

FORM 10-K/A

Annual Report under section 13 or 15(d) of
the Securities Exchange Act of 1934
for the fiscal year ended August 29, 1998

or

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

Commission file number 1-10714

AUTOZONE, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

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

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

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

Securities registered pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS -----	NAME OF EACH EXCHANGE ON WHICH REGISTERED -----
Common Stock (\$0.01 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the 126,263,042 shares of voting stock of the registrant held by non-affiliates of the registrant (excluding, for this purpose, shares held by officers, directors, or 10% stockholders) was \$3,432,776,454 based on the last sales price of the Common Stock on October 20, 1998 as reported on the New York Stock Exchange. The number of shares of Common Stock outstanding as of October 20, 1998, was 150,361,561.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the year ended August 29, 1998, filed as Exhibit 13.1 hereto, are incorporated by reference into Part II.

Portions of the definitive Proxy Statement dated October 30, 1998, for the Annual Meeting of Stockholders to be held December 17, 1998, are incorporated by reference into Part III.

NOTE:

This amended Form 10-K is being filed to physically attach excerpts from the Annual Report to Stockholders as Exhibit 13.1. The Annual Report had previously been provided as EDGAR form type ARS and incorporated by reference. The information contained in Exhibit 13.1 is unchanged from the information contained in the Annual Report as previously provided.

PART II

Item 5. Market for Registrant's Common Stock and Related
Stockholder Matters

Common Stock Market Prices for our common stock as traded on the New York Stock Exchange as shown in the section labeled "Quarterly Summary" of Exhibit 13.1 attached hereto are incorporated herein by

reference.

At October 20, 1998, we had 3,225 stockholders of record, excluding the number of beneficial owners whose shares were represented by security position listings.

On May 1, 1998, as a portion of the consideration for the acquisition of the assets of TruckPro Limited Partnership, we transferred to certain owners of TruckPro 30,000 shares of common stock, \$0.01 par value. The transaction was exempt from registration under Section 4(2) of the Securities Act of 1933.

Item 6. Selected Financial Data

Selected financial data contained in the section entitled "Ten-Year Review" of Exhibit 13.1 attached hereto are incorporated herein by reference.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The section entitled "Financial Review" of Exhibit 13.1 attached hereto is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The subsection entitled "Financial Market Risk" of the section entitled "Financial Review" of Exhibit 13.1 attached hereto is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The financial statements and related notes and the section entitled "Quarterly Summary" of Exhibit 13.1 attached hereto are incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The following financial statements included in the Annual Report to Stockholders for the fiscal year ended August 29, 1998, are incorporated by reference in Item 8:

Report of Independent Auditors

Consolidated Statements of Income for the fiscal years ended August 29, 1998, August 30, 1997, and August 31, 1996
Consolidated Balance Sheets as of August 29, 1998, and August 30, 1997

Consolidated Statements of Stockholders' Equity for the fiscal years ended August 29, 1998, August 30, 1997, and August 31, 1996

Consolidated Statements of Cash Flows for the fiscal years ended August 29, 1998, August 30, 1997, and August 31, 1996
Notes to Consolidated Financial Statements

2. Financial Statement Schedule II - Valuation and Qualifying Accounts

All other schedules are omitted because the information is not required or because the information required is included in the financial statements or notes thereto.

3. The following exhibits are filed as a part of this report:

3.1 Articles of Incorporation of AutoZone, Inc. Incorporated by reference to Exhibit 3.1 to the Form 10-K for the fiscal year ended August 27, 1994.

3.2 Amendment to Articles of Incorporation of AutoZone, Inc., dated December 16, 1993, to increase its authorized shares of common stock to 200,000,000. Incorporated by reference to Exhibit 3.2 to the Form 10-K for the fiscal year ended August 27, 1994.

3.3 Amended and Restated By-laws of AutoZone, Inc.**

4.1 Form of Common Stock Certificate. Incorporated by reference to Exhibit 4.1 to Pre-Effective Amendment No. 2 to the Registration Statement filed on Form S-1 under the Securities Act of 1933 (No. 33-45649).

4.2 Registration Rights Agreement between AutoZone, Inc. and J. Dale Dawson and Judith S. Dawson dated May 1, 1998. Incorporated by reference to the Form 10-Q for the quarter ended May 9, 1998.

4.3 Senior Indenture, dated as of July 22, 1998, between AutoZone, Inc. and the First National Bank of Chicago. Incorporated by reference to Exhibit 4.1 to the Form 8-K dated July 17, 1998.

*10.1 Director Stock Option Plan. Incorporated by reference to Exhibit 4.1 to the Form S-8 (No. 333-48981) dated March 31, 1998.

*10.2 1998 Director Compensation Plan. Incorporated by reference to Exhibit 4.1 to the Form S-8 (No. 333-48979) dated March 31, 1998.

*10.3 Amended and Restated Stock Option Plan, as amended on February 26, 1991. Incorporated by reference to Exhibit 10.4 to the Form S-1 (No. 33-39197) filed April 1, 1991.

*10.4 Amendment No. 1 dated December 18, 1992, to the Amended and Restated Stock Option Plan. Incorporated by reference to Exhibit 10.5 to the Form 10-K for the fiscal year ended August 28, 1993.

*10.5 Amended and Restated 1996 Stock Option Plan. Incorporated by reference to Exhibit 10.2 to the Form 10-Q for the quarter ended November 22, 1997.

*10.6 Employment and Non-Compete Agreement between John C. Adams, Jr., and AutoZone, Inc., dated June 11, 1997. Incorporated by reference to the Form 10-K for the fiscal year ended August 29, 1997.

*10.7 Employment and Non-Compete Agreement between Timothy D. Vargo, and AutoZone, Inc., dated June 11, 1997. Incorporated by reference to the Form 10-K for the fiscal year ended August 29, 1997.

*10.8 Employment and Non-Compete Agreement between Robert J. Hunt, and AutoZone, Inc., dated June 11, 1997. Incorporated by reference to the Form 10-K for the fiscal year ended August 29, 1997.

- *10.9 Employment and Non-Compete Agreement between Stephen W. Valentine, and AutoZone, Inc., dated July 7, 1997. Incorporated by reference to the Form 10-K for the fiscal year ended August 29, 1997.
- *10.10 Employment and Non-Compete Agreement between Harry L. Goldsmith, and AutoZone, Inc., dated June 11, 1997. Incorporated by reference to the Form 10-K for the fiscal year ended August 29, 1997.
- *10.11 Executive Incentive Compensation Plan. Incorporated by reference to Exhibit A to the definitive Proxy Statement dated November 14, 1994.
- 10.12 Amended and Restated Agreement between J.R. Hyde, III, and AutoZone, Inc., dated October 23, 1997. Incorporated by reference to Exhibit 10.1 to the Form 10-Q for the quarter ended November 22, 1997.
- 10.13 Credit Agreement dated as of February 23, 1998 among AutoZone, Inc., the several lenders from time to time party thereto, and NationsBank, N.A. as Agent and SunTrust Bank, Nashville, N.A. as Documentation Agent. Incorporated by reference to Exhibit 10.1 the Form 10-Q for the quarter ended May 9, 1998.
- 10.14 Credit Agreement among AutoZone, Inc., as Borrower, the several lenders from time to time party thereto, NationsBank, N.A., as Agent, and SunTrust Bank, Nashville, N.A. as Co-Agent, dated December 20, 1996. Incorporated by reference to the Form 10-Q for the quarter ended February 15, 1997.
- 10.15 Amendment No. 1 to Credit Agreement among AutoZone, Inc., as Borrower, the several lenders from time to time party thereto, NationsBank, N.A., as Agent, and SunTrust Bank, Nashville, N.A. as Co-Agent, dated December 20, 1996. Incorporated by reference to Exhibit 10.2 to the Form 10-Q for the quarter ended February 14, 1998.
- 13.1 Excerpts from Annual Report to Stockholders for the fiscal year ended August 29, 1998.
- 21.1 Subsidiaries of the Registrant.**
- 23.1 Consent of Ernst & Young LLP.

*Management contract or compensatory plan or arrangement.

**Previously filed.

(b) Reports on Form 8-K.

The Registrant filed the following reports on Form 8-K during the fiscal quarter ended August 29, 1998:

1. May 11, 1998: The Registrant reported that it had executed a definitive agreement to acquire the outstanding common stock of Chief Auto Parts Inc.
2. July 29, 1998: The Registrant reported that it had closed the acquisition of Chief Auto Parts Inc., and filed the purchase agreement as an exhibit.
3. July 17, 1998: The Registrant filed exhibits on Form 8-K related to its offering of 6 1/2 % Debentures due 2008, registered under the Securities Act of 1933 on Form S-3 (No. 333-58565).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUTOZONE, INC.

By: /s/ Harry L. Goldsmith

Harry L. Goldsmith
Senior Vice President
& Secretary

Dated: March 4, 2002

SCHEDULE II

AUTOZONE, INC.
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

COL A	COL B	COL C		COL D	COL E
CLASSIFICATION	Balance Beginning of Period	ADDITIONS		Deductions- Describe	Balance at End of Period
-----	-----	(1) Charged to Costs and Expenses	(2) Charged to Other Accounts-Describe	-----	-----
-----	-----	-----	-----	-----	-----
Year Ended August 31, 1996:					
Reserve for warranty claims	\$12,613	\$26,982		\$25,443 (1)	\$14,152
Other reserves	9,229				9,015
Year Ended August 30, 1997:					
Reserve for warranty claims	\$14,152	\$40,303		\$35,333 (1)	\$19,122
Other reserves	9,015				11,227
Year Ended August 29, 1998:					
Reserve for warranty claims	\$19,122	\$58,511		\$56,847 (1)	\$20,786
Other reserves	11,227				14,296

(1) Cost of product for warranty replacements, net of salvage and amounts collected from customers.

EXHIBIT INDEX

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21.1 Subsidiaries of the Registrant.**

23.1 Consent of Ernst & Young LLP.

*Management contract or compensatory plan or arrangement.

**Previously filed.

The following pages are excerpted from AutoZone, Inc.'s Annual Report to Stockholders for the fiscal year ended August 29, 1998.

TEN-YEAR REVIEW

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

	5-Year Compound Growth	10-Year Compound Growth	Fiscal Year Ended August	
			1998	1997
INCOME STATEMENT DATA				
Net sales.....	22%	22%	\$3,242,922	\$2,691,440
Cost of sales, including warehouse and delivery expenses.....			1,889,847	1,559,296
Operating, selling, general and administrative expenses.....			970,768	810,793
Operating profit.....	22%	36%	382,307	321,351
Interest income (expense).....			(18,204)	(8,843)
Income before income taxes.....	21%	45%	364,103	312,508
Income taxes.....			136,200	117,500
Net income.....	21%	47%	\$ 227,903	\$ 195,008
Diluted earnings per share.....	20%	44%	\$ 1.48	\$ 1.28
Adjusted weighted average shares for diluted earnings per share.....			154,070	152,535

BALANCE SHEET DATA

Current assets.....	\$1,117,090	\$ 778,802
Working capital.....	257,261	186,350
Total assets.....	2,748,113	1,884,017
Current liabilities.....	859,829	592,452
Debt.....	545,067	198,400
Stockholders' equity.....	1,302,057	1,075,208

SELECTED OPERATING DATA

Number of auto parts stores at beginning of year.....	1,728	1,423
New stores.....	952	308
Replacement stores.....	12	17
Closed stores.....	23	3
Net new stores.....	929	305
Number of auto parts stores at end of year.....	2,657	1,728
Total auto parts store square footage (000's).....	16,499	11,611
Percentage increase in auto parts square footage.....	42%	23%
Percentage increase in auto parts comparable store net sales.....	2%	8%
Average net sales per auto parts store (000's).....	\$ 1,568	\$ 1,691
Average net sales per auto parts store square foot.....	\$ 238	\$ 253
Total employment.....	38,526	28,700
Gross profit - percentage of sales.....	41.7%	42.0%
Operating profit - percentage of sales.....	11.8%	11.9%
Net income - percentage of sales.....	7.0%	7.2%
Debt-to-capital - percentage.....	29.5%	15.6%
Inventory turnover.....	2.3x	2.5x
Return on average equity.....	19%	20%

Ten-Year Review
(in thousands, except per share data and selected operating data)

	Fiscal Year Ended August			
	1996*	1995	1994	1993
INCOME STATEMENT DATA				
Net sales.....	\$2,242,633	\$1,808,131	\$1,508,029	\$1,216,793
Cost of sales, including warehouse and delivery expenses.....	1,307,638	1,057,033	886,068	731,971
Operating, selling, general and administrative expenses.....	666,061	523,440	431,219	344,060
Operating profit.....	268,934	227,658	190,742	140,762
Interest income (expense).....	(1,969)	623	2,244	2,473
Income before income taxes.....	266,965	228,281	192,986	143,235
Income taxes.....	99,800	89,500	76,600	56,300
Net income.....	\$ 167,165	\$ 138,781	\$ 116,386	\$ 86,935
Diluted earnings per share.....	\$ 1.11	\$ 0.93	\$ 0.78	\$ 0.59
Adjusted weighted average shares for diluted earnings per share.....	151,238	149,302	148,726	147,608
BALANCE SHEET DATA				
Current assets.....	\$ 613,097	\$ 447,822	\$ 424,402	\$ 378,467
Working capital.....	219	30,273	85,373	92,331
Total assets.....	1,498,397	1,111,778	882,102	696,547
Current liabilities.....	612,878	417,549	339,029	286,136
Debt.....	94,400	13,503	4,252	4,458
Stockholders' equity.....	865,582	684,710	528,377	396,613
SELECTED OPERATING DATA				
Number of auto parts stores at beginning of year.....	1,143	933	783	678
New stores.....	280	210	151	107
Replacement stores.....	31	29	20	20
Closed stores.....	0	0	1	2
Net new stores.....	280	210	150	105
Number of auto parts stores at end of year.....	1,423	1,143	933	783
Total auto parts store square footage (000's).....	9,437	7,480	5,949	4,839
Percentage increase in auto parts square footage.....	26%	26%	23%	20%
Percentage increase in auto parts comparable store net sales.....	6%	6%	9%	9%
Average net sales per auto parts store (000's).....	\$ 1,702	\$ 1,742	\$ 1,758	\$ 1,666
Average net sales per auto parts store square foot.....	\$ 258	\$ 269	\$ 280	\$ 274
Total employment.....	26,800	20,200	17,400	15,700
Gross profit - percentage of sales.....	41.7%	41.5%	41.2%	39.8%
Operating profit - percentage of sales.....	12.0%	12.6%	12.6%	11.5%
Net income - percentage of sales.....	7.5%	7.7%	7.7%	7.1%
Debt-to-capital - percentage.....	9.8%	1.9%	0.8%	1.1%
Inventory turnover.....	2.7x	2.9x	3.0x	3.2x
Return on average equity.....	22%	23%	25%	26%

	Fiscal Year Ended August			
	1992	1991*	1990	1989
INCOME STATEMENT DATA				
Net sales.....	\$1,002,327	\$817,962	\$671,725	\$535,843
Cost of sales, including warehouse and delivery expenses.....	602,956	491,261	416,846	341,130
Operating, selling, general and administrative expenses.....	295,701	247,355	205,609	169,786
Operating profit.....	103,670	79,346	49,270	24,927
Interest income (expense).....	818	(7,295)	(10,936)	(9,799)
Income before income taxes.....	104,488	72,051	38,334	15,128
Income taxes.....	41,200	27,900	14,840	6,200
Net income.....	\$ 63,288	\$ 44,151	\$ 23,494	\$ 8,928
Diluted earnings per share.....	\$ 0.43	\$ 0.33	\$ 0.19	\$ 0.07
Adjusted weighted average shares for diluted earnings per share.....	145,940	134,656	121,212	119,320
BALANCE SHEET DATA				
Current assets.....	\$ 279,350	\$233,439	\$191,736	\$177,824
Working capital.....	72,270	55,807	26,803	35,831
Total assets.....	501,048	397,776	327,368	296,546
Current liabilities.....	207,080	177,632	164,933	141,993
Debt.....	7,057	7,246	74,851	93,293

Stockholders' equity.....	278,120	204,628	80,356	54,592
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SELECTED OPERATING DATA

Number of auto parts stores at beginning of year.....	598	538	504	440
New stores.....	82	60	38	70
Replacement stores.....	14	4	7	7
Closed stores.....	2	0	4	6
Net new stores.....	80	60	34	64
Number of auto parts stores at end of year.....	678	598	538	504
Total auto parts store square footage (000's).....	4,043	3,458	3,031	2,758
Percentage increase in auto parts square footage.....	17%	14%	10%	19%
Percentage increase in auto parts comparable store net sales.....	15%	12%	13%	10%
Average net sales per auto parts store (000's).....	\$ 1,570	\$ 1,408	\$ 1,289	\$ 1,135
Average net sales per auto parts store square foot.....	\$ 267	\$ 246	\$ 232	\$ 211
Total employment.....	13,200	11,700	9,300	7,900
Gross profit - percentage of sales.....	39.8%	39.9%	37.9%	36.6%
Operating profit - percentage of sales.....	10.3%	9.7%	7.3%	4.6%
Net income - percentage of sales.....	6.3%	5.4%	3.5%	1.7%
Debt-to-capital - percentage.....	2.5%	3.4%	48.2%	63.1%
Inventory turnover.....	3.0x	2.6x	2.4x	2.4x
Return on average equity.....	26%	31%	35%	18%

Fiscal Year
Ended August

1988

INCOME STATEMENT DATA

Net sales.....	\$437,399
Cost of sales, including warehouse and delivery expenses.....	277,043
Operating, selling, general and administrative expenses.....	142,868
Operating profit.....	17,488
Interest income (expense).....	(8,826)
Income before income taxes.....	8,662
Income taxes.....	3,770
Net income.....	\$ 4,892
Diluted earnings per share.....	\$ 0.04
Adjusted weighted average shares for diluted earnings per share.....	119,936

BALANCE SHEET DATA

Current assets.....	\$137,098
Working capital.....	35,226
Total assets.....	232,977
Current liabilities.....	101,872
Debt.....	77,138
Stockholders' equity.....	45,608

SELECTED OPERATING DATA

Number of auto parts stores at beginning of year.....	396
New stores.....	47
Replacement stores.....	1
Closed stores.....	3
Net new stores.....	44
Number of auto parts store at end of year.....	440
Total auto parts store square footage (000's).....	2,318
Percentage increase in auto parts square footage.....	14%
Percentage increase in auto parts comparable store net sales.....	6%
Average net sales per auto parts store (000's).....	\$ 1,046
Average net sales per auto parts store square foot.....	\$ 201
Total employment.....	7,100
Gross profit - percentage of sales.....	36.6%
Operating profit - percentage of sales.....	4.0%
Net income - percentage of sales.....	1.1%
Debt-to-capital - percentage.....	62.8%
Inventory turnover.....	2.3x
Return on average equity.....	11%

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

QUARTERLY SUMMARY
(Unaudited)

	Twelve Weeks Ended			Sixteen Weeks Ended
	(in thousands, except per share data)			
	November 22, 1997	February 14, 1998	May 9, 1998	August 29, 1998
Net sales	\$675,274	\$607,097	\$743,661	\$1,216,890
Increase in comparable store sales	7%	2%	2%	0%
Gross profit	\$280,441	\$253,681	\$311,080	\$ 507,873
Operating profit	78,648	58,082	90,457	155,120
Income before income taxes	76,146	55,054	86,240	146,663
Net income	47,546	34,354	53,940	92,063
Basic earnings per share	0.31	0.23	0.35	0.60
Diluted earnings per share	0.31	0.22	0.35	0.60
Stock price range:				
High	\$ 32.75	\$ 32.06	\$ 36.25	\$ 38.00
Low	\$ 27.00	\$ 23.75	\$ 29.00	\$ 26.63
	November 23, 1996	February 15, 1997	May, 10 1997	August 30, 1997
Net sales	\$569,145	\$538,012	\$637,895	\$ 946,388
Increase in comparable store sales	7%	10%	7%	8%
Gross profit	\$240,298	\$226,956	\$268,975	\$ 395,915
Operating profit	61,898	49,217	76,775	133,461
Income before income taxes	60,725	47,107	74,103	130,573
Net income	37,975	29,407	46,103	81,523
Basic earnings per share	0.25	0.20	0.31	0.54
Diluted earnings per share	0.25	0.19	0.30	0.53
Stock price range:				
High	\$ 30.63	\$ 27.50	\$ 26.13	\$ 29.50
Low	\$ 24.50	\$ 20.13	\$ 22.25	\$ 22.25

Financial Review

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

	Fiscal Year Ended		
	August 29, 1998	August 30, 1997	August 31, 1996
Net sales	100.0%	100.0%	100.0%
Cost of sales, including warehouse and delivery expenses	58.3	58.0	58.3
Gross profit	41.7	42.0	41.7
Operating, selling, general and administrative expenses	29.9	30.1	29.7
Operating profit	11.8	11.9	12.0
Interest expense - net	0.6	0.3	0.1
Income taxes	4.2	4.4	4.4
Net income	7.0%	7.2%	7.5%

RESULTS OF OPERATIONS

For an understanding of the significant factors that influenced the Company's performance during the past three fiscal years, the following Financial Review should be read in conjunction with the consolidated financial statements presented in this annual report.

FISCAL 1998 COMPARED TO FISCAL 1997

Net sales for fiscal 1998 increased by \$551.5 million or 20.5% over net sales for fiscal 1997. This increase was due to a comparable store net sales increase of 2% (which was primarily due to sales growth in the Company's newer auto parts stores and the added sales of the Company's commercial program) and an increase in net sales of \$485.7 million for stores opened or acquired since the beginning of fiscal 1997. At August 29, 1998, the Company had 2,657 auto parts stores in operation, a net increase of 929 stores, including the acquisition of 112 and 560 auto parts stores acquired in February and June 1998 respectively.

Gross profit for fiscal 1998 was \$1,353.1 million, or 41.7% of net sales, compared with \$1,132.1 million, or 42.0% of net sales, for fiscal 1997. The decrease in gross profit percentage was due primarily to lower commodities gross margins coupled with lower gross margins in certain recently acquired stores.

Operating, selling, general and administrative expenses for fiscal 1998 increased by \$160.0 million over such expenses for fiscal 1997 and decreased as a percentage of net sales from 30.1% to 29.9%. The decrease in the expense ratio was primarily due to commercial expense leverage and additional cooperative advertising funds received from vendors partially offset by higher occupancy costs primarily in recently acquired stores.

Net interest expense for fiscal 1998 was \$18.2 million compared with \$8.8 million for fiscal 1997. The increase in interest expense was primarily due to higher levels of borrowings as a result of the acquisitions.

AutoZone's effective income tax rate was 37.4% of pre-tax income for fiscal 1998 and 37.6% for fiscal 1997.

FISCAL 1997 COMPARED TO FISCAL 1996

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

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

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

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

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

FINANCIAL MARKET RISK

Financial market risks relating to the Company's operations result primarily from changes in interest rates. The Company enters into interest rate swaps to minimize the risk associated with its financing activities. The swap agreements are contracts to exchange fixed or variable rates for floating interest rate payments periodically over the life of the instruments.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary capital requirements have been the funding of its continued new store expansion program, inventory requirements and more recently, acquisitions. The Company has opened or acquired 1,874 net new auto parts stores and constructed four new distribution centers from the beginning of fiscal 1994 to August 29, 1998. Cash flow generated from store operations provides the Company with a significant source of liquidity. Net cash provided by operating activities was \$366.8 million in fiscal 1998, \$177.6 million in fiscal 1997, and \$174.9 million in fiscal 1996. The significant increase in net cash provided by operating activities in fiscal 1998 is due primarily to improved inventory turnover, excluding acquisitions, coupled with favorable payment terms.

In fiscal 1998, the Company invested \$337.2 million in capital assets and had a net cash outlay of \$365.5 million for acquisitions including the retirement of the acquired companies' debt. Acquisitions included Chief Auto Parts, with stores primarily in California, Auto Palace, with stores primarily in the Northeast, and a truck parts chain, TruckPro. Capital expenditures were \$337.2 million in fiscal 1998, \$295.4 million in fiscal 1997, and \$280.2 million in fiscal 1996. The Company opened or acquired 929 net new auto parts stores and 43 truck parts stores in fiscal 1998. Construction commitments totaled approximately \$76 million at August 29, 1998.

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

In July 1998, the Company sold \$200 million of 6.5% Debentures due July 15, 2008 at a discount. Interest on the Debentures is payable semi-annually on January 15 and July 15 of each year, beginning January 15, 1999. The Debentures may be redeemed at any time at the option of the Company. Proceeds were used to repay portions of the Company's long-term variable rate bank debt and for general corporate purposes.

The Company has a commercial paper program that allows borrowing up to \$500 million. As of August 29, 1998, there were borrowings of \$305 million outstanding under the program. In connection with the program, the Company has a credit facility with a group of banks for up to \$350 million and a 364-day \$150 million credit facility with another group of banks. Borrowings under the commercial paper program reduce availability under the credit facilities. As of August 29, 1998, the Company had \$34 million outstanding under the \$350 million credit facility which expires in December 2001. There were no amounts outstanding under the \$150 million credit facility at August 29, 1998. Both of the revolving credit facilities contain a covenant limiting the amount of debt the Company may incur relative to its total capitalization.

In fiscal 1998, the Company announced plans to repurchase up to \$100 million of the Company's common stock in the open market. Under this plan, in fiscal 1998 the Company repurchased nearly one million shares of its common stock for \$28.7 million.

Subsequent to year end, the Company announced an agreement to acquire real estate and real estate leases for approximately 100 Express auto parts stores from Pep Boys for approximately \$108 million. If consummated, the transaction would not have a material impact on the fiscal 1999 financial position or consolidated operating results.

The Company anticipates that it will rely primarily on internally generated funds to support a majority of its capital expenditures, working capital requirements, and treasury stock repurchases. The balance will be funded through borrowings. The Company anticipates no difficulty in obtaining such long-term financing in view of its credit rating and favorable experiences in the debt market in the past. In addition to the available credit lines mentioned above, the Company may sell up to \$200 million of public debt under shelf registration statements filed with the Securities and Exchange Commission.

YEAR 2000 CONVERSION

The Company began addressing the Year 2000 issue in June 1996 and implemented a formal Year 2000 project office in May 1997. As of August 29, 1998, the Company had completed over half of its conversion efforts. The Company anticipates completing the conversion and testing of all known remaining programs by July 31, 1999.

The total estimated cost of the Year 2000 project is \$12 million, which is being expensed as incurred. As of August 29, 1998, approximately \$3 million of the \$12 million cost of conversion had been incurred. All of the related costs

are being funded through operating cash flows. These costs are an immaterial part of the overall information technology budget. No major information technology projects or programs have been deferred.

In addition to internal system activities, the Company is addressing Year 2000 issues which do not normally fall under information technology such as embedded chip equipment and the compliance status of business partners. Although the Company believes that the ongoing assessment and testing will minimize the Company's risks, there is no guarantee that there will not be an adverse effect on the Company if third parties, such as merchandise vendors, service providers, or utility companies are not Year 2000 compliant.

Although the Company does not anticipate any major business disruptions as a result of Year 2000 issues, it is possible that certain disruptions may occur including loss of communications with stores, distribution centers, or business partners; inability to process transactions in a timely manner or loss of power. The Company is currently developing contingency plans which should be finalized by July 31, 1999. Elements of the Company's contingency plans may include: switching vendors, back-up systems or manual processes, and the stockpiling of certain products prior to the Year 2000.

The cost of conversion and the completion date are based on management's best estimates and may be updated as additional information becomes available.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 130, "Reporting Comprehensive Income," and No. 131, "Disclosures about Segments of an Enterprise and Related Information." In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosure about Pensions and Other Postretirement Benefits." All statements are effective for financial statements issued for fiscal years beginning after December 15, 1997. The Company plans to adopt all three statements in the 1999 fiscal year.

SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components. Adoption of this statement will have no impact on the Company's consolidated financial position or results of operations.

SFAS No. 131 revises existing guidelines about the level of financial disclosure of a Company's operations by requiring inclusion of selected information about operating segments in financial statements. The adoption of this statement requires only additional reporting and will not have an impact on the Company's reported results.

SFAS No. 132 establishes standards for the reporting of information about pensions and other postretirement benefits. Adoption of this statement will not materially change the Company's current reporting of pension and other postretirement benefits.

INFLATION

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

SEASONALITY AND QUARTERLY PERIODS

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

Each of the first three quarters of AutoZone's fiscal year consists of twelve weeks and the fourth quarter consists of sixteen weeks. Because the fourth quarter contains the seasonally high sales volume and consists of sixteen weeks, compared to twelve weeks for each of the first three quarters, the Company's fourth quarter represents a disproportionate share of the annual net sales and net income. The fourth quarter of fiscal 1998 represented 37.5% of annual net sales and 40.4% of net income; the fourth quarter of fiscal 1997 represented 35.2% of annual net sales and 41.8% of net income.

FORWARD LOOKING STATEMENTS

Certain statements contained in the Financial Review and elsewhere in this annual report are forward-looking statements. These statements discuss, among other things, expected growth, domestic and international development and expansion strategy, business strategies, future revenues and future performance. The forward-looking statements are subject to risks, uncertainties and assumptions including, but not limited to competition, product demand, domestic and international economies, government approvals and regulations, the ability to hire and retain qualified employees, the ability to convert acquired stores in a timely and profitable manner, inflation and the weather. Actual results may materially differ from anticipated results.

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended		
	August 29, 1998 (52 Weeks)	August 30, 1997 (52 Weeks)	August 31, 1996 (53 Weeks)
	(in thousands, except per share data)		
Net sales	\$3,242,922	\$2,691,440	\$2,242,633
Cost of sales, including warehouse and delivery expenses	1,889,847	1,559,296	1,307,638
Operating, selling, general and administrative expenses	970,768	810,793	666,061
-----	-----	-----	-----
Operating profit	382,307	321,351	268,934
Interest expense - net	18,204	8,843	1,969
-----	-----	-----	-----
Income before income taxes	364,103	312,508	266,965
Income taxes	136,200	117,500	99,800
-----	-----	-----	-----
Net income	\$ 227,903	\$ 195,008	\$ 167,165
-----	-----	-----	-----
Weighted average shares for basic earnings per share	152,160	150,726	148,476
Effect of dilutive stock options	1,910	1,809	2,762
-----	-----	-----	-----
Adjusted weighted average shares for diluted earnings per share	154,070	152,535	151,238
-----	-----	-----	-----
Basic earnings per share	\$ 1.50	\$ 1.29	\$ 1.13
-----	-----	-----	-----
Diluted earnings per share	\$ 1.48	\$ 1.28	\$ 1.11
-----	-----	-----	-----

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

	August 29, 1998	August 30, 1997

(in thousands, except per share data)		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 6,631	\$ 4,668
Accounts receivable	42,252	18,713
Merchandise inventories	966,560	709,446
Prepaid expenses	37,532	20,987
Deferred income taxes	61,964	24,988
Income taxes receivable	2,151	

Total current assets	1,117,090	778,802
Property and equipment:		
Land	320,203	243,587
Buildings and improvements	851,083	682,710
Equipment	374,465	267,536
Leasehold improvements and interests	82,273	45,667
Construction in progress	150,461	97,411

	1,778,485	1,336,911
Less accumulated depreciation and amortization	350,979	255,783

	1,427,506	1,081,128
Other assets:		
Cost in excess of net assets acquired, net of accumulated amortization of \$9,096 in 1998 and \$8,084 in 1997	181,315	16,570
Deferred income taxes	3,510	4,339
Other assets	18,692	3,178

	203,517	24,087

	\$2,748,113	\$1,884,017

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 683,372	\$ 449,793
Accrued expenses	176,457	122,580
Income taxes payable		20,079

Total current liabilities	859,829	592,452
Long-term debt	545,067	198,400
Other liabilities	41,160	17,957
Commitments and contingencies (See notes G and H)		
Stockholders' equity:		
Preferred Stock, authorized 1,000 shares; no shares issued		
Common Stock, par value \$.01 per share, authorized 200,000 shares; 153,039 shares issued and 152,086 shares outstanding in 1998 and 151,313 issued and outstanding shares in 1997	1,530	1,513
Additional paid-in-capital	277,528	249,853
Retained earnings	1,051,745	823,842
Treasury stock, at cost	(28,746)	

Total stockholders' equity	1,302,057	1,075,208

	\$2,748,113	\$1,884,017

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended		
	August 29, 1998 (52 Weeks)	August 30, 1997 (52 Weeks)	August 31, 1996 (53 Weeks)
	(in thousands)		
Cash flows from operating activities:			
Net income	\$ 227,903	\$ 195,008	\$ 167,165
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	95,464	77,163	62,919
Amortization of intangible and other assets	1,135	658	622
Deferred income tax expense (benefit)	20,241	(7,781)	6,082
Net increase in accounts receivable and prepaid expenses	(15,260)	(5,009)	(7,564)
Net increase in merchandise inventories	(47,285)	(153,552)	(158,673)
Net increase in accounts payable and accrued expenses	127,683	66,155	94,916
Net change in income taxes payable and receivable	(22,230)	7,819	6,493
Net change in other assets and liabilities	(20,813)	(2,898)	2,930
Net cash provided by operating activities	366,838	177,563	174,890
Cash flows from investing activities:			
Acquisitions	(100,031)		
Capital expenditures	(337,202)	(295,417)	(280,237)
Net cash used in investing activities	(437,233)	(295,417)	(280,237)
Cash flows from financing activities:			
Repayment of acquired companies' debt	(265,429)		
Increase in commercial paper	305,000		
Proceeds from debentures	197,751		
Net increase (decrease) in revolver	(164,350)	104,000	84,900
Repayment of long-term debt			(4,003)
Net proceeds from sale of Common Stock, including related tax benefit	27,692	14,618	17,699
Purchase of Treasury Stock	(28,746)		
Other	173		
Net cash provided by financing activities	72,091	118,618	98,596
Net increase (decrease) in cash and cash equivalents	1,696	764	(6,751)
Cash and cash equivalents at beginning of year	4,668	3,904	6,411
Cash provided by acquisitions/mergers	267		4,244
Cash and cash equivalents at end of year	\$ 6,631	\$ 4,668	\$ 3,904
Supplemental cash flow information:			
Interest paid, net of interest cost capitalized	\$ 17,042	\$ 8,779	\$ 1,971
Income taxes paid	\$ 122,529	\$ 109,681	\$ 69,791

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
(in thousands)					
Balance at August 26, 1995	\$1,471	\$196,625	\$ 486,614	\$ --	\$ 684,710
Net income			167,165		167,165
Equity of pooled entity (issued 1,697 shares)	17	20,936	(24,945)		(3,992)
Sale of 1,386 shares of Common Stock under stock option and stock purchase plans	13	6,836			6,849
Tax benefit of exercise of stock options		10,850			10,850
Balance at August 31, 1996	1,501	235,247	628,834		865,582
Net income			195,008		195,008
Sale of 1,176 shares of Common Stock under stock option and stock purchase plans	12	7,676			7,688
Tax benefit of exercise of stock options		6,930			6,930
Balance at August 30, 1997	1,513	249,853	823,842		1,075,208
Net income			227,903		227,903
Sale of 1,726 shares of Common Stock under stock option and stock purchase plans	17	11,475			11,492
Tax benefit of exercise of stock options		16,200			16,200
Purchase of 953 shares of Treasury Stock				(28,746)	(28,746)
Balance at August 29, 1998	\$1,530	\$277,528	\$ 1,051,745	\$ (28,746)	\$ 1,302,057

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note A - Significant Accounting Policies

Business: The Company is principally a specialty retailer of automotive parts and accessories. At the end of fiscal 1998, the Company operated 2,657 auto parts stores in 38 states. In addition, the Company sells heavy duty truck parts and accessories through its 43 TruckPro stores in 14 states and automotive diagnostic and repair information software through its ALLDATA subsidiary.

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

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

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

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

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

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

Advertising Costs: The Company expenses advertising costs as incurred. Advertising expense, net of vendor rebates, was approximately \$30,109,000 in fiscal 1998, \$27,271,000 in fiscal 1997 and \$25,442,000 in fiscal 1996.

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

Financial Instruments: The Company has certain financial instruments which include cash, accounts receivable and accounts payable. The carrying amounts of these financial instruments approximate fair value because of their short maturities or variable interest rates. The Company uses derivative financial instruments for purposes other than trading to minimize the risk associated with financing activities. Settlements of interest rate swaps are accounted for by recording the net interest received or paid as an adjustment to interest expense on a current basis. Gains or losses resulting from market movements are not recognized. Contracts that effectively meet risk reduction and correlation criteria are recorded using hedge accounting. Hedges of anticipated transactions are deferred and recognized when the hedged transaction occurs.

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

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

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

Net Income Per Share: In fiscal 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share." SFAS No. 128 replaces primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effect of options. Diluted earnings per share is based on the weighted average outstanding shares reduced by the effect of stock options. All earnings per share amounts for all periods presented have been restated to conform with SFAS No. 128 requirements.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year presentation.

Impairment of Long-Lived Assets: The Company complies with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, in general, long-lived assets and certain identifiable intangibles to be disposed of should be reported at the lower of carrying amount or fair value less cost to sell.

Comprehensive Income: In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 is effective for interim and annual periods beginning after December 15, 1997, although earlier adoption is permitted. This statement establishes standards for reporting and display of comprehensive income and its components.

This statement requires only additional reporting, therefore its adoption in fiscal 1999 will have no effect on the Company's results of operations or financial position.

Disclosures about Segments of an Enterprise and Related Information: In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Statement No. 131 revises existing guidelines for financial disclosure of a Company's operations and is effective for fiscal years beginning after December 15, 1997, although earlier application is permitted. The adoption of this statement requires only additional reporting and will not have any effect on the Company's consolidated financial position or results of operations. The Company will adopt this statement in fiscal 1999.

Pensions and Other Postretirement Benefits: In February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." Although earlier adoption is permitted, this statement is effective for periods beginning after December 15, 1997. SFAS No. 132 establishes new standards for the reporting of information about pension and other postretirement benefits. Adoption of SFAS No. 132 should not result in any significant changes in the Company's presentation of pension and other postretirement benefits. The Company will adopt SFAS No. 132 in fiscal 1999.

Note B - Accrued Expenses

Accrued expenses consist of the following:

	August 29, 1998	August 30, 1997

(in thousands)		
Medical and casualty insurance claims	\$ 40,640	\$ 35,121
Accrued compensation and related payroll taxes	37,684	26,481
Property and sales taxes	38,506	27,161
Other	59,627	33,817
	-----	-----
	\$176,457	\$122,580
	=====	=====

Note C - Income Taxes

At August 29, 1998, the Company has net operating loss carryforwards (NOLs) of approximately \$60 million that expire in years 2000 through 2018. These carryforwards resulted from the Company's acquisition of ALLDATA Corporation during fiscal 1996 and Chief Auto Parts Inc. and ADAP, Inc. (which had been doing business as "Auto Palace") in fiscal 1998. The use of the NOLs is limited to future taxable earnings of these companies and is subject to annual limitations. A valuation allowance of \$15,902,000 in fiscal 1998 and \$5,247,000 in fiscal 1997 relates to those carryforwards.

The provision for income tax expense (benefit) consists of the following:

	Year Ended		
	August 29, 1998	August 30, 1997	August 31, 1996

(in thousands)			
Current:			
Federal	\$103,810	\$114,113	\$86,469
State	12,149	11,168	7,249
	-----	-----	-----
	115,959	125,281	93,718
Deferred:			
Federal	19,665	(6,427)	5,531
State	576	(1,354)	551
	-----	-----	-----
	20,241	(7,781)	6,082
	-----	-----	-----
	\$136,200	\$117,500	\$99,800
	=====	=====	=====

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

	August 29, 1998	August 30, 1997

(in thousands)		
Deferred tax assets:		
Net operating loss and credit carryforwards	\$26,303	\$ 5,247
Insurance reserves	13,847	12,078
Warranty reserves	7,778	7,171
Deferred lease expense	6,694	6,694
Accrued vacation	4,387	2,537
Other	29,690	9,823
	-----	-----
	88,699	36,856
Less valuation allowance	15,902	5,247
	-----	-----
	72,797	31,609
	=====	=====

Deferred tax liabilities:		
Property and equipment	4,104	
Accrued property taxes	3,219	2,282
	-----	-----
	7,323	2,282
	-----	-----
Net deferred tax assets	\$65,474	\$29,327
	=====	=====

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

	Year Ended		
	August 29,	August 30,	August 31,
	1998	1997	1996
	-----	-----	-----
	(in thousands)		
Expected tax at statutory rate	\$127,436	\$109,378	\$93,438
State income taxes, net	8,271	6,379	5,070
Other	493	1,743	1,292
	-----	-----	-----
	\$136,200	\$117,500	\$99,800
	=====	=====	=====

Note D - Financing Arrangements

The Company's long-term debt at the end of fiscal 1998 and 1997 consisted of the following:

	August 29,	August 30,
	1998	1997
	-----	-----
	(in thousands)	
6.5% Debentures due July 15, 2008; redeemable at any time at the option of the Company	\$200,000	\$
Commercial paper, 5.7% weighted average rate	305,000	
Unsecured bank loan, floating interest rate averaging 5.8% at August 29, 1998 and August 30, 1997; payable in December 2001	34,050	198,400
Other	6,017	
	-----	-----
Total long term debt	\$545,067	\$198,400
	=====	=====

In July 1998, the Company sold \$200 million of 6.5% Debentures due July 15, 2008 at a discount. Interest on the Debentures is payable semi-annually on January 15 and July 15 of each year, beginning January 15, 1999. Proceeds were used to repay portions of the Company's long-term variable rate bank debt and for general corporate purposes.

The Company has a commercial paper program that allows borrowing up to \$500 million. As of August 29, 1998, there were borrowings of \$305 million outstanding under the program. In connection with the program, the Company has a credit facility with a group of banks for up to \$350 million and a 364-day \$150 million credit facility with another group of banks. Borrowings under the commercial paper program reduce availability under the credit facilities. There were no amounts outstanding under the \$150 million credit facility at August 29, 1998. Outstanding commercial paper and revolver borrowings at August 29, 1998 are classified as long-term debt as it is the Company's intention to refinance them on a long-term basis.

The rate of interest payable under the revolving credit agreements is a function of the London Interbank Offered Rate (LIBOR) or the lending bank's base rate (as defined in the agreement) at the option of the Company. In addition, the \$350 million credit facility contains a competitive bid rate option. Both of the revolving credit facilities contain a covenant limiting the amount of debt the Company may incur relative to its total capitalization. These facilities are available to support domestic commercial paper borrowings and to meet cash requirements.

Maturities of long-term debt are \$339 million for fiscal 2002 and \$206 million thereafter.

Interest costs of \$2,280,000 in fiscal 1998, \$2,119,000 in fiscal 1997, and \$2,416,000 in fiscal 1996 were capitalized.

The estimated fair value of the 6.5% Debentures, which are publicly traded, was approximately \$199 million based on the market price at August 29, 1998. The estimated fair values of all other long-term borrowings approximates their carrying value primarily because of their variable interest rates.

Note E - Employee Stock Plans

The Company has granted options to purchase common stock to certain 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 generally exercisable over a three to seven year period, and generally expire in 10 years after the grant. A summary of outstanding stock options is as follows:

	Wtd. Avg.	Number
	Exercise Price	of Shares
	-----	-----
Outstanding August 26, 1995	\$14.77	9,503,981

Assumed	4.46	221,841
Granted	28.50	1,621,395
Exercised	4.55	(1,332,588)
Canceled	24.38	(254,873)

Outstanding August 31, 1996	17.96	9,759,756
Granted	22.69	2,707,370
Exercised	4.93	(1,032,989)
Canceled	25.54	(834,883)

Outstanding August 30, 1997	19.84	10,599,254
Granted	31.13	1,692,272
Exercised	7.39	(1,738,882)
Canceled	25.40	(795,780)

Outstanding August 29, 1998	\$23.56	9,756,864
=====		

The following table summarizes information about stock options outstanding at August 29, 1998:

Range of Exercise Price	No. of Options	Options Outstanding		Options Exercisable	
		Wtd. Avg. Exercise Price	Wtd. Avg. Contractual Life (in years)	No. of Options	Wtd. Avg. Exercise Price
\$ 1.00 - 9.17	1,053,319	\$ 4.47	2.44	1,044,403	\$ 4.47
14.31 - 22.69	1,454,961	18.96	7.48	294,961	14.31
22.88 - 25.13	2,325,478	24.70	7.22	117,203	25.13
25.25 - 27.25	2,130,191	25.92	6.11	380,943	25.31
27.38 - 35.13	2,792,915	30.40	8.58	105,000	28.30

\$ 1.00 - 35.13	9,756,864	\$23.56	6.89	1,942,510	\$12.59
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Options to purchase 1,942,510 shares at August 29, 1998, and 2,619,363 shares at August 30, 1997, were exercisable. Shares reserved for future grants were 2,699,468 shares at August 29, 1998, and 4,199,055 at August 30, 1997.

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

		Year Ended		
		August 29, 1998	August 30, 1997	August 31, 1996
Net Income (\$000)	As reported	\$227,903	\$195,008	\$167,165
	Pro forma	\$221,803	\$191,118	\$165,992
Basic Earnings per share	As reported	\$1.50	\$1.29	\$1.13
	Pro forma	\$1.46	\$1.27	\$1.12
Diluted Earnings per share	As reported	\$1.48	\$1.28	\$1.11
	Pro forma	\$1.44	\$1.26	\$1.10

The weighted-average fair value of the stock options granted during fiscal 1998 was \$12.17, during fiscal 1997 was \$9.26 and during fiscal 1996 was \$12.25. 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 1998, 1997 and 1996: expected price volatility of .34; risk-free interest rates ranging from 4.56 to 5.98 percent; and expected lives between 3.75 and 8.0 years.

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 regular payroll deductions. Annual purchases are limited to \$4,000 per employee. Under the plan, 232,389 shares were sold in fiscal 1998 and 308,141 shares were sold in fiscal 1997. The Company re-purchased 275,526 shares in fiscal 1998 and 168,362 shares in fiscal 1997 for sale under the plan. A total of 1,567,611 shares of Common Stock is reserved for future issuance under this plan.

During fiscal 1998, the Company adopted the 1998 Directors Stock Option Plan. Under the stock option plan, each non-employee director was automatically granted an option to purchase 1,000 shares of common stock on the plan's adoption date. Each non-employee director will receive additional options to purchase 1,000 shares of common stock on January 1 of each year. In addition, so 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 1,000 shares as of December 31 of each year.

In March 1998, the Company adopted the Directors Compensation Plan. Under

this 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 may be deferred in units with value equivalent to the value of shares of common stock as of the grant date ("stock appreciation rights").

Note F - 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.

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 plan's funded status and amounts recognized in the Company's financial statements (in thousands):

	August 29, 1998	August 30, 1997
Actuarial present value of accumulated benefit obligation, including vested benefits of \$36,338 in 1998 and \$22,005 in 1997	\$43,600	\$26,886
Projected benefit obligation for service rendered to date	\$53,971	\$42,687
Less plan assets at fair value, primarily stocks and cash equivalents	54,565	39,598
Projected benefit obligation in excess of (less than) plan assets	(594)	3,089
Unrecognized prior service cost	5,934	(289)
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	(9,282)	(3,721)
Unrecognized net asset		118
Accrued pension cost	\$(3,942)	\$ (803)

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

	Year Ended		
	August 29, 1998	August 30, 1997	August 31, 1996
Service cost of benefits earned during the year	\$7,001	\$6,034	\$4,580
Interest cost on projected benefit obligation	3,047	2,496	1,748
Actual return on plan assets	(7,241)	(5,616)	(3,677)
Net amortization and deferral	2,741	2,820	2,518
Net periodic pension cost	\$5,548	\$5,734	\$5,169

The actuarial present value of the projected benefit obligation was determined using weighted-average discount rates of 6.93% and 7.94% at August 29, 1998 and August 30, 1997, respectively. The assumed increases in future compensation levels were generally 5-10% based on age in fiscal 1998 and 6% in fiscal 1997 and 1996. The expected long-term rate of return on plan assets was 9.5%, 9.5% and 7% at August 29, 1998, August 30, 1997 and August 31, 1996, respectively. Prior service cost is amortized over the estimated average remaining service lives of the plan participants, and the unrecognized net experience gain or loss is amortized over five years.

During fiscal 1998, the Company established a defined contribution plan ("401(k)") pursuant to Section 401(k) of the Internal Revenue Code. The 401(k) covers substantially all employees that meet certain service requirements. The Company makes matching contributions, on an annual basis, up to specified percentages of employees' contributions as approved by the Board of Directors.

Note G - Leases

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

Rental expense was \$56,410,000 for fiscal 1998, \$39,078,000 for fiscal 1997 and \$30,626,000 for fiscal 1996. Percentage rentals were insignificant.

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

Year	Amount
1999	\$ 92,863
2000	85,232
2001	74,704
2002	60,080
2003	47,954
Thereafter	169,201

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Note H - Commitments and Contingencies

Construction commitments, primarily for new stores, totaled approximately \$76 million at August 29, 1998.

Chief, a wholly owned subsidiary of the Company, is a defendant in a class action entitled "Doug Winfrey, et al. on their own behalf and on behalf of a class and all others similarly situated, v. Chief Auto Parts Inc. et al." filed in The Superior Court of California, County of San Joaquin on August 22, 1995 and then transferred to The Superior Court of California, County of San Francisco on October 26, 1995. The Superior Court denied the plaintiff's motion for class certification on December 7, 1996. On February 6, 1998, the Court of Appeal reversed the Superior Court's order denying class certification. No substantive proceedings regarding the merits of this lawsuit have yet occurred.

The plaintiffs allege that Chief had a policy and practice of denying hourly employees in California mandated rest periods during their scheduled hours of work. The plaintiffs are seeking damages, restitution, disgorgement of profits, statutory penalties, declaratory relief, injunctive relief, prejudgment interest, and reasonable attorneys fees, expenses and costs. Management is unable to predict the outcome of this lawsuit at this time. The Company believes that the potential damages recoverable by any single plaintiff against Chief are minimal. However, if the plaintiff class were to prevail on all their claims, the amount of damages could be substantial. Chief is vigorously defending against this action.

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

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

Note I - Business Combinations

In February 1998, the Company acquired ADAP, Inc. ("Auto Palace"). The acquisition added 112 automotive parts and accessories stores in the Northeast. In May 1998, the Company acquired the assets and liabilities of TruckPro, L.P., including the service mark "TruckPro." The 43 TruckPro stores in 14 states specialize in the sale of heavy duty truck parts.

Additionally, in June 1998, the Company acquired Chief Auto Parts Inc. for approximately \$280 million, including the assumption of approximately \$205 million of indebtedness. Chief operated 560 auto parts stores primarily in California. The purchase price for Chief has been preliminarily allocated in the consolidated financial statements and the final adjustment may differ from the preliminary allocation.

Results of operations for acquisitions are included with the Company since each respective acquisition date. The purchase method of accounting for acquisitions was utilized for all transactions and, therefore, the acquired assets and liabilities were recorded at their estimated fair values at the date of acquisition. The goodwill associated with these transactions is being amortized over 40 years.

The fair value of the assets and liabilities recorded as a result of these transactions is as follows (in thousands):

Cash and cash equivalents	\$ 267
Receivables	22,786
Inventories	209,829
Property and equipment	104,640
Goodwill	166,013
Deferred income taxes	56,388
Accounts payable	(106,947)
Accrued liabilities	(52,826)
Debt	(271,273)
Other	(28,846)

Total cash purchase price	\$100,031
	=====

The following unaudited pro forma results of operations assume that the acquisitions and the related financing transactions occurred at the beginning of the periods presented.

	Year Ended	
	August 29, 1998	August 30, 1997

	(in thousands, except per share data)	
Net sales	\$3,758,700	\$3,397,300
Net income	\$ 221,200	\$ 189,200
Diluted earnings per share	\$ 1.44	\$ 1.24

The pro forma financial information is presented for informational purposes only and is not necessarily indicative of the operating results that would have occurred had the business combinations and related transactions been consummated

as of the above dates, nor is it necessarily indicative of future operating results.

Note J - Subsequent Event

The Company announced an agreement to acquire real estate and real estate leases for approximately 100 Express auto parts stores from Pep Boys for approximately \$108 million. The transaction is subject to various contingencies and is anticipated to be closed by the end of the first quarter of fiscal 1999. If consummated, the transaction would not have a material impact on the fiscal 1999 financial position or consolidated operating results.

REPORT OF INDEPENDENT AUDITORS

Stockholders
AutoZone, Inc.,

We have audited the accompanying consolidated balance sheets of AutoZone, Inc. as of August 29, 1998 and August 30, 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended August 29, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AutoZone, Inc. at August 29, 1998 and August 30, 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended August 29, 1998 in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Memphis, Tennessee
September 30, 1998

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K/A) of AutoZone, Inc. of our report dated September 30, 1998, included in the 1998 Annual Report to Stockholders of AutoZone, Inc.

Our audits also included the financial statement schedule of AutoZone, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-41308) pertaining to the AutoZone, Inc. Employee Stock Purchase Plan, the Registration Statement (Form S-8 and Form S-3 No. 33-41618) pertaining to the Amended and Restated Stock Option Plan of AutoZone, Inc., the Registration Statement (Form S-8 No. 333-19561) pertaining to the AutoZone, Inc. 1996 Stock Option Plan, the Registration Statement (Form S-8 No. 333-48979) pertaining to the AutoZone, Inc. Director Compensation Plan, the Registration Statement (Form S-8 No. 333-48981) pertaining to the AutoZone, Inc. 1998 Director Stock Option Plan and the Registration Statement (Form S-3 No. 333-58565), of our report dated September 30, 1998, with respect to the consolidated financial statements and schedule of AutoZone, Inc. incorporated by reference in this Annual Report (Form 10-K/A) for the year ended August 29, 1998.

/s/ Ernst & Young LLP

Memphis, Tennessee

March 1, 2002