offered Rate (LIBOR).

Liquidity and Capital Resources

Capital Requirements: AutoZone's primary capital requirements have been the funding of its continued new-store development program, inventory requirements and stock repurchases. We opened or acquired 1,340 net new domestic auto parts stores from the beginning of fiscal 1998 to August 31, 2002. Cash flow generated from store operations provides us with a significant source of liquidity. Net cash provided by operating activities was $739.1 million in fiscal 2002, $458.9

million in fiscal 2001 and $513.0 million in fiscal 2000. The increase in cash flow from operations in the current year is due primarily to higher net income, a larger increase in accounts payable and accruals and higher employee stock option exercises.

We invested $117.2 million in capital assets in fiscal 2002 compared with $169.3 million in fiscal year 2001 and $249.7 million in fiscal year 2000. In fiscal 2002, we opened 102 new auto parts stores in the U.S. and 18 in Mexico, replaced 15 U.S. stores and closed 53 U.S. stores. During the year we sold TruckPro, our heavy-duty truck parts subsidiary, which operated 49 stores, for cash proceeds of $25.7 million. Net cash flows used in investing activities were $64.5 million in fiscal 2002, compared with $122.1 million in fiscal 2001 and $242.3 million in fiscal 2000.

Our new-store development program requires working capital, predominantly for inventories. Historically, we have negotiated extended payment terms from suppliers, reducing the working capital required by expansion. We believe that we will be able to continue financing much of our inventory growth through favorable payment terms from suppliers, but there can be no assurance that we will be successful in obtaining such terms.

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.

Credit Ratings: At August 31, 2002, 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. Both rating agencies had AutoZone listed as having a "negative outlook." Subsequent to year end, Standard & Poor's changed its outlook for AutoZone to “positive” and Moody's changed its outlook to “stable.” If these credit ratings drop, AutoZone's 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, and obligations under our equity forward agreements may be accelerated, requiring the agreements to be settled prior to their planned settlement date.

Debt Facilities: We maintain $950 million of revolving credit facilities with a group of banks. Of the $950 million, $300 million expires in May 2003. The remaining $650 million expires in May 2005. The 364-day facility expiring in May 2003 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 largely to support commercial paper borrowings and other short term unsecured bank loans. At August 31, 2002, outstanding commercial paper of $223.2 million is classified as long term as we have the ability and intention to refinance it on a long term basis. The rate of interest payable under the credit facilities is a function of 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.

During fiscal year 2001, we entered into $200 million and $115 million unsecured bank term loans with a group of banks. During fiscal 2002, the $200 million two-year unsecured term loan was increased to $350 million and the maturity was extended to November 2004. The rate of interest payable is a function of LIBOR or the bank's base rate (as defined in the agreement) at our option.

After the fiscal year end, on October 1, 2002, we filed a shelf registration with the Securities and Exchange Commission. This filing will allow us to sell as much as $500 million in debt securities for general corporate purposes, including repaying, redeeming or repurchasing existing debt, and/or to fund working capital, capital expenditures, new store openings, stock repurchases and acquisitions. On October 16, 2002, we issued $300 million of 5.875% Senior Notes under the registration statement. The Notes mature in October 2012, and interest is payable semi-annually on April 15 and October 15.

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 defined in the agreements) of AutoZone or its Board of Directors or if covenants are breached related to total indebtedness and minimum fixed charge coverage. We expect to remain in compliance with these covenants.

Stock Repurchases: As of August 31, 2002, our Board of Directors had authorized the repurchase of up to $2.3 billion of common stock in the open market. From January 1998 to August 31, 2002, approximately $2.1 billion of common stock had been repurchased, including shares committed under outstanding forward purchase contracts. During fiscal 2002, we repurchased $699.0 million of common stock. The impact of the fiscal 2002 stock repurchases on earnings per share in fiscal 2002 was an increase of $0.16. Subsequent to year end, we repurchased 1.1 million shares in partial settlement of the forward purchase contract outstanding at August 31, 2002, at an average cost of $69.91 per share.

At times, we utilize equity forward agreements to facilitate our repurchase of common stock and to lock in current market prices for later purchase. Our obligations under the equity forward agreements are not reflected on our balance sheet. AutoZone, at its option, may settle the forward purchase agreements in cash or in common stock.

Financial Commitments: The following table shows obligations and commitments to make future payments under contractual obligations:

		Payment Due by Period			
(in thousands)	Total Contractual Obligations	Less than 1 year	Between 1-3 years	Between 4-5 years	Over 5 years
Long term debt	$ 1,194,517	$ –	$ 1,004,517	$ –	$ 190,000
Synthetic leases	28,194	–	–	28,194	–
Other operating leases	658,554	117,215	190,686	129,289	221,364
Construction obligations	16,034	16,034	–	–	–
	$ 1,897,299	$ 133,249	$ 1,195,203	$ 157,483	$ 411,364

The following table shows AutoZone's other commitments:

		Amount of Commitment Expiration Per Period			
(in thousands)	Total Other Commitments	Less than 1 year	Between 1-3 years	Between 4-5 years	Over 5 years
Standby letters of credit	$ 31,715	$ 31,715	$ –	$ –	$ –
Surety bonds	23,660	23,660	–	–	–
Share repurchase obligations	150,058	150,058	–	–	–
	$ 205,433	$ 205,433	$ –	$ –	$ –

A substantial portion of the outstanding standby letters of credit (which are primarily renewed on an annual basis) and surety bonds are used to cover premium and deductible payments to our workers' compensation carrier.

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 August 31, 2002, the receivables facility had an outstanding balance of $23.5 million and the balance of the recourse reserve was $1.9 million.

AutoZone has a synthetic lease facility of $30 million in total. The facility expires in fiscal 2006. At August 31, 2002, $28.2 million in synthetic lease obligations were outstanding, relating to a small number of our domestic auto parts stores. The synthetic leases qualify as operating leases for accounting purposes and are not reflected as an asset or a liability on our balance sheet. The lease payments on the stores are reflected in the income statement in operating expenses and we depreciate the underlying assets for tax purposes.

We have subleased some of our leased real property to other entities, including the purchaser of our former TruckPro business. If the purchaser of the TruckPro business becomes unable to meet its obligations under the subleases, we might incur liabilities in connection with the recovery and subsequent sublease or lease termination of the properties.

Inflation
AutoZone does not believe its operations have been materially affected by inflation. We have been successful, in many cases, in mitigating the effects of merchandise cost increases principally through efficiencies gained through economies of scale, selective forward buying and the use of alternative suppliers.

Seasonality and Quarterly Periods
AutoZone's business is somewhat seasonal in nature, with the highest sales occurring in the summer months of June through August, in which average weekly per store sales historically have been about 15% to 25% higher than in the slower months of December through February. During short periods of time, AutoZone's business is also affected by weather conditions. Extremely hot or extremely cold weather tends to enhance sales by causing parts to fail and spurring sales of seasonal products. Mild or rainy weather tends to soften sales as parts failure rates are lower in mild weather and elective maintenance is deferred during periods of rainy weather. Over the long run, the effects of weather balance out, as we have stores throughout the United States.

Each of the first three quarters of AutoZone's fiscal year consists of 12 weeks, and the fourth quarter consists of 16 weeks (17 weeks in fiscal 2002). Because the fourth quarter contains the seasonally high sales volume and consists of 16 weeks (17 weeks in fiscal 2002), compared to 12 weeks for each of the first three quarters, our fourth quarter represents a disproportionate share of the annual net sales and net income. The fourth quarter of fiscal 2002 represented 34.6% of annual net sales and 41.6% of net income; the fourth quarter of fiscal 2001, excluding nonrecurring charges, represented 34.1% of annual net sales and 43.9% of net income. Fiscal year 2002 consisted of 53 weeks, with the fiscal fourth quarter including 17 weeks.

Recent Accounting Pronouncements
In October 2001, the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but retains many of its fundamental provisions. Additionally, SFAS 144 expands the scope of discontinued operations to include more disposal transactions. The provisions of SFAS 144 are effective for AutoZone's 2003 fiscal year. We do not expect the adoption of SFAS 144 to have a significant financial impact on our Consolidated Financial Statements.

In June 2002, the Financial Accounting Standards Board issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 nullifies Emerging Issues Task Force Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and requires that a liability for the cost associated with an exit or disposal activity be recognized when the liability is incurred, as opposed to the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. We do not expect the adoption of SFAS 146 to have a significant financial impact on our Consolidated Financial Statements.

Forward-Looking Statements
Certain statements contained in the Financial Review and elsewhere in this annual report 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 its experience and its perception of historical trends, current conditions, expected future developments and other factors our management believes 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, and availability of commercial transportation. 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. For more information, please see the Risk Factors section of the Company's most recent Form 10-K as filed with the Securities and Exchange Commission.

Consolidated Statements of Income

(in thousands, except per share data)	Year Ended August 31, 2002 (53 weeks)	August 25, 2001 (52 weeks)	August 26, 2000 (52 weeks)
Net sales	**$ 5,325,510**	$ 4,818,185	$ 4,482,696
Cost of sales, including warehouse and delivery expenses	**2,950,123**	2,804,896	2,602,386
Operating, selling, general and administrative expenses	**1,604,379**	1,498,909	1,368,290
Restructuring and impairment charges	**–**	126,689	–
Operating profit	**771,008**	387,691	512,020
Interest expense – net	**79,860**	100,665	76,830
Income before income taxes	**691,148**	287,026	435,190
Income taxes	**263,000**	111,500	167,600
Net income	**$ 428,148**	$ 175,526	$ 267,590
Weighted average shares for basic earnings per share	**104,446**	112,834	132,945
Effect of dilutive stock equivalents	**2,665**	967	924
Adjusted weighted average shares for diluted earnings per share	**107,111**	113,801	133,869
Basic earnings per share	**$ 4.10**	$ 1.56	$ 2.01
Diluted earnings per share	**$ 4.00**	$ 1.54	$ 2.00

See Notes to Consolidated Financial Statements.

(in thousands, except per share data)	August 31, 2002	August 25, 2001
Assets		
Current assets		
Cash and cash equivalents	**$ 6,498**	$ 7,286
Accounts receivable	**23,782**	19,135
Merchandise inventories	**1,375,584**	1,242,896
Prepaid expenses	**11,690**	18,426
Deferred income taxes	**32,574**	40,768
Total current assets	**1,450,128**	1,328,511
Property and equipment		
Land	**502,302**	492,287
Buildings and improvements	**1,228,604**	1,182,880
Equipment	**533,121**	505,282
Leasehold improvements and interests	**114,317**	116,639
Construction in progress	**53,786**	75,223
	2,432,130	2,372,311
Less: Accumulated depreciation and amortization	**770,402**	661,868
	1,661,728	1,710,443
Other assets		
Cost in excess of net assets acquired, net of accumulated amortization of $32,186 in 2002 and 2001	**305,390**	305,390
Deferred income taxes	**60,304**	80,593
Other assets	**241**	7,575
	365,935	393,558
	$ 3,477,791	$ 3,432,512
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	**$ 1,145,533**	$ 945,666
Accrued expenses	**344,600**	292,153
Income taxes payable	**43,438**	28,835
Total current liabilities	**1,533,571**	1,266,654
Long term debt	**1,194,517**	1,225,402
Other liabilities	**60,576**	74,243
Commitments and contingencies (See notes L and M)	**–**	–
Stockholders' equity		
Preferred stock, authorized 1,000 shares; no shares issued		
Common stock, par value $.01 per share, authorized 200,000 shares; 109,962 shares issued and 99,268 shares outstanding in 2002 and 119,518 shares issued and 109,408 shares outstanding in 2001	**1,100**	1,195
Additional paid-in capital	**370,457**	295,629
Notes receivable from officers	**–**	(1,911)
Retained earnings	**974,141**	825,196
Accumulated other comprehensive loss	**(11,603)**	(5,308)
Treasury stock, at cost	**(644,968)**	(248,588)
Total stockholders' equity	**689,127**	866,213
	$ 3,477,791	$ 3,432,512

See Notes to Consolidated Financial Statements.

(in thousands)	August 31, 2002 (53 weeks)	August 25, 2001 (52 weeks)	August 26, 2000 (52 weeks)
	Year Ended		
Cash flows from operating activities:			
Net income	**$ 428,148**	$ 175,526	$ 267,590
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	**118,255**	122,576	117,932
Amortization of intangible and other assets	**–**	8,757	8,868
Deferred income tax expense (benefit)	**28,483**	(46,981)	39,338
Restructuring and impairment charges	**–**	156,822	–
Income tax benefit realized from exercise of options	**42,159**	13,495	4,050
Net change in accounts receivable and prepaid expenses	**(12,879)**	10,562	7,764
Net change in merchandise inventories	**(168,150)**	(164,164)	20,715
Net increase in accounts payable and accrued expenses	**285,329**	187,801	61,382
Net increase in income taxes payable	**13,743**	10,798	4,966
Net change in other assets and liabilities	**4,003**	(16,255)	(19,645)
Net cash provided by operating activities	**739,091**	458,937	512,960
Cash flows from investing activities:			
Capital expenditures	**(117,239)**	(169,296)	(249,657)
Proceeds from sale of business	**25,723**	–	–
Proceeds from disposal of capital assets	**25,094**	44,601	11,771
Notes receivable from officers	**1,911**	2,552	(4,463)
Net cash used in investing activities	**(64,511)**	(122,143)	(242,349)
Cash flows from financing activities:			
Net change in commercial paper	**(162,247)**	(381,853)	234,300
Net proceeds from debentures/notes	**150,000**	465,000	–
Net change in unsecured bank loans	**(15,000)**	(105,000)	120,000
Net proceeds from sale of common stock	**55,676**	48,410	5,455
Purchase of treasury stock	**(698,983)**	(366,097)	(639,925)
Other	**(4,814)**	3,063	10,610
Net cash used in financing activities	**(675,368)**	(336,477)	(269,560)
Net increase (decrease) in cash and cash equivalents	**(788)**	317	1,051
Cash and cash equivalents at beginning of year	**7,286**	6,969	5,918
Cash and cash equivalents at end of year	**$ 6,498**	$ 7,286	$ 6,969
Supplemental cash flow information:			
Interest paid, net of interest cost capitalized	**$ 77,935**	$ 97,968	$ 74,745
Income taxes paid	**$ 178,417**	$ 100,702	$ 123,036

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock	Additional Paid-in Capital	Notes Receivable	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance at August 28, 1999	$ 1,540	$ 289,084	$ –	$ 1,296,528	$ (3)	$ (263,348)	$ 1,323,801
Net income				267,590			267,590
Foreign currency translation adjustment					(2)		(2)
Comprehensive income							267,588
Issuance of notes receivable from officers			(4,463)				(4,463)
Purchase of 23,208 shares of treasury stock		3,315				(607,567)	(604,252)
Sale of 361 shares of common stock under stock option and stock purchase plans	3	5,452					5,455
Tax benefit of exercise of stock options		4,050					4,050
Balance at August 26, 2000	1,543	301,901	(4,463)	1,564,118	(5)	(870,915)	992,179
Net income				175,526			175,526
Foreign currency translation adjustment					294		294
Unrealized loss on interest rate swap contracts					(5,597)		(5,597)
Comprehensive income							170,223
Repayments of notes receivable from officers			2,552				2,552
Purchase of 14,345 shares of treasury stock		5,451				(366,097)	(360,646)
Retirement of 37,000 shares of treasury stock	(370)	(71,781)		(914,448)		986,599	–
Sale of 2,061 shares of common stock under stock option and stock purchase plans	22	46,563				1,825	48,410
Tax benefit of exercise of stock options		13,495					13,495
Balance at August 25, 2001	1,195	295,629	(1,911)	825,196	(5,308)	(248,588)	866,213
Net income				**428,148**			**428,148**
Foreign currency translation adjustment					**(1,447)**		**(1,447)**
Unrealized loss on interest rate swap contracts and treasury lock agreements					**(4,848)**		**(4,848)**
Comprehensive income							**421,853**
Repayments of notes receivable from officers			**1,911**				**1,911**
Purchase of 12,591 shares of treasury stock		**298**				**(698,983)**	**(698,685)**
Retirement of 12,000 shares of treasury stock	**(120)**	**(23,280)**		**(279,203)**		**302,603**	–
Sale of 2,563 shares of common stock under stock option and stock purchase plans	**25**	**55,651**					**55,676**
Tax benefit of exercise of stock options		**42,159**					**42,159**
Balance at August 31, 2002	**$ 1,100**	**$ 370,457**	$ –	**$ 974,141**	**$(11,603)**	**$ (644,968)**	**$ 689,127**

See Notes to Consolidated Financial Statements.

Note A – Significant Accounting Policies

Business: The Company is principally a retailer of automobile and light truck parts, chemicals and accessories. At the end of fiscal 2002, the Company operated 3,068 domestic auto parts stores in 44 states and the District of Columbia and 39 auto parts stores in Mexico. The Company also sells products online at *autozone.com.* In addition, the Company sells automotive diagnostic and repair software through ALLDATA and through *alldatadiy.com.*

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

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

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

Property and Equipment: Property and equipment is stated at cost. Depreciation is computed principally by the straight-line method over the following estimated useful lives: buildings and improvements, 5 to 50 years; equipment, 3 to 10 years; and leasehold improvements and interests, 5 to 15 years. Leasehold improvements and interests are amortized over the terms of the leases.

Intangible Assets: The cost in excess of fair value of net assets of businesses acquired is recorded as goodwill and, prior to the adoption of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS 142) in fiscal 2002, goodwill was amortized on a straight-line basis over 40 years. Refer to Note C for the impact of the adoption of SFAS 142 on the Consolidated Financial Statements.

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

Advertising Costs: The Company expenses advertising costs as incurred. Advertising expense, net of vendor funding, was approximately $17.5 million in fiscal 2002, $20.7 million in fiscal 2001 and $14.4 million in fiscal 2000.

Shipping and Handling Costs: The Company does not charge the customer separately for shipping and handling. The cost the Company incurs to ship products to the stores for delivery to the customer is included in cost of sales in the Consolidated Statements of Income.

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

Financial Instruments: The Company has certain financial instruments, including cash, accounts receivable and accounts payable. The carrying amounts of these financial instruments approximate fair value because of their short maturities. A discussion of the carrying values and fair values of the Company's debt is included in Note G, while a discussion of the Company's fair values of its derivatives is included in the section entitled "Derivative Instruments and Hedging Activities" in Note A.

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

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

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

Earnings Per Share: Basic earnings per share is based on the weighted average outstanding common shares. Diluted earnings per share is based on the weighted average outstanding shares adjusted for the effect of common stock equivalents.

Revenue Recognition: The Company recognizes sales revenue at the time the sale is made and the product is delivered to the customer.

Impairment of Long-Lived Assets: The Company routinely reviews performance at the store level to identify any stores with current period operating losses that should be considered for impairment. As part of this review, the Company compares the sum of the expected future cash flows with the carrying amounts of the assets. If impairments are indicated, the amount by which the carrying amount of the assets exceeded the fair value of the assets is recognized as an impairment loss.

Derivative Instruments and Hedging Activities: The Company complies with Statement of Financial Accounting Standards Nos. 133, 137 and 138 (collectively "SFAS 133") pertaining to the accounting for derivatives and hedging activities. SFAS 133 requires the Company to recognize all derivative instruments on the balance sheet at fair value. The adoption of SFAS 133 impacted the accounting for the Company's interest rate hedging program. The Company reduces its exposure to increases in interest rates by entering into interest rate swap contracts and treasury lock agreements. All of the Company's interest rate swaps and treasury locks are designated as cash flow hedges. At August 31, 2002, and August 25, 2001, the Company had interest rate swap contracts with notional amounts totaling $190 million. Additionally, at August 31, 2002, the Company had treasury lock agreements with notional amounts totaling $300 million. The fair values of the interest rate swaps and treasury lock agreements were a liability of $10.4 million at August 31, 2002, and the fair values of the interest rate swaps were a liability of $5.6 million at August 25, 2001. The interest rate swap contracts mature in fiscal years 2003 and 2004 and the treasury lock agreements mature in fiscal 2003.

The Company reflects the current fair value of interest rate swaps and treasury lock agreements on its balance sheet. The related gains or losses on these transactions are deferred in stockholders' equity as a component of comprehensive income. These deferred gains and losses are recognized in income in the period in which the related interest rates being hedged have been recognized in expense. However, to the extent that the change in value of an interest rate swap contract or treasury lock agreement does not perfectly offset the change in the value of the interest rate being hedged, that ineffective portion is immediately recognized in income. For the fiscal years ended August 31, 2002, and August 25, 2001, all of our interest rate swap contracts and treasury lock agreements were determined to be highly effective, and no ineffective portion was recognized in income.

The Company primarily executes derivative transactions with major financial institutions. These counterparties expose the Company to credit risk in the event of non-performance. The amount of such exposure is limited to the unpaid portion of amounts due to the Company pursuant to the terms of the derivative financial instruments, if any. Although there are no collateral requirements, if a downgrade in the credit rating of these counterparties occurs, management believes that this exposure is mitigated by provisions in the derivative agreements which allow for the legal right of offset of any amounts due to the Company from the counterparties with any amounts payable to the counterparties by the Company. As a result, management considers the risk of counterparty default to be minimal.

Recently Issued Accounting Standards: In October 2001, the Financial Accounting Standards Board issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 supersedes Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," but retains many of its fundamental provisions. Additionally, SFAS 144 expands the scope of discontinued operations to include more disposal transactions. The provisions of SFAS 144 are effective for the Company's 2003 fiscal year. The Company does not expect the adoption of SFAS 144 to have a significant financial impact on its Consolidated Financial Statements.

In June 2002, the Financial Accounting Standards Board issued Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (SFAS 146). SFAS 146 nullifies Emerging Issues Task Force Issue No. 94-3, "Liability

Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and requires that a liability for the cost associated with an exit or disposal activity be recognized when the liability is incurred, as opposed to the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The Company does not expect the adoption of SFAS 146 to have a significant financial impact on its Consolidated Financial Statements.

Reclassifications: Certain prior year amounts have been reclassified to conform with the fiscal 2002 presentation.

Note B – Restructuring and Impairment Charges

In fiscal 2001, the Company recorded restructuring and impairment charges of $156.8 million. The planned closure of 51 domestic auto parts stores and the disposal of real estate projects in process and excess properties accounted for the largest portion, or $56.1 million, of the charge. In fiscal 2002, these stores were closed, and sales of certain excess properties resulted in gains of approximately $2.6 million. Remaining excess properties are currently being marketed for sale. During the third quarter of fiscal 2002, all remaining excess properties were reevaluated. At that time, it was determined that several properties could be developed. This resulted in the reversal of accrued lease obligations totaling $6.4 million. It was also determined that additional writedowns were needed to state remaining excess properties at fair value. These writedowns totaled $9.0 million. Because fiscal 2002 adjustments offset, there was no impact on net income.

Another portion of the charge, $32.0 million, related to other asset writedowns and the accrual of lease obligations associated with the closure of a supply depot and for the unoccupied ALLDATA office building. During the fourth quarter of fiscal 2002, the ALLDATA office building was sold to a third party. The reserve previously established was adequate to cover the loss incurred on the sale. The Company continues to pursue the sale, sublease or early termination of the leases associated with the remaining leased facilities.

The Company also reserved $30.1 million for inventory rationalization, including a provision for inventory losses in closed stores. All of the scheduled recalls and disposals of inventory took place during fiscal 2002 and the reserve was adequate to cover all losses incurred.

The Company recorded asset writedowns and contractual obligations aggregating $29.9 million related to the planned sale of TruckPro, its heavy-duty truck parts subsidiary. In December 2001, TruckPro was sold to a group of investors for cash proceeds of $25.7 million and a promissory note. The Company has deferred a gain on the sale of $3.6 million due to uncertainties associated with the realization of the gain. Refer to Note K for further discussion of this transaction.

The remainder of the restructuring and impairment charges, $8.7 million, related to contractual obligations, severance and other charges. The Company did not reverse any reserves into income.

Total remaining accrued obligations for restructuring charges were $18.1 million at August 31, 2002. The following table presents a summary of the activity in accrued obligations for the restructuring charges:

(in thousands)	Lease Obligations	Contract Settlements/ Terminations	Severance & Other
Beginning balance	$ 29,576	$ 6,713	$ 2,715
Cash outlays/adjustments	11,436	6,713	2,715
Balance at August 31, 2002	$ 18,140	$ –	$ –

Note C – Amortization of Goodwill

On August 26, 2001, the Company adopted SFAS 142. Under SFAS 142, goodwill amortization ceased upon adoption of the new standard. Had the application of the non-amortization provisions of SFAS 142 not been adopted, net income would have been reduced by $5.4 million ($0.05 per share) in the fiscal year ended August 31, 2002. The new rules also require an initial goodwill impairment assessment in the year of adoption and annual impairment tests thereafter. During the second quarter of fiscal 2002, the Company performed the first of the required impairment tests of goodwill. No impairment loss resulted from the initial goodwill impairment test, or from the annual impairment test that was performed during the fourth quarter of fiscal 2002. The pro forma effects of the adoption of SFAS 142 on the results of operations for periods prior to fiscal year 2002 are as follows:

	Year Ended		
(in thousands, except per share data)	August 31, 2002	August 25, 2001	August 26, 2000
Reported net income:	**$ 428,148**	$ 175,526	$ 267,590
Goodwill amortization, net of tax	**–**	5,359	5,453
Adjusted net income	**$ 428,148**	$ 180,885	$ 273,043
Basic earnings per share:			
Reported net income	**$ 4.10**	$ 1.56	$ 2.01
Goodwill amortization, net of tax	**–**	0.05	0.04
Adjusted net income	**$ 4.10**	$ 1.61	$ 2.05
Diluted earnings per share:			
Reported net income	**$ 4.00**	$ 1.54	$ 2.00
Goodwill amortization, net of tax	**–**	0.05	0.04
Adjusted net income	**$ 4.00**	$ 1.59	$ 2.04

Note D – Accrued Expenses

Accrued expenses at August 31, 2002, and August 25, 2001, consisted of the following:

(in thousands)	August 31, 2002	August 25, 2001
Medical and casualty insurance claims	**$ 83,813**	$ 70,719
Accrued compensation and related payroll taxes	**78,656**	49,589
Property and sales taxes	**51,379**	45,030
Accrued sales and warranty returns	**82,035**	63,467
Other	**48,717**	63,348
	$ 344,600	$ 292,153

Note E – Income Taxes

At August 31, 2002, the Company had federal tax net operating loss carryforwards (NOLs) of approximately $31.3 million that expire in years 2007 through 2017. These carryforwards resulted from the Company's acquisition of Chief Auto Parts Inc., and ADAP, Inc. (which had been doing business as "Auto Palace") in fiscal 1998. The use of the federal tax NOLs is limited to future taxable earnings of these companies and is subject to annual limitations. A valuation allowance of $8.7 million in fiscal 2002 and fiscal 2001 relates to these carryforwards. In addition, some of the Company's subsidiaries have state tax NOLs that expire in years 2003 through 2022. The use of the NOLs is limited to future taxable earnings of these subsidiaries and may be subject to annual limitations. Valuation allowances of $5.7 million in fiscal 2002 and $6.1 million in fiscal 2001 relate to these carryforwards.

The provision for income tax expense for each of the last three fiscal years consisted of the following:

(in thousands)	Year Ended August 31, 2002	August 25, 2001	August 26, 2000
Current:			
Federal	**$ 210,457**	$ 144,538	$ 119,259
State	**24,060**	13,943	9,003
	234,517	158,481	128,262
Deferred:			
Federal	**26,200**	(42,380)	35,762
State	**2,283**	(4,601)	3,576
	28,483	(46,981)	39,338
	$ 263,000	$ 111,500	$ 167,600

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

(in thousands)	August 31, 2002	August 25, 2001
Net deferred tax assets:		
Net operating loss and credit carryforwards	**$ 25,590**	$ 25,226
Insurance reserves	**25,930**	22,804
Warranty reserves	**30,660**	23,684
Closed store reserves	**20,398**	25,585
Inventory reserves	**4,108**	14,256
Other	**559**	24,598
	107,245	136,153
Less: Valuation allowance	**(14,367)**	(14,792)
	$ 92,878	$ 121,361

The following table presents a reconciliation of the provision for income taxes to the amount computed by applying the federal statutory tax rate of 35% to income before income taxes:

(in thousands)	Year Ended August 31, 2002	August 25, 2001	August 26, 2000
Expected tax at statutory rate	**$ 241,902**	$ 100,459	$ 152,317
State income taxes, net	**17,123**	6,072	8,176
Other	**3,975**	4,969	7,107
	$ 263,000	$ 111,500	$ 167,600

Note F – Interest Expense

Net interest expense for each of the last three fiscal years consisted of the following:

(in thousands)	Year Ended August 31, 2002	August 25, 2001	August 26, 2000
Interest expense	**$ 80,466**	$ 102,667	$ 79,908
Interest income	**(169)**	(623)	(305)
Capitalized interest	**(437)**	(1,379)	(2,773)
	$ 79,860	$ 100,665	$ 76,830

Note G – Financing Arrangements

The Company's long term debt as of August 31, 2002, and August 25, 2001, consisted of the following:

(in thousands)	August 31, 2002	August 25, 2001
6% Notes due November 2003	**$ 150,000**	$ 150,000
6.5% Debentures due July 2008	**190,000**	190,000
7.99% Notes due April 2006	**150,000**	150,000
Bank term loan due December 2003, interest rate of 3.11% at August 31, 2002, and 4.95% at August 25, 2001	**115,000**	115,000
Bank term loan due November 2004, interest rate of 2.56% at August 31, 2002, and 4.69% at August 25, 2001	**350,000**	200,000
Commercial paper, weighted average interest rate of 2.1% at August 31, 2002, and 3.9% at August 25, 2001	**223,200**	385,447
Unsecured bank loans	**–**	15,000
Other	**16,317**	19,955
	$ 1,194,517	$ 1,225,402

The Company maintains $950 million of revolving credit facilities with a group of banks. Of the $950 million, $300 million expires in May 2003. The remaining $650 million expires in May 2005. The 364-day facility expiring in May 2003 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 largely to support commercial paper borrowings and other short term unsecured bank loans. At August 31, 2002, outstanding commercial paper of $223.2 million is classified as long term as the Company has the ability and intention to refinance it on a long term basis. 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 option of the Company. The Company has 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.

During the fiscal year 2001, the Company entered into $200 million and $115 million unsecured bank term loans with a group of banks. During fiscal 2002, the $200 million two-year unsecured term loan was increased to $350 million and the maturity was extended to November 2004. The rate of interest payable is a function of LIBOR or the bank's base rate (as defined in the agreement) at the option of the Company.

Subsequent to year end, on October 1, 2002, the Company filed a shelf registration with the Securities and Exchange Commission. This filing will allow the Company to sell as much as $500 million in debt securities to fund general corporate purposes, including repaying, redeeming or repurchasing existing debt, and/or to fund working capital, capital expenditures, new store openings, stock repurchases and acquisitions. On October 16, 2002, the Company issued $300 million of 5.875% Senior Notes under the registration statement. The Notes mature in October 2012, and interest is payable semi-annually on April 15 and October 15.

All of the Company's debt is unsecured, except for $11.6 million, which is collateralized by property. Maturities of long term debt are $265.0 million for fiscal 2004, $589.5 million for fiscal 2005, $150.0 million for fiscal 2006 and $190.0 million thereafter.

The fair value of the Company's debt was estimated at $1.22 billion as of August 31, 2002, and $1.21 billion as of August 25, 2001, based on the market values of the debt at those dates. Such fair value is greater than the carrying value of debt at August 31, 2002, by $27.2 million and less than the carrying value of debt at August 25, 2001, by $17.3 million. The Company had $699.8 million of variable rate debt outstanding at August 31, 2002, and $730.4 million outstanding at August 25, 2001.

Note H – Stock Repurchase Program

As of August 31, 2002, the Board of Directors had authorized the Company to repurchase up to $2.3 billion of common stock in the open market. In fiscal 2002, the Company repurchased 12.6 million shares of its common stock at an aggregate cost of $699.0 million. Since fiscal 1998, the Company has repurchased a total of 59.8 million shares at an aggregate cost of $1.9 billion. At times, the Company utilizes equity forward agreements to facilitate its repurchase of common stock. At August 31, 2002, the Company held equity forward contracts that relate to the purchase of approximately 2.2 million shares of common stock at an average cost of $68.82 per share, all of which mature in fiscal 2003. The Company, at its option, may settle the forward contracts in cash or common stock. The Company has historically settled all similar contracts in cash. In accordance with the provisions of Emerging Issues Task Force Issue 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," these contracts qualify as equity instruments and are not reflected in the Company's Consolidated Balance Sheets. Due to fluctuations in the Company's stock price, when the Company settles these forward contracts, the settlement price may be above or below the market price of the underlying common stock.

Subsequent to year end, the Company purchased 1.1 million shares in partial settlement of the forward contract outstanding at August 31, 2002, at an average cost of $69.91 per share.

Note I – Employee Stock Plans

The Company has granted options to purchase common stock to some of its employees and directors under various plans at prices equal to the market value of the stock on the dates the options were granted. Options are exercisable in a one to seven year period, and expire ten years after the grant date. A summary of outstanding stock options is as follows:

	Wtd. Avg. Exercise Price	Number of Shares
Outstanding August 28, 1999	$ 24.95	10,500,406
Granted	$ 25.96	1,960,256
Exercised	$ 7.13	(520,186)
Canceled	$ 28.27	(1,172,854)
Outstanding August 26, 2000	$ 25.64	10,767,622
Granted	$ 25.53	908,566
Exercised	$ 22.12	(2,135,328)
Canceled	$ 27.16	(1,084,683)
Outstanding August 25, 2001	$ 26.33	8,456,177
Granted	**$ 46.88**	**1,134,064**
Exercised	**$ 25.26**	**(2,621,247)**
Canceled	**$ 29.50**	**(684,435)**
Outstanding August 31, 2002	**$ 30.09**	**6,284,559**

The following table summarizes information about stock options outstanding at August 31, 2002:

	Options Outstanding			Options Exercisable	
Range of Exercise Price	No. of Options	Wtd. Avg. Exercise Price	Wtd. Avg. Contractual Life (in years)	No. of Options	Wtd. Avg. Exercise Price
$ 4.86 - $ 24.63	1,495,805	$ 22.88	6.09	649,860	$ 21.97
$ 24.94 - $ 26.14	1,383,331	$ 25.50	5.38	665,948	$ 25.31
$ 26.38 - $ 28.63	1,274,555	$ 27.70	5.03	536,675	$ 27.65
$ 29.13 - $ 43.90	1,968,304	$ 37.48	7.53	254,202	$ 32.55
$ 45.53 - $ 73.20	162,564	$ 64.63	9.35	6,500	$ 45.53
$ 4.86 - $ 73.20	6,284,559	$ 30.09	6.26	2,113,185	$ 25.81

Options to purchase 2.1 million shares at August 31, 2002, 2.9 million shares at August 25, 2001, and 3.5 million shares at August 26, 2000, were exercisable. Shares reserved for future grants were 4.7 million at August 31, 2002.

Pro forma information is required by SFAS 123, "Accounting for Stock-Based Compensation." In accordance with the provisions of SFAS 123, the Company applies APB Opinion 25 and related interpretations in accounting for its stock option plans and, accordingly, no compensation expense for stock options has been recognized. If the Company had elected to recognize compensation cost based on the fair value of the options granted at the grant date as prescribed in SFAS 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated as follows:

	Year Ended		
(in thousands, except per share data)	August 31, 2002	August 25, 2001	August 26, 200
Net income:			
As reported	**$ 428,148**	$ 175,526	$ 267,590
Pro forma	**$ 419,179**	$ 168,581	$ 258,374
Basic earnings per share:			
As reported	**$ 4.10**	$ 1.56	$ 2.01
Pro forma	**$ 4.01**	$ 1.50	$ 1.95
Diluted earnings per share:			
As reported	**$ 4.00**	$ 1.54	$ 2.00
Pro forma	**$ 3.91**	$ 1.48	$ 1.93

The effects of applying SFAS 123 and the results obtained through the use of the Black-Scholes option pricing model in this pro forma disclosure are not necessarily indicative of future amounts. The weighted average fair value of the stock options granted was $16.10 per share during fiscal 2002, $10.19 per share during fiscal 2001 and $11.92 per share during fiscal 2000. The fair value of each option granted is estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted average assumptions for grants in 2002, 2001 and 2000:

	Year Ended		
	August 31, 2002	August 25, 2001	August 26, 2000
Expected price volatility	**39%**	37%	36%
Risk-free interest rates range	**2.15% - 3.21%**	3.76% - 4.54%	6.08% - 6.18%
Expected lives range in years	**4.79 - 8.79**	4.83 - 8.83	4.67 - 8.67

Stock options that could potentially dilute basic earnings per share in the future, that were not included in the fully diluted computation because they would have been antidilutive, were 0.1 million shares at August 31, 2002, and 7.5 million shares at August 26, 2000.

The Company also has an employee stock purchase plan under which all eligible employees may purchase common stock at 85% of fair market value (determined quarterly) through payroll deductions. Maximum permitted annual purchases are $15,000 per employee or ten percent of compensation, whichever is less. Under the plan, 0.1 million shares were sold in fiscal 2002, 0.2 million shares were sold in fiscal 2001 and 0.3 million shares were sold in fiscal 2000. The Company repurchased 0.3 million shares in fiscal year 2002 and 0.2 million shares in fiscal years 2001 and 2000 for sale to employees under the plan. At August 31, 2002, 0.7 million shares of common stock were reserved for future issuance under this plan.

The Amended and Restated Executive Stock Purchase Plan permits senior Company executives to purchase common stock up to 25 percent of their annual salary and bonus after the limits under the employee stock purchase plan have been exceeded. The Company has reserved 0.3 million shares for issuance under the plan.

Under the Fourth Amended and Restated Directors Stock Option Plan each non-employee director will receive an option to purchase 1,500 shares of common stock on January 1 of each year. In addition, as long as the non-employee director owns common stock valued at least equal to five times the value of the annual fee paid to such director, that director will receive an additional option to purchase 1,500 shares as of January 1 of each year. New directors receive options to purchase 3,000 shares plus a grant of an option to purchase a number of shares equal to the annual option grant, prorated for the time in service for the year.

Under the Second Amended and Restated Directors Compensation Plan a director may receive no more than one-half of the annual and meeting fees immediately in cash, and the remainder of the fees must be taken in either common stock or the fees deferred in units with value equivalent to the value of a share of common stock as of the grant date ("stock appreciation rights").

Note J – Pension and Savings Plan

Substantially all full-time employees are covered by a defined benefit pension plan. The benefits are based on years of service and the employee's highest consecutive five-year average compensation. In addition, the Company has established a supplemental defined benefit pension plan for certain highly compensated employees.

The Company makes annual contributions in amounts at least equal to the minimum funding requirements of the Employee Retirement Income Security Act of 1974. The following table sets forth the plans' funded status and amounts recognized in the Company's financial statements:

(in thousands)	August 31, 2002	August 25, 2001
Change in benefit obligation:		
Benefit obligation at beginning of year	**$ 91,993**	$ 66,990
Service cost	**13,500**	10,339
Interest cost	**6,861**	5,330
Actuarial losses	**5,802**	11,437
Benefits paid	**(1,151)**	(2,103)
Benefit obligation at end of year	**117,005**	91,993
Change in plan assets:		
Fair value of plan assets at beginning of year	**73,735**	65,379
Actual (loss) return on plan assets	**(2,242)**	1,285
Company contributions	**12,964**	9,652
Benefits paid	**(1,151)**	(2,103)
Administrative expenses	**–**	(478)
Fair value of plan assets at end of year	**83,306**	73,735
Reconciliation of funded status:		
Underfunded status of the plans	**(33,699)**	(18,258)
Unrecognized net actuarial losses	**31,360**	17,953
Unamortized prior service cost	**(1,738)**	(2,167)
Accrued benefit cost	**$ (4,077)**	$ (2,472)

(in thousands)	Year Ended August 31, 2002	August 25, 2001	August 26, 2000
Components of net periodic benefit cost:			
Service cost	**$ 13,500**	$ 10,339	$ 9,778
Interest cost	**6,861**	5,330	4,523
Expected return on plan assets	**(6,255)**	(6,555)	(5,617)
Amortization prior service cost	**(568)**	(518)	(605)
Recognized net actuarial losses	**1,030**	–	540
Net periodic benefit cost	**$ 14,568**	$ 8,596	$ 8,619

The actuarial present value of the projected benefit obligation was determined using weighted average discount rates of 7.0% at August 31, 2002, 7.5% at August 25, 2001, and 8% at August 26, 2000. The assumed increases in future compensation levels were generally 5-10% based on age in fiscal 2002, 2001 and 2000. The expected long-term rate of return on plan assets was 8.0% at August 31, 2002, and 9.5% at August 25, 2001, and August 26, 2000. Prior service cost is amortized over the estimated average remaining service lives of the plan participants and the unrecognized actuarial loss is amortized over the remaining service period of 8.37 years at August 31, 2002.

The Company has also established a defined contribution plan ("401(k) plan") pursuant to Section 401(k) of the Internal Revenue Code. The 401(k) plan covers substantially all employees that meet the plan's service requirements. The Company makes matching contributions, on an annual basis, up to a specified percentage of employees' contributions as approved by the Board of Directors. The Company made matching contributions to employee accounts in connection with the 401(k) plan of $1.4 million in fiscal years 2002 and 2001 and $1.2 million in fiscal 2000.

Note K – Sale of TruckPro Business

In December 2001, the Company's heavy-duty truck parts business was sold to a group of investors in exchange for cash and a six-year note. The Company has deferred a gain of $3.6 million related to the sale due to uncertainties associated with the realization of the gain. The Company has subleased some of the TruckPro properties to the purchaser of the TruckPro business for an initial term of not less than twenty years.

Note L – Leases

A portion of the Company's retail stores, distribution centers and certain equipment is leased. Most of these leases include renewal options and some include options to purchase and provisions for percentage rent based on sales. In addition, some of the leases contain guaranteed residual values.

Rental expense was $99.0 million in fiscal 2002, $100.4 million in fiscal 2001 and $95.7 million in fiscal 2000. Percentage rentals were insignificant.

Minimum annual rental commitments under non-cancelable operating leases were as follows at the end of fiscal 2002 (in thousands):

Year	Amount
2003	$ 117,215
2004	103,982
2005	86,704
2006	73,085
2007	56,204
Thereafter	221,364
	$ 658,554

Note M – Commitments and Contingencies
Construction commitments, primarily for new stores, totaled approximately $16 million at August 31, 2002.

AutoZone, Inc., and several of its subsidiaries are defendants in a lawsuit entitled "Coalition for a Level Playing Field, L.L.C., et al., v. AutoZone, Inc., Wal-mart Stores, Inc., Advance Auto Parts, Inc., O'Reilly Automotive, Inc., and Keystone Automotive Operations, Inc.," filed in the U.S. District Court for the Eastern District of New York in February 2000. The case was filed by over 100 plaintiffs, principally automotive aftermarket warehouse distributors and jobbers. The plaintiffs claim that the defendants have 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' third amended and corrected complaint seeks unspecified damages suffered by each plaintiff (prior to statutory trebling) ranging from several million dollars to $35 million 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 litigation is currently in the early stages of discovery. The Company does not know how the plaintiffs have calculated their alleged damages. The Company intends to vigorously defend against this action and believes that it has substantive defenses to all of the claims in the complaint.

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 or results of operations.

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

Note N – Segment Reporting
The Company manages its business on the basis of one reportable segment. See Note A for a brief description of the Company's business. As of August 31, 2002, the majority of the Company's operations were located within the United States. The Company also has operations in Mexico, however, the Mexico operations comprise less than three percent of consolidated revenues, profit and assets. The following data is presented in accordance with SFAS 131, "Disclosures about Segments of an Enterprise and Related Information."

	Year Ended		
(in thousands)	August 31, 2002	August 25, 2001	August 26, 2000
Primary business focus:			
Net sales:			
U.S. Retail	**$ 4,621,234**	$ 4,134,326	$ 3,871,424
AZ Commercial	**531,776**	443,533	396,729
Other	**172,500**	240,326	214,543
	$ 5,325,510	$ 4,818,185	$ 4,482,696

Report of Independent Auditors

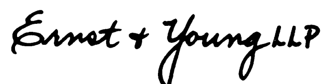
Stockholders
AutoZone, Inc.

We have audited the accompanying consolidated balance sheets of AutoZone, Inc. as of August 31, 2002 and August 25, 2001 and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended August 31, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AutoZone, Inc. at August 31, 2002 and August 25, 2001, and the consolidated results of its operations and its cash flows for each of the three years in the period ended August 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Note C to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, in fiscal year 2002.



Memphis, Tennessee
September 20, 2002, except for the fourth paragraph of Note G,
as to which the date is October 16, 2002

Management's Report

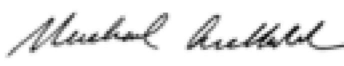
Management is responsible for the preparation, integrity and fair presentation of the accompanying consolidated financial statements of the Company and its subsidiaries. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States and include the best estimates and judgments of management. Management also prepared the other information included in the annual report and is responsible for its accuracy and consistency with the financial statements. The opinion of the independent auditors, Ernst & Young LLP, based upon their audits of the consolidated financial statements, is contained in this Annual Report.

Management is responsible for maintaining a system of internal control over financial reporting that provides reasonable assurance, at an appropriate cost-benefit relationship, about the reliability of financial reporting. The system contains self-monitoring mechanisms, and is regularly tested by the Company's internal auditors. Actions are taken to correct deficiencies as they are identified. Even an effective internal control system, no matter how well designed, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control system effectiveness may vary over time.

The Audit Committee of our Company's Board of Directors, composed solely of independent Directors, regularly meets with the independent auditors, management and internal auditors to discuss the system of internal control over auditing and financial reporting matters. The Committee also meets periodically with the independent auditors and the internal auditors without management present to discuss any matters that may require attention.

Management assessed the Company's system of internal control over financial reporting as of August 31, 2002, in relation to criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes that, as of August 31, 2002, the Company's system of internal control over financial reporting met those criteria.

Steve Odland
Chairman, President, and Chief Executive Officer
Customer Satisfaction



Michael Archbold
Senior Vice President and Chief Financial Officer
Customer Satisfaction

Steve Odland†
Chairman, President & CEO

Senior Vice Presidents

Michael G. Archbold†
Chief Financial Officer

Bruce G. Clark†
Chief Information Officer

Brett D. Easley†
Merchandising

Harry L. Goldsmith†
General Counsel & Secretary

Lisa R. Kranc†
Marketing

Michael E. Longo†
Operations, AZ Commercial & ALLDATA

Robert D. Olsen†
Mexico & Store Development

William C. Rhodes III†
Supply Chain & Information Technology

Daisy L. Vanderlinde†
Human Resources & Loss Prevention

Vice Presidents

L. Daniel Barzel
Merchandising

Jon A. Bascom
Information Technology

B. Craig Blackwell
Operations

Timothy W. Briggs
Organization Development

Michael T. Broderick
Operations

James A. Cook III
Treasurer

William R. Edwards II
Merchandising

James A. Etzkorn
Information Technology

Mark A. Finestone
Merchandising

Larry F. Fussy
Operations

Wm. David Gilmore
Store Development

Eric S. Gould
Supply Chain

William R. Graves
Supply Chain

Tricia K. Greenberger †
Controller

William R. Hackney
Operations

Larry J. Hardy
Tax

Phillip J. Jackson
Supply Chain

Jeffery W. Lagges
ALLDATA

Valerie Lester
Marketing Research & New Ventures

Jack D. Mitchell
Merchandising

Thomas B. Newbern
Operations

David W. Nichols
Loss Prevention

Mark A. Palazola
Merchandising

Charlie Pleas III
Accounting

Donald R. Rawlins
Assistant General Counsel & Assistant Secretary

Anthony Dean Rose, Jr.
Advertising

Michael L. Shadrach
Strategic Planning & Business Development

Richard C. Smith
Operations

Dennis P. Tolivar, Sr.
AZ Commercial

Randall D. Turner
Merchandising

Scott A. Webb
Mexico Merchandising & Supply Chain

Other Corporate Officers

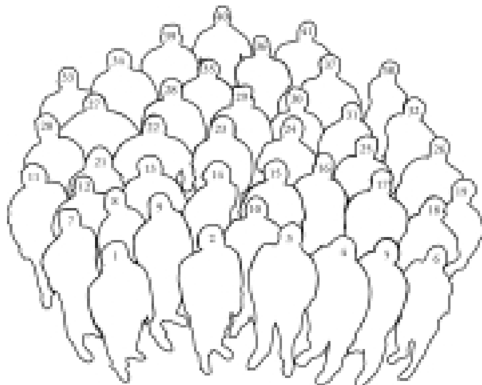
Steven G. Beussink
Assistant Treasurer

Stephany L. Goodnight
Assistant Controller

† *Required to file reports under Section 16 of the Securities Exchange Act of 1934.*

Our CEO Team brings together the functional expertise, insights and talents of our top leaders. Focused on building an even stronger AutoZone, this CEO Team extends its inspirational leadership to over 44,000 AutoZoners across the United States and Mexico. Embracing a single vision, across the company, store by store and AutoZoner by AutoZoner, we are "Relentlessly creating the most exciting Zone for vehicle solutions!"

1. Valerie Lester
2. Steve Odland
3. Charlie Pleas
4. Jeff Lagges
5. Bill Graves
6. Lisa Kranc
7. Tom Newbern
8. Bill Hackney
9. Bruce Clark
10. Dan Barzell
11. Harry Goldsmith
12. Rick Smith
13. Mark Finestone
14. Daisy Vanderline
15. Mike Shadrach
16. David Gilmore
17. Bill Edwards
18. Mike Archbold
19. Larry Hardy
20. Jim Etzkorn
21. Tricia Greenberger
22. Phil Jackson
23. Larry Fussy
24. Mark Palazola
25. Tim Briggs
26. Brett Easley
27. Craig Blackwell
28. Jack Mitchell
29. Dennis Tolivar
30. Bob Olsen
31. Don Rawlins
32. Bill Rhodes
33. Dean Rose
34. Jon Bascom
35. Randy Turner
36. Scott Webb
37. Mike Longo
38. Jay Cook
39. Mike Broderick
40. Dave Nichols
41. Eric Gould



Front row (left to right): Joseph R. Hyde, III, Earl G. Graves, Jr. and James F. Keegan
Back row: Dr. N. Gerry House, Steve Odland, Michael W. Michelson, Charles M. Elson, Marsha J. Evans, Edward S. Lampert and W. Andrew McKenna

Steve Odland
Chairman, President & CEO

Charles M. Elson (1, 3*)
Edgar S. Woolard Jr. Professor of Corporate Governance
University of Delaware

Marsha J. Evans (2)
President & CEO
American Red Cross

Earl G. Graves, Jr. (1)
President & COO
Earl G. Graves Publishing

Dr. N. Gerry House (2)
President & CEO
Institute for Student Achievement

Joseph R. Hyde, III
Chairman
GTx, Inc.

James F. Keegan (1*, 3)
Chairman
Adams Keegan, Inc.

Edward S. Lampert (2*)
Chief Executive Officer
ESL Investments, Inc.

W. Andrew McKenna (1, 2)
Private Investor

Michael W. Michelson
Member of General Partner of
Kohlberg Kravis Roberts & Co. LLC

(1) Audit Committee
(2) Compensation Committee
(3) Nominating and Corporate Governance Committee
** Committee Chairman*

In Appreciation

Our sincere thanks and appreciation are extended for the many contributions, trusted counsel and highly valued input of two of our esteemed Board members, Andrew M. Clarkson and Michael W. Michelson. Andrew retired from our Board of Directors in December 2001, and Mike will retire in December 2002. Serving since the Company's incorporation in 1986, Andrew and Mike have helped shape AutoZone into the premier company it is today.

Corporate Information

Transfer Agent and Registrar
EquiServe Trust Company, N.A.
P.O. Box 43069
Providence, RI 02940-3069
(877) 282-1168
(816) 843-4299
http://www.equiserve.com

Stock Exchange Listing
New York Stock Exchange
Ticker Symbol: AZO

Auditors
Ernst & Young LLP
Memphis, Tennessee

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

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

Annual Meeting
The Annual Meeting of Stockholders of AutoZone will be held at 8 a.m. on December 12, 2002, at The Waldorf=Astoria in New York, New York.

Form 10-K/Quarterly Reports
Stockholders may obtain free of charge a copy of the Company's annual report on Form 10-K, its quarterly reports on Form 10-Q as filed with the Securities and Exchange Commission and quarterly press releases by: contacting Investor Relations, P. O. Box 2198, Memphis, Tennessee 38101; e-mailing investor.relations@autozone.com; or phoning (901) 495-7185.

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

Stockholders of Record
As of August 31, 2002, there were 3,098 stockholders of record, excluding the number of beneficial owners whose shares were represented by security position listings.

Environmental Stewardship
AutoZone was recognized by the Tennessee Department of Environment and Conservation in 2002 for its proactive efforts to improve stewardship of environmental and natural resources. The State's award specifically acknowledged our leadership role in the service sector, where we promoted motor oil recycling in 111 of our Tennessee stores. The effort in Tennessee alone collected over 175,000 gallons of used oil.

Facilitating the safe disposal of used automotive oils and antifreeze is a program we have undertaken in all of our stores across the country to promote a cleaner and healthier environment.

Industry Recognition
Recognizing our industry-leading growth and exceptional merchandising, AutoZone was named the "Hottest Growth Concept in Retailing," by *DSN Retailing Today* in a special November 2002 issue.

123 South Front Street
Memphis, Tennessee 38103-3607
(901) 495-6500
www.autozone.com

AutoZoners always
put customers first.

We know our
parts and products.

Our stores look great.

And, we've got the
best merchandise
at the right price!