



GENUINE PARTS COMPANY



2008 ANNUAL REPORT



Year	Net Sales	Income Before Income Taxes	Income Taxes	Net Income	Shareholders' Equity End of Year
1928	\$ 75,129	\$ -2,570	\$ -	\$ -2,570	\$ 38,756
1929	227,978	8,027	599	7,428	49,837
1930	339,732	15,666	1,158	14,508	60,591
1931	402,463	21,516	1,857	19,659	78,097
1932	482,525	16,839	2,787	14,052	90,187
1933	629,751	34,614	6,160	28,454	109,025
1934	904,580	52,115	10,159	41,956	149,176
1935	1,035,477	38,503	7,140	31,363	171,238
1936	1,299,185	70,234	13,187	57,047	185,119
1937	1,520,199	72,622	17,647	54,975	240,140
1938	1,858,252	78,305	18,185	60,120	358,621
1939	3,180,241	136,902	27,320	109,582	476,750
1940	3,928,342	176,301	50,505	125,796	623,521
1941	6,109,724	348,690	149,020	199,670	738,536
1942	6,592,707	337,252	204,234	133,018	859,449
1943	8,205,316	430,634	260,084	170,550	1,032,182
1944	10,084,893	489,547	310,082	179,465	1,202,955
1945	11,355,633	532,944	323,302	209,642	1,415,974
1946	19,237,291	1,621,541	650,060	971,481	2,379,001
1947	18,531,472	1,088,967	429,045	659,922	3,029,334
1948	20,729,280	1,176,590	438,498	738,092	4,005,910
1949	19,845,875	1,067,096	420,175	646,921	4,372,831
1950	24,447,042	1,454,832	636,275	818,557	4,966,086
1951	26,244,669	1,168,405	601,386	567,019	5,325,561
1952	28,468,962	1,416,235	744,330	671,905	5,647,553
1953	29,731,105	1,408,213	736,190	672,023	6,022,077
1954	30,744,504	1,642,148	864,331	777,817	6,449,894
1955	34,073,288	1,921,777	1,020,148	901,629	7,001,523
1956	41,325,377	2,473,384	1,309,667	1,163,717	7,815,241
1957	48,140,313	3,328,598	1,752,800	1,575,798	8,969,272
1958	56,504,293	4,251,175	2,261,582	1,989,593	10,807,320
1959	71,581,580	6,001,005	3,165,042	2,835,963	13,285,215
1960	75,010,726	5,661,551	2,988,000	2,673,551	14,967,697
1961	80,533,146	6,491,113	3,481,000	3,010,113	17,142,687
1962	90,248,450	7,107,524	3,795,000	3,312,524	19,213,273
1963	96,651,445	7,210,807	3,850,000	3,360,807	21,189,880
1964	120,313,692	9,324,827	4,620,000	4,704,827	29,268,289
1965	171,545,228	12,262,510	5,890,000	6,372,510	45,565,926
1966	175,132,785	12,409,363	6,030,000	6,379,363	47,308,163
1967	204,893,008	14,918,758	7,272,000	7,491,411	55,679,256
1968	245,443,798	19,330,334	10,362,000	8,794,941	63,649,275
1969	303,455,677	24,228,557	13,240,000	10,778,467	77,437,679
1970	340,036,395	28,163,228	14,600,000	13,290,852	85,290,945
1971	387,138,252	33,897,667	16,966,000	16,535,006	95,476,147
1972	450,500,768	36,104,767	18,200,000	17,567,931	108,053,465
1973	501,189,438	42,088,098	21,280,000	20,341,677	121,548,638
1974	572,833,282	50,234,298	25,408,000	24,005,057	137,156,965
1975	678,353,280	63,552,088	32,650,000	29,981,108	163,092,941
1976	846,192,692	79,321,897	40,538,000	37,763,166	206,861,402
1977	942,958,756	88,365,511	44,918,000	42,243,015	233,641,292
1978	1,148,632,000	105,070,000	53,429,000	50,263,000	275,127,000
1979	1,337,468,000	121,953,000	58,808,000	61,715,000	320,706,000
1980	1,431,713,000	133,996,000	64,545,000	67,833,000	359,889,000
1981	1,584,642,000	154,271,000	74,471,000	77,543,000	410,689,000
1982	1,936,524,000	193,560,000	92,552,000	100,167,000	581,915,000
1983	2,068,231,000	200,822,000	97,188,000	103,634,000	636,218,000
1984	2,303,594,000	234,713,000	115,046,000	119,667,000	701,113,000
1985	2,332,544,000	245,203,000	118,962,000	126,241,000	729,231,000
1986	2,394,072,000	240,565,000	119,013,000	121,552,000	758,493,000
1987	2,606,246,000	262,068,000	113,776,000	148,292,000	760,256,000
1988	2,941,963,000	290,445,000	109,072,000	181,373,000	863,159,000
1989	3,161,198,000	321,877,000	122,389,000	199,488,000	971,764,000
1990	3,319,394,000	333,219,000	126,623,000	206,596,000	1,033,100,000
1991	3,434,642,000	335,027,000	127,350,000	207,677,000	1,126,718,000
1992	3,668,814,000	353,998,000	134,210,000	219,788,000	1,235,366,000
1993	4,384,294,000	425,829,000	166,961,000	257,813,000	1,445,263,000
1994	4,858,415,000	474,868,000	186,320,000	288,548,000	1,526,165,000
1995	5,261,904,000	510,794,000	201,626,000	309,168,000	1,650,882,000
1996	5,697,592,000	545,233,000	215,157,000	330,076,000	1,732,054,000
1997	5,981,224,000	565,600,000	223,203,000	342,397,000	1,859,468,000
1998	6,587,576,000	589,117,000	233,323,000	355,794,000	2,053,332,000
1999	7,950,822,000	628,067,000	250,445,000	377,622,000	2,177,517,000
2000	8,369,857,000	646,750,000	261,427,000	385,323,000	2,260,806,000
2001	8,220,668,000	603,813,000*	242,289,000*	361,524,000*	2,345,123,000
2002	8,258,927,000	605,736,000	238,236,000	367,500,000**	2,130,009,000
2003	8,449,300,000	571,743,000	218,101,000	353,642,000**	2,312,283,000
2004	9,097,267,000	635,919,000	240,367,000	395,552,000	2,544,377,000
2005	9,783,050,000	709,064,000	271,630,000	437,434,000	2,693,957,000
2006	10,457,942,000	770,916,000	295,511,000	475,405,000	2,549,991,000
2007	10,843,195,000	816,745,000	310,406,000	506,339,000	2,716,716,000
2008	11,015,263,000	768,468,000	293,051,000	475,417,000	2,324,332,000

Financial information as reported in the Company's annual reports (includes discontinued operations) *Excludes facility consolidation and impairment charges **Excludes cumulative effect adjustment


Genuine Parts Company, founded in 1928, is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electrical/electronic materials. The Company serves numerous customers from more than 2,000 operations and has approximately 30,300 employees.

gpc net sales by segment

 48 percent

 32 percent

 16 percent

 4 percent

financial highlights

	2008	Increase/ Decrease	2007	Increase	2006
Net Sales	\$ 11,015,263,000	2%	\$10,843,195,000	4%	\$10,457,942,000
Income Before Income Taxes	768,468,000	-6%	816,745,000	6%	770,916,000
Income Taxes	293,051,000	-6%	310,406,000	5%	295,511,000
Net Income	475,417,000	-6%	506,339,000	7%	475,405,000
Shareholders' Equity	2,324,332,000	-14%	2,716,716,000	7%	2,549,991,000
Rate Earned on Shareholders' Equity at the Beginning of the Year	17.5%	-	19.9%	-	17.6%
Weighted Average Common Shares Outstanding- Assuming Dilution	162,986,000	-	170,135,000	-	172,486,000
Per Common Share:					
Diluted Net Income	\$2.92	-2%	\$2.98	8%	\$2.76
Dividends Declared	\$1.56	7%	\$1.46	8%	\$1.35

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automotive parts group

The Automotive Parts Group, the largest division of GPC, distributes automotive replacement parts, accessory items and service items.

This Group Operates:

In the U.S.:

- 58 NAPA Distribution Centers
- 4 Balkamp Distribution Centers
- 3 Rayloc Facilities
- 2 Altrom U.S. Import Parts Distribution Centers
- 1 TW Heavy Vehicle Parts Distribution Center
- 1,100 Company Owned NAPA AUTO PARTS stores
- 13 Traction Heavy Duty Parts stores

In Canada:

- 244 NAPA and Heavy Vehicle Facilities
- 15 Altrom Canada Import Parts Distribution Centers

In Mexico:

- 17 Auto Todo Facilities

In total, serves approx. 5,850 NAPA AUTO PARTS stores throughout the U.S. and over 680 wholesalers in Canada.

Market Emphasis:

Offers a broad assortment of automotive related products and services to both Wholesale/Do-it-for-Me and Retail/Do-it-Yourself customers.

Major Products:

- Access to over 380,000 items including:
- Automotive Replacement Parts
- Farm and Marine Supplies
- Paint and Refinishing Supplies
- Tools and Equipment
- Automotive Accessories
- Heavy Duty Parts

These products cover substantially all domestic and foreign motor vehicle models.

Web site: napaonline.com

Headquarters: Atlanta, GA



48% of total GPC sales

industrial parts group

The Industrial Parts Group offers access to nearly 3 million industrial replacement (MRO) parts. Customers represent virtually all industry segments, including: food; forest products; primary metal; paper; automotive; mining; energy; petrochemicals and pharmaceutical.

Locations in U.S., Puerto Rico and Canada:

- 10 Distribution Centers
- 472 Branches
- 36 Service Centers

Market Emphasis:

Serves well over 100,000 industrial companies throughout North America and in all industry segments.

Service Capabilities Include:

- 24/7/365 product delivery
- Application and design
- Repair and fabrication
- Inventory management and Logistics
- Quality processes (ISO) Training programs
- Technical expertise
- E-business technologies
- Asset repair tracking
- Storeroom and replenishment tracking

Major Products:

- Bearings
- Mechanical Power Transmission
- Industrial Automation
- Hose
- Hydraulic and Pneumatic Components
- Industrial Supply Products
- Material Handling

Web site: motionindustries.com

Headquarters: Birmingham, AL



32% of total GPC sales

office products group

The Office Products Group provides access to over 50,000 business products distributed from 45 distribution centers in the U.S. and Canada. Sells through a network of thousands of customers, including independent business product resellers, large contract stationers, national office supply superstores, mail order distributors and Internet resellers.

Locations:

38 Full-Stocking Distribution Centers
2 Furniture Only Distribution Centers
5 S.P. Richards Canada Distribution Centers

Market Emphasis:

Makes available for resale most products used in business or by business. Allows the Company's resellers to become the single source for the business products end user.

Major Products:

Filing and General Office Supplies
Office Furniture
Cleaning and Breakroom Supplies
Consumer Electronics
Technology Supplies and Accessories
School Supplies
Business Machines
Writing Instruments
Desk Accessories
Paper Products
Healthcare Supplies
Safety & Industrial Products

Proprietary Brands of Products:

Sparco office supply basics
Elite Image printer supplies
Lorell office furniture
Compucessory computer accessories
Nature Saver environmentally friendly products
Integra writing instruments
Genuine Joe cleaning and breakroom supplies
Atlantic Breeze & HeatRunner climate control products

Web site: sprichards.com

Headquarters: Atlanta, GA



16% of total GPC sales

electrical/electronics materials group

The Electrical/Electronic Materials Group distributes process materials, production supplies, industrial MRO and value added fabricated parts. Primary markets are the electrical OEM, apparatus repair and assembly markets. Products range from insulating and conductive materials, to assembly tools, test equipment, safety and shop supplies, industrial products, and customized parts.

Locations in U.S., Puerto Rico, Dominican Republic, Mexico and Canada:

33 Branches and 3 Fabrication Facilities

Market Emphasis:

By stocking a broad product line locally, offering a variety of inventory management solutions, and providing value-added custom-engineered products, EIS is positioned as the single source supplier to electrical and electronic assembly manufacturers throughout North America.

Major Products:

Supplies over 100,000 critical products including:
Adhesives, Silicone and Encapsulants
Magnet Wire
Hand Tools/Soldering Equipment
Pressure Sensitive Tapes
Static Control Products
EMI/RFI Shielding
Insulating Papers
Motors and Bearings
Solder and Chemicals
Varnish and Resins
Industrial MRO Materials

Web site: eis-inc.com

Headquarters: Atlanta, GA



4% of total GPC sales

to our shareholders



Jerry W. Nix - Vice Chairman
and Chief Financial Officer

Thomas C. Gallagher - Chairman, President
and Chief Executive Officer

2008 proved to be an interesting, as well as challenging year for Genuine Parts Company. After reporting steady and consistent results through the first three quarters of the year, we experienced a weakening in demand across all of our business segments during the final quarter, reflecting the effects of reduced consumer spending, declining industrial production and higher unemployment.

Despite these challenges, we are pleased to report that total Company sales reached \$11.0 billion in 2008, an increase of 2% compared to 2007 and this represents another record level of revenues for us.

Net earnings for the year were \$475 million, which is a 6% decrease compared to 2007 and earnings per share were \$2.92 compared to \$2.98, a decrease of 2%. We are disappointed that earnings did not improve over the prior year, with all of the shortfall coming in the final quarter.

financial strength We were pleased to maintain a strong balance sheet and your Company remains in excellent financial condition. We generated solid cash flows again in 2008, with cash from operations totaling \$530 million and, after deducting dividends paid of \$252 million and capital expenditures of \$105 million, free cash flow was approximately \$173 million. At December 31, 2008, our total debt was \$500 million, which was unchanged from the prior year, and represents a modest 17.7% of total capitalization. A \$250 million portion of total debt expired in November 2008 and we were able to extend this debt another five years at a more favorable interest rate.

During the year, we repurchased 6.8 million shares of our Company stock. We continue to view this as a good use of our cash and, at the November 2008 Board Meeting, our Directors authorized an additional 15 million shares for repurchase. As of December 31, 2008, we were authorized to repurchase up to 18.5 million shares. We expect to continue making opportunistic share repurchases during 2009.

dividends The Company has paid a cash dividend to shareholders every year since going public in 1948 and on January 21, 2009 the Board of Directors raised the cash dividend payable April 1, 2009 to an annual rate of \$1.60 per share. This represents a 3% increase and 2009 will mark our 53rd consecutive year of increased dividends paid to our shareholders.

operations For 2008, the Company's strongest sales improvements came from our two business segments serving the manufacturing sector of the economy. Motion Industries, our industrial distribution company, reported a 5% increase and this follows an 8% increase in 2007 and three consecutive years of 11% growth. Over the five-year period dating back to 2004, this business benefited from the ongoing strength of the industrial markets that we serve. We did, however, begin to see industrial demand soften during the latter part of 2008, as evidenced by a declining trend in the key Industrial Production and Manufacturer Capacity Utilization indices. EIS, our Electrical/Electronic segment, reported a 7% increase in 2008, following a 7% increase in 2007. Similar to our industrial segment, EIS has produced solid results for the past five years, but they too saw a moderation in demand over the final quarter of the year.

The Automotive Parts Group, our largest segment, reported a slight sales increase in 2008, following a 2% increase in 2007. During the first quarter of 2008, we sold our Johnson Industries business, which had a negative impact on reported sales for the year. Exclusive of that, our Automotive operations were up 2% in 2008. Several factors, including higher fuel costs resulting in reduced miles driven and lower consumer spending on vehicle maintenance and repairs, contributed to lower demand across the automotive aftermarket throughout the year, but particularly in the fourth quarter.

S.P. Richards, our Office Products Group, reported a 2% decrease in sales for the year. This follows a 1% sales decrease in 2007 and is indicative of the continued industry-wide slowdown in office products consumption. The ongoing reduction in white-collar employment, which accelerated in the fourth quarter, will cause further moderation in demand for several more quarters, and our near term strategies are focused on capturing additional marketshare.

GPC directors Two of our long-serving Directors, Lawrence G. Steiner and Richard W. Courts, II, will retire from our Board of Directors, effective April 2009. Mr. Steiner is the retired Chairman of the Board of Directors of Ameripride Services Inc. and has served on our Board since 1972. Mr. Courts is the Chairman of the Board of Directors of Atlantic Investment Company and has served as a Director of the Company since 1998. Larry and Richard have helped us immensely as GPC Directors and we want to thank them for their wisdom and counsel over the years. Their presence on our Board will be missed, but we will always be mindful and grateful for their time with us.

management In September 2008, Richard T. Toppin joined S.P. Richards as Executive Vice President of Sales and Marketing. Rick has an impressive background in sales and marketing and has held a variety of executive roles in the print and office supplies industries, both in the U.S. and Canada. In his new position at S.P. Richards, Rick will be responsible for sales, marketing and the Canadian operations. Rick provides additional depth and strength to our Office Products Group management team and we look forward to his many future contributions.

conclusion As mentioned earlier, the fourth quarter of 2008 proved to be the most challenging quarter of the year for each of our business segments. The negative GDP growth and further slowdown in the overall economy during the quarter resulted in demand moderation across all four of our businesses and we anticipate these market conditions to continue for several more quarters. As a result, each of our GPC Management Teams is taking the necessary actions to adjust the cost side of our business, while at the same time, continuing to pursue all revenue opportunities.

Due to all of the current economic uncertainties, our outlook for the near term is a bit more cautious than it might be in more normal times. However, we continue to be quite optimistic about the longer-term prospects for GPC and for each of our businesses. We believe the underlying fundamentals and demographics in all four business segments remain long term positive and each industry should return to historical growth levels as we work our way through the current economic downturn. Additionally, our Balance Sheet is strong and our Cash Flow remains sound.

Despite the current challenges, our Management Team is energized by the opportunities that lie ahead and you can read about a number of their initiatives in the pages that follow.

In closing, we want to express our appreciation to our employees, customers, vendors and shareholders for your commitment to and ongoing support of Genuine Parts Company.

Respectfully submitted,

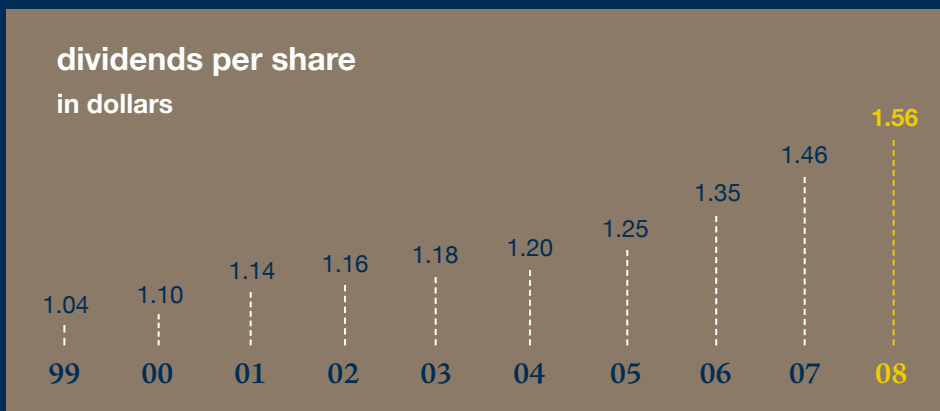


Thomas C. Gallagher
Chairman, President and
Chief Executive Officer



Jerry W. Nix
Vice Chairman and
Chief Financial Officer

February 27, 2009





automotive parts group

The Automotive Parts Group is one of North America's leading distributors of automotive replacement parts, accessory items and service items. This group includes 58 NAPA Distribution Centers in the United States serving approximately 5,850 NAPA AUTO PARTS stores of which approximately 1,100 are company-owned.



The Automotive Parts Group also includes Balkamp, Inc., a majority-owned subsidiary that purchases, packages and distributes over 30,000 service and supply items through the NAPA system. Under the name Rayloc, we operate three facilities where automotive parts are remanufactured and distributed through the NAPA system. Additionally, we operate our heavy vehicle parts distribution business under the name TW Distribution and Traction, and our import parts distribution operations under the name Altrom America.

Outside the U.S., we operate NAPA Canada/UAP Inc., one of Canada's leading automotive distributors as well as Canada's largest independent heavy vehicle parts distributor. The operating programs and marketing initiatives utilized in our Canadian operations are fully integrated with our U.S. NAPA system. In addition, we operate our import parts distribution business for the Canadian market under the name Altrom Canada. We are represented in Mexico by Auto Todo, one of that country's largest automotive aftermarket organizations. We are encouraged by the prospects for continued growth throughout the North American markets we serve.

2008 performance The Automotive Parts Group improved sales by less than 1% in 2008, and this follows a 2% sales increase in 2007 and 3% sales growth in 2006. Our sales performance in each of these periods has been impacted by difficult macro-economic trends such as high gas prices and its effect on miles driven and consumer spending. In addition, increasing unemployment further eroded consumer confidence in the U.S. economy during 2008. Finally, in the first quarter of 2008, we sold our Johnson Industries business, which had a negative 2% impact on sales this year. Adjusting for the Johnson sale, our revenues for the Automotive Parts Group were up 2% in 2008.

automotive aftermarket The growing automotive aftermarket industry in the U.S. is currently estimated at \$90 billion. The Wholesale or Do-it-for-Me (DIFM) market represents professional service and repair facilities and accounts for an estimated 75% of the industry. The Retail market represents the Do-it-Yourself (DIY) customer and is approximately 25% of the industry. The Automotive Parts Group works in concert with our NAPA AUTO PARTS stores to continually grow our business with both wholesale and retail customers.

wholesale programs Over the years, NAPA has developed a significant number of program offerings to meet the evolving demands of our wholesale

customers. Examples include NAPA AutoCare, NAPA Collision Centers and NAPA Truck Service Center programs, which each provide business tools and support to one of the nation's largest independent automotive service and repair networks. The NAPA Major Accounts Program assists the NAPA AUTO PARTS stores in securing preferred vendor agreements with nationally recognized companies. Integrated Business Solutions (IBS) is a sophisticated inventory management service that effectively handles the inventory procurement and stocking requirements for larger wholesale customers, including city, state and municipal governments, fleet operators and manufacturing entities. Prospects for the continued expansion of our program offerings are promising.

specialty markets We are also focused on the specialty markets component of our wholesale business and we continue to invest in trained personnel, tailored inventory and aggressive promotion. Specialized markets such as heavy duty, paint, body & equipment, farm and marine, tools & equipment and import parts offer us many growth opportunities. During 2008, we experienced strong growth in our two newest divisions dedicated to replacement parts for heavy duty trucks and trailers and original equipment import parts.

stores We continue to position our NAPA AUTO PARTS store base in market areas where we anticipate significant growth opportunities. For the professional installer customer, we offer knowledgeable parts professionals, a vast selection of OE quality parts and just in time delivery service. For the DIY customer, we aim to create an inviting shopping experience and provide an extensive product offering. To accomplish this, we remain focused on initiatives such as improved store merchandising, in-store service and facility upgrades. Ensuring effective and consistent planograms, competitive retail pricing, convenient retail hours, well-trained personnel and store upgrades and resets also help drive the growth of our retail business. In addition, our proprietary store inventory management system, Marketplace Inventory Classification (MIC), provides the data necessary to accurately align each store's inventory with its specific market.

technology solutions Technology and connectivity remain essential elements to our customer service strategy within the NAPA network. The NAPA Business Systems Group continues to roll out innovative, industry leading technological solutions for the NAPA AUTO PARTS stores and their retail and wholesale customers. This group is responsible for providing a high quality hardware platform for maximum computing power at the stores. In addition, TAMS

II, our second generation proprietary store operating system, provides more effective selling, customer service and enhanced gross profit, inventory and staffing management tools. For the wholesale customer, the NAPA Business Systems Group continues to improve and support NAPA TRACS, a leading shop management system, and has made online ordering even easier via NAPA PROLink 2.0, with enhancements such as a new look, improved functionality and Mitchell 1 technical information, including current model year data. Finally, NAPA AutoCare CarCareCONNECT was developed to provide NAPA AutoCare Centers with a full service web site and search engine marketing program, enabling members to be among the first in their market to stake a high profile claim on the internet. We also continue to create additional retail sales opportunities via NAPAONLINE.com.

operational excellence The Automotive Parts Group continues to work towards achieving more efficient and cost effective operations. Via Operational Excellence, we have implemented a number of warehouse productivity enhancements, improved our customer service and reduced our supply chain costs. Ongoing progress in these areas as well as many others remains a critical part of our overall strategy.

NAPA brand The NAPA brand is widely recognized by North American consumers and professional technicians and its continued strength gives us a competitive advantage in the industry. Our national and local advertising is designed to reinforce this awareness of NAPA and build on the benefits of quality parts, quality service and knowledgeable people. The NAPA advertising program delivers high visibility exposure through national television, radio, print and internet advertising, targeted sponsorships including NASCAR and NHRA and high-quality local advertising materials.

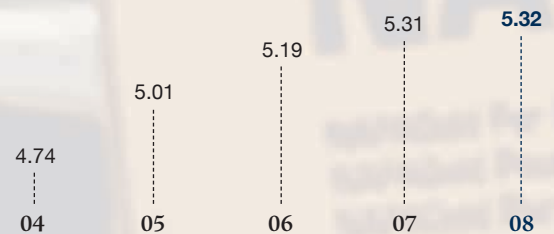
2009 outlook We currently expect the macro economic conditions impacting the automotive aftermarket to remain challenging in 2009. However, the long term fundamentals for this business are sound and we believe that our initiatives to grow sales and control costs position the Automotive Parts Group to outperform the industry and further strengthen our leadership position in the industry in the year ahead.

group highlights

- leading automotive aftermarket distributor
- extensive network of 5,850 NAPA AUTO PARTS stores in U.S. and over 680 wholesalers in Canada
- growing North American presence
- widely recognized NAPA brand
- expanded offering of heavy duty truck parts and original equipment import parts
- extensive and deep parts offering and excellent customer service
- industry leading systems and delivery capabilities
- growing NAPA AutoCare and major account programs
- strong national and local advertising
- sound long term fundamentals for growth

“The NAPA brand is widely recognized by North American consumers and professional technicians and its continued strength gives us a competitive advantage in the industry.”

**automotive parts group
net sales**
in billions of dollars





industrial parts group

Motion Industries is a leading North American industrial distributor of Maintenance, Repair, and Operations (MRO) products including bearings, mechanical power transmission, industrial automation, hose, hydraulic and pneumatic components and industrial supplies. We provide a comprehensive product offering and specialized services to well over 100,000 customers in virtually all industry segments, including the food, forest products, primary metal, paper, automotive, mining, energy, petrochemical and pharmaceutical industries.



The Company expanded its distribution base in 2008 to 518 locations consisting of 472 branches, 10 distribution centers and 36 service centers throughout the U.S. and Canada. Through this extensive operating network, our customers have access to over three million quality parts, sourced from a global manufacturing base. Our North American network enables us to “Deliver the Difference” to our customers by providing MRO products and services that distinguish Motion from the competition.

2008 performance Motion Industries reported a 5% increase in sales in 2008 and this follows an 8% sales increase in 2007 and three consecutive years of 11% growth in 2004 through 2006. Over this five-year period, our business has benefited from the continued strength of the industrial markets we serve. We did, however, begin to see these markets weaken during 2008, especially in the fourth quarter of the year. Our ongoing sales initiatives such as product line expansion, targeted industry programs and strategic acquisitions helped us to offset these weakening conditions. In addition, we continue to support these growth initiatives with excellent customer service and solutions’ capabilities, as well as our Operational Excellence in Motion program, which serves to enhance operations by increasing productivity and reducing costs. Together, these efforts helped drive the operating performance at Motion Industries in 2008.

product line expansion We continue to expand our product offering to better position Motion Industries for additional sales to current customers and gain coverage for potential new MRO markets. Over the past few years, we have invested more heavily in product categories such as industrial automation products. This category encompasses a full range of product solutions from electrical drives and controls, panels and process components, to the full integration of plant equipment. In addition, we have grown our product offerings in the alternative energy and industrial supplies categories, which we believe offer exceptional growth opportunities for us.

targeted industries Motion Industries continues to pursue sales opportunities in targeted industries, which we believe will benefit from manufacturing trends in the North American and global markets. This strategy has led us to industry sectors such as wastewater treatment, solid waste recycling, wind power generation, ethanol production, rail transportation, ports and warehousing & distribution centers, among others.

We have strengthened our sales growth effort through joint supplier sales and marketing initiatives to promote specific product categories into these targeted industry markets. Examples include industry segment product promotions and “TargetingMRO” market development programs. These programs are strategically developed and executed as a joint initiative with Motion Industries’ suppliers and are created to meet specific customers’ needs. We are encouraged by the success of these programs and their potential to generate additional revenue growth.

strategic acquisitions We continue to grow our presence in the North American industrial markets via acquisitions. In 2008, we expanded our distribution network with three acquisitions: Drago Supply Company, Mill Supply Corporation and Monroe Rubber & Plastic Supply. Together, these companies add more than \$100 million to our annual revenue base and allow Motion Industries to capture and retain business in the evolving MRO markets we serve. Our growth strategy for Motion Industries includes ongoing acquisitions in 2009 and beyond.

services and solutions Motion Industries features expeditious product delivery and service from our branches and distribution centers. We also provide customers with vast product knowledge, expert repair and fabrication services as well as inventory management and logistics solutions. In addition, our highly trained staff of over 1,000 sales representatives, 379 branch

managers and 200 field product specialists provides customers with on-site technical assistance, parts and service solutions, and inventory and cost savings consultations.

Motion also offers specialized services such as Cost Management Processes (CMP), Asset and Repair Tracking program (ART), Storeroom and Replenishment Tracking (START) and our Motion Institute Training Center. CMP delivers plant solutions through cost savings and productivity programs. ART allows our customers to properly maintain their warranty data and streamline the asset repair process via customized status tracking and on-line reporting capabilities. START adds value by providing significant transactional efficiencies to plant storeroom management. During 2008, the Motion Institute utilized live and webcast training classes to successfully educate thousands of customers and employees in current industrial technology and processes.

operational excellence The Operational Excellence in Motion program supports our growth initiatives through more efficient and effective operations across the Company. Our focus on Operational Excellence serves to reduce costs and enhance overall performance via increased productivity. The end results are improved profitability and greater capabilities for Delivering the Difference to our customers.

Motion's systems and e-business capabilities continue to improve under this program. For example, MiSupplierConnect provides integration between Motion Industries' information technology network and suppliers' systems, creating numerous benefits for both the supplier and Motion customer. Today, this program includes over 60 suppliers and offers real-time access to over \$2 billion in product inventory. In addition, our internet site (motionindustries.com) provides customers with access to all the benefits of online lookup and ordering capabilities, as well as 24-hour customer service.

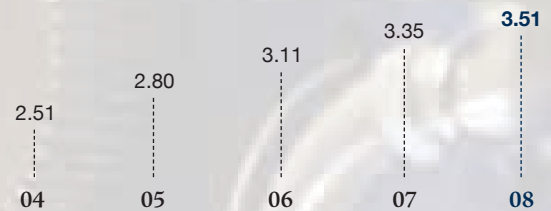
2009 outlook We currently expect the prevailing macro economic conditions pressuring the North American industrial markets to continue well into 2009. However, Motion Industries is positioned to weather these conditions via the ongoing execution of our growth strategies, targeted market programs, Operational Excellence in Motion initiatives and customer service and solutions capabilities.

group highlights

- leading north american industrial distributor
- extensive network of over 500 locations in the U.S. and Canada
- comprehensive product offering and specialized services
- expanded capabilities in serving virtually all industry segments
- ongoing product line expansion for current and new MRO markets
- improved penetration of targeted industries
- strengthened supplier and customer partnerships
- continued growth via strategic acquisitions
- excellent customer service and process and repair solutions
- growing systems and e-business capabilities

“Motion continues to pursue sales opportunities in targeted industries, which we believe will benefit from manufacturing trends in the North American and global markets.”

**industrial parts group
net sales**
in billions of dollars





office products group

S.P. Richards Company is one of North America's leading business products wholesalers, offering more than 50,000 items to thousands of office products resellers across the U.S. and Canada from a network of 45 distribution centers. The Company's vast assortment of products includes: general office supplies, office furniture, cleaning, janitorial and breakroom supplies, technology supplies and accessories, consumer electronics, school supplies, business machines, writing instruments, desk accessories, paper products, healthcare supplies and safety and industrial products.



The Company's comprehensive array of specialized services, logistical capabilities and marketing programs create value for our customers, which include independent resellers, large contract stationers, national office supply superstores, mail order distributors, internet resellers and college bookstores. Our fulfillment capabilities allow us to serve all types of resellers, including those with virtually stockless business models. In addition, our national distribution network enables resellers to serve their customers on a same or next day basis, nationwide. By providing convenient access to a broad range of quality products, excellent service and innovative programs, we continue to provide our customers with the tools they need to successfully grow their businesses.

2008 performance Demand in the North American office products industry remained weak in 2008 and S.P. Richards finished the year with revenue down 2% from 2007. This follows the Company's 1% sales decrease in 2007, their first decrease in revenue since becoming a GPC company in 1975. Strategic acquisitions, core market growth, new market development and innovative product expansion reflect our ongoing growth initiatives. We believe that our continued efforts in these areas, supported by our Operational Excellence process improvement and cost control initiatives, should improve S.P. Richards' operating performance in the future.

strategic acquisitions In 2008, S.P. Richards expanded its reach to new customers and markets via the acquisition of three regional U.S. distributors: O'Henry, Inc., PPI Wholesale Office Supplies and the midwest division of ActionEmco. Combined, these companies add approximately \$90 million to our annual revenue base. S.P. Richards expects to continue making strategic acquisitions to grow our business. In addition to traditional office supplies, these acquisitions may include companies offering new product categories, which we can offer to our existing resellers as well as use to expand our customer base.

new market development Serving new markets that do not compete against our independent reseller customers represents an attractive growth opportunity for S.P. Richards. For example, today we see internet resellers who primarily target consumer segments with unique product requirements as a potential growth driver for us. Sales into this market are expected to grow rapidly over the next several years. We have also identified college bookstores and several other markets of interest for S.P. Richards and intend to leverage our investments in new technologies, programs, services and tools to penetrate these markets and maximize their long-term revenue potential.

innovative product expansion S.P. Richards sources its broad offering of business products from hundreds of leading manufacturers worldwide. These manufacturer partners provide innovation, training and continued investment in quality, which allow for the ongoing rollout of an expanded product offering to our customers. This is an essential value added service, as a dynamic product offering further strengthens our resellers' position as the single source solution to their customers' business products needs. Current product expansion centers around the following primary areas:

Cleaning and Breakroom Supplies

This category represents one of our fastest growing segments at S.P. Richards and we have initiatives in place to drive continued growth in this product group in 2009.

Furniture

Furniture represents an important category to us and we are excited about the future growth opportunities in this segment.

Proprietary Brands

Proprietary brand sales were strong again in 2008 and these value alternatives provide us with opportunities for more growth in the years ahead.

Our proprietary brands include: Sparco office supply basics; Elite Image new and remanufactured toner cartridges, labels and premium papers; Lorell office furniture; Compucessory computer accessories; Nature Saver “environmentally-friendly” products; Integra writing instruments; Genuine Joe cleaning and break-room supplies; and Atlantic Breeze and HeatRunner climate control products.

Go Green

The office products industry has seen an increased focus on environmentally-friendly products. This includes items that have higher recycled content, are more energy efficient and carry additional third party certifications. We introduced a “Go Green” catalog in 2008 and expect accelerated growth in this area in 2009.

operational excellence S.P. Richards has remained focused on our Operational Excellence initiative to improve processes and realize cost savings. This initiative is an especially important defense to the challenging macro conditions of the current marketplace, but is also critical in supporting our ongoing growth initiatives. Benefits from this initiative have ranged from inventory optimization, improved freight management and enhanced fuel programs to greater utilization of our warehouse management systems and centralized services. We are encouraged by the continued progress made towards Operational Excellence and the opportunity to further improve our high standard of customer service and operating performance.

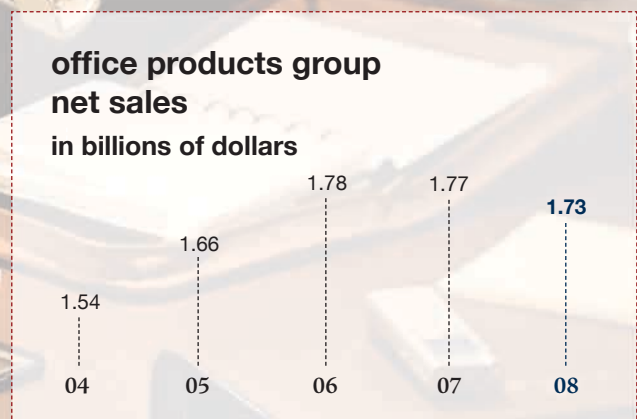
2009 outlook In 2009, we will continue to execute our growth initiatives and cost control measures to improve the sales and operating performance of S.P. Richards. Sales growth in the office supplies and technology products categories in 2009 will require greater market penetration and overall market share gains in

both the U.S. and Canada. We expect to achieve this via an increased focus on key account management and improved sales force effectiveness to all our customers. We will also utilize recent investments in pricing analytics software, marketing, enhanced e-content and our Global Sourcing platform to drive greater market share.

group highlights

- leading north american business products wholesaler
- extensive fulfillment capabilities via 45 distribution centers in the U.S. and Canada
- vast and growing assortment of office products and supplies
- excellent customer service via specialized services, expert logistical capabilities and innovative marketing programs
- expanded market presence via strategic acquisitions
- new market development such as internet resellers to consumer segments
- ongoing investments in business technologies, programs, services and tools
- strengthened manufacturer partnerships
- continued investment in proprietary brand product offering
- increased focus on environmentally-friendly products

“By providing convenient access to a broad range of quality products, excellent service and innovative programs, we continue to provide our customers with the tools they need to successfully grow their businesses.”





electrical/electronics materials group

EIS is one of North America's leading distributors of process materials, production supplies, industrial MRO and value added fabricated parts. Primary markets for EIS are the electrical OEM, apparatus repair and assembly markets.



EIS provides our suppliers an extensive distribution network of 36 locations, including 33 stocking locations in the U.S., Puerto Rico, Dominican Republic, Mexico and Canada, as well as three plants strategically located in North America that provide value added fabricated material to our customers. Combined, these locations offer our customers access to complete inventories, capable people and a comprehensive range of innovative logistics services.

2008 performance Total revenues in 2008 increased by 7% for the second consecutive year. We are pleased with this continued level of growth, especially in a year of weakening economic conditions. Our ongoing commitment to key sales initiatives and continued focus on cost management and operational process improvement drove our improved operating performance in 2008.

Our focus on new products and markets, geographic expansion, operational excellence and strategic customer and supplier relationships serve as key growth initiatives at EIS. These initiatives have strengthened our position as a preferred source for materials, supplies, parts and systems at electrical and assembly manufacturers throughout North America.

new products and market opportunities We continue to add new product lines such as an expanded offering of adhesives, tapes and silicones for the electrical OEM and apparatus repair industries. EIS has also improved our MRO supplies and lead wire offering. Furthermore, we continue to explore adjacent markets, such as wire and cable, which offer large opportunities for future growth.

In addition, we have further broadened our fabrication capabilities in traditional electrical markets as well as new and adjacent markets. We made good progress in

penetrating the solar market in 2008, and we are encouraged by the new growth opportunities in both the solar and wind turbine energy sectors.

strategic acquisitions We continue to improve our North American distribution footprint and in 2008 we expanded our electrical business into Arkansas via the acquisition of C.H. Clowers Supply Company. Also, we expect the evolving electrical and assembly markets in Canada, Mexico and the Caribbean to grow faster than the overall industry and we have plans for additional business expansion in each of these areas.

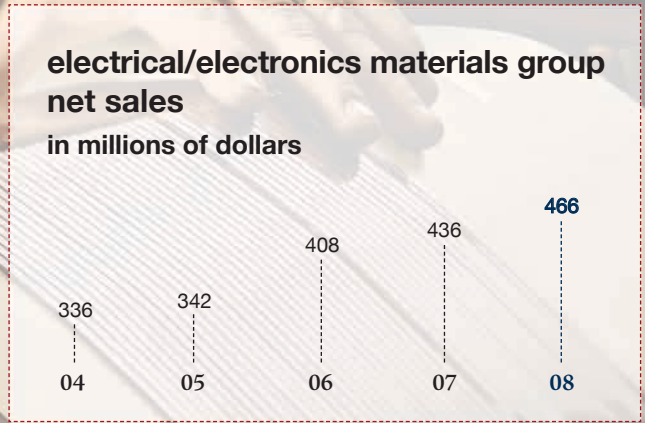
operational excellence EIS has employed Operational Excellence, a continuous improvement program, to address and solve business operational issues. This disciplined approach to process improvement has resulted in increasingly efficient operations and contributed to our improved operating performance again in 2008. We see further opportunities for improvement in 2009.

strategic alliances with customers and suppliers Initiatives to align EIS with strong customer and supplier relationships further enhance our long-term growth strategy. Through closer supplier relationships and continued focus on our top customers, we aim to differentiate EIS through product, technical and service solutions that meet our customers' unique requirements. Our standards for high performance make us a preferred source in the marketplace and position EIS for continued growth.

outlook Our strategic initiatives to successfully compete in core, new and adjacent markets provide EIS with additional opportunities to grow revenues in 2009 and beyond. We will support this sales growth with a continued focus on cost management and high performance operational processes to ensure ongoing improvement in our earnings results.

group highlights

- leading north american distributor to the electrical OEM, apparatus repair and assembly markets
- extensive distribution network of 33 stocking locations and three value-add fabrication plants
- complete inventories, capable people and comprehensive range of logistics services
- expanded product line offering
- broadening fabrication capabilities
- growing north american footprint via strategic acquisitions
- strengthened customer and supplier relationships



selected financial data

(in thousands, except per share data)

Year ended December 31,	2008	2007	2006	2005	2004
Net sales	\$ 11,015,263	\$ 10,843,195	\$ 10,457,942	\$ 9,783,050	\$ 9,097,267
Cost of goods sold	7,742,773	7,625,972	7,353,447	6,884,964	6,439,544
Operating and non-operating expenses, net	2,504,022	2,400,478	2,333,579	2,189,022	2,021,804
Income before taxes	768,468	816,745	770,916	709,064	635,919
Income taxes	293,051	310,406	295,511	271,630	240,367
Net income	\$ 475,417	\$ 506,339	\$ 475,405	\$ 437,434	\$ 395,552
Weighted average common shares outstanding during year - assuming dilution	162,986	170,135	172,486	175,007	175,660
Per common share:					
Diluted net income	\$ 2.92	\$ 2.98	\$ 2.76	\$ 2.50	\$ 2.25
Dividends declared	1.56	1.46	1.35	1.25	1.20
December 31 closing stock price	37.86	46.30	47.43	43.92	44.06
Long-term debt, less current maturities	500,000	250,000	500,000	500,000	500,000
Shareholders' equity	2,324,332	2,716,716	2,549,991	2,693,957	2,544,377
Total assets	\$ 4,786,350	\$ 4,774,069	\$ 4,496,984	\$ 4,771,538	\$ 4,455,247

market price and dividend information

High and Low Sales Price and Dividends per Common Share Traded on the New York Stock Exchange

Quarter	Sales Price of Common Shares			
	2008		2007	
	High	Low	High	Low
First	\$46.28	\$38.30	\$50.75	\$46.19
Second	45.83	39.68	51.65	48.39
Third	44.20	39.34	51.68	46.00
Fourth	40.62	29.92	50.97	46.30

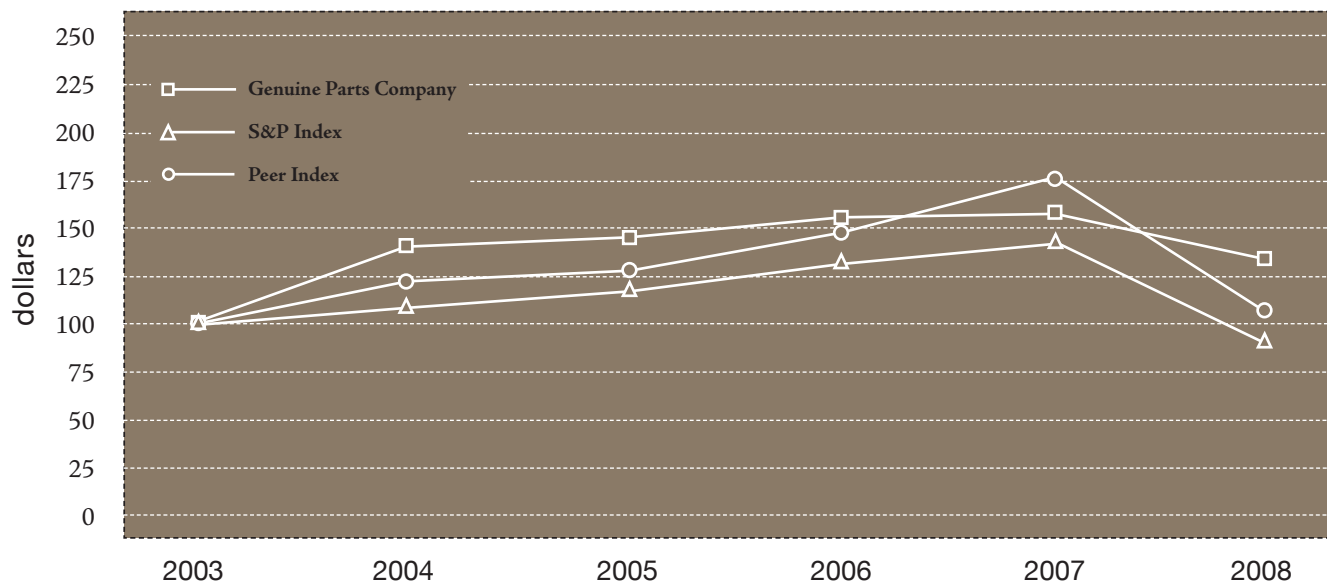
	Dividends Declared Per Share	
	2008	2007
First	\$0.390	\$0.365
Second	0.390	0.365
Third	0.390	0.365
Fourth	0.390	0.365

Number of Record Holders of Common Stock as of December 31, 2008: 6,416

stock performance

Set forth below is a line graph comparing the yearly dollar change in the cumulative total shareholder return on the Company's Common Stock against the cumulative total shareholder return of the Standard and Poor's 500 Stock Index and a peer group composite index structured by the Company as set forth below for the five year period that commenced December 31, 2003 and ended December 31, 2008. This graph assumes that \$100 was invested on December 31, 2003 in Genuine Parts Company Common Stock, the S&P 500 Stock Index (the Company is a member of the S&P 500, and its cumulative total shareholder return went into calculating the S&P 500 results set forth in the graph) and the peer group composite index as set forth below and assumes reinvestment of all dividends.

comparison of five year cumulative total shareholder return



genuine parts company, S&P 500 index & peer group composite index

Cumulative Total Shareholder Return

\$ at Fiscal Year End	2003	2004	2005	2006	2007	2008
Genuine Parts Company	100.00	136.89	140.39	156.36	157.26	133.62
S&P 500	100.00	110.88	116.32	134.69	142.09	89.52
Peer Index	100.00	119.83	127.94	147.65	176.27	106.25

In constructing the peer group composite index ("Peer Index") for use in the stock performance graph above, the Company used the shareholder returns of various publicly held companies (weighted in accordance with each company's stock market capitalization at December 31, 2003 and including reinvestment of dividends) that compete with the Company in three industry segments: automotive parts, industrial parts and office products (each group of companies included in the Peer Index as competing with the Company in a separate industry segment is hereinafter referred to as a "Peer Group"). Included in the automotive parts Peer Group are those companies making up the Dow Jones Auto Parts and Equipment Index (the Company is a member of such industry group, and its individual shareholder return was included when calculating the Peer Index results set forth in the performance graph). Included in the industrial parts Peer Group are Applied Industrial Technologies, Inc. and Kaman Corporation and included in the office products Peer Group is United Stationers Inc. The Peer Index does not break out a separate electrical/electronic peer group due to the fact that there is currently no true market comparative to EIS. The electrical/electronic component of sales is redistributed to the Company's other segments on a pro rata basis to calculate the final Peer Index.

In determining the Peer Index, each Peer Group was weighted to reflect the Company's annual net sales in each industry segment. Each industry segment of the Company comprised the following percentages of the Company's net sales for the fiscal years shown:

Industry Segment	2003	2004	2005	2006	2007	2008
Automotive Parts	53%	52%	51%	49%	49%	48%
Industrial Parts	27%	27%	29%	30%	31%	32%
Office Products	17%	17%	17%	17%	16%	16%
Electrical/Electronic Materials	3%	4%	3%	4%	4%	4%

segment data

<i>(in thousands)</i> Year ended December 31,	2008	2007	2006	2005	2004
Net sales:					
Automotive	\$ 5,321,536	\$ 5,311,873	\$ 5,185,080	\$ 5,013,460	\$ 4,739,261
Industrial	3,514,661	3,350,954	3,107,593	2,795,699	2,511,597
Office products	1,732,514	1,765,055	1,779,832	1,662,393	1,540,878
Electrical/electronic materials	465,889	436,318	408,138	341,513	335,605
Other	(19,337)	(21,005)	(22,701)	(30,015)	(30,074)
Total net sales	<u>\$ 11,015,263</u>	<u>\$ 10,843,195</u>	<u>\$ 10,457,942</u>	<u>\$ 9,783,050</u>	<u>\$ 9,097,267</u>
Operating profit:					
Automotive	\$ 385,356	\$ 413,180	\$ 399,931	\$ 398,494	\$ 396,015
Industrial	294,652	281,762	257,022	214,222	173,760
Office products	144,127	156,781	166,573	157,408	150,817
Electrical/electronic materials	36,721	30,435	22,630	17,470	14,611
Total operating profit	<u>860,856</u>	<u>882,158</u>	<u>846,156</u>	<u>787,594</u>	<u>735,203</u>
Interest expense, net	(29,847)	(21,056)	(26,445)	(29,564)	(37,260)
Corporate expense	(55,119)	(38,300)	(44,341)	(45,299)	(58,980)
Intangible asset amortization	(2,861)	(1,118)	(463)	(396)	(356)
Minority interests	(4,561)	(4,939)	(3,991)	(3,271)	(2,688)
Income before income taxes	<u>\$ 768,468</u>	<u>\$ 816,745</u>	<u>\$ 770,916</u>	<u>\$ 709,064</u>	<u>\$ 635,919</u>
Assets:					
Automotive	\$ 2,799,901	\$ 2,785,619	\$ 2,625,846	\$ 2,711,620	\$ 2,521,906
Industrial	1,025,292	969,666	910,734	976,903	955,029
Office products	638,854	659,838	669,303	722,813	681,992
Electrical/electronic materials	95,655	101,419	105,623	113,913	104,918
Corporate	67,823	175,074	123,224	183,572	133,730
Goodwill and intangible assets	158,825	82,453	62,254	62,717	57,672
Total assets	<u>\$ 4,786,350</u>	<u>\$ 4,774,069</u>	<u>\$ 4,496,984</u>	<u>\$ 4,771,538</u>	<u>\$ 4,455,247</u>
Depreciation and amortization:					
Automotive	\$ 65,309	\$ 65,810	\$ 52,565	\$ 44,102	\$ 39,222
Industrial	7,632	8,565	7,941	8,345	8,972
Office products	9,825	9,159	9,518	9,551	10,245
Electrical/electronic materials	1,572	1,566	1,394	1,612	2,011
Corporate	1,499	1,484	1,542	1,523	1,401
Intangible asset amortization	2,861	1,118	463	396	356
Total depreciation and amortization	<u>\$ 88,698</u>	<u>\$ 87,702</u>	<u>\$ 73,423</u>	<u>\$ 65,529</u>	<u>\$ 62,207</u>
Capital expenditures:					
Automotive	\$ 72,628	\$ 91,359	\$ 111,644	\$ 68,062	\$ 52,263
Industrial	7,575	8,340	6,187	5,695	3,922
Office products	9,539	13,294	6,002	8,893	12,354
Electrical/electronic materials	1,406	2,340	904	1,550	1,552
Corporate	13,878	315	1,307	1,514	1,986
Total capital expenditures	<u>\$ 105,026</u>	<u>\$ 115,648</u>	<u>\$ 126,044</u>	<u>\$ 85,714</u>	<u>\$ 72,077</u>
Net sales:					
United States	\$ 9,716,029	\$ 9,609,225	\$ 9,314,970	\$ 8,768,737	\$ 8,198,368
Canada	1,219,759	1,158,515	1,071,095	954,317	845,563
Mexico	98,812	96,460	94,578	90,011	83,410
Other	(19,337)	(21,005)	(22,701)	(30,015)	(30,074)
Total net sales	<u>\$ 11,015,263</u>	<u>\$ 10,843,195</u>	<u>\$ 10,457,942</u>	<u>\$ 9,783,050</u>	<u>\$ 9,097,267</u>
Net long-lived assets:					
United States	\$ 484,713	\$ 419,289	\$ 415,569	\$ 388,916	\$ 368,345
Canada	93,919	85,532	72,556	62,842	65,649
Mexico	3,458	3,621	3,389	3,254	3,066
Total net long-lived assets	<u>\$ 582,090</u>	<u>\$ 508,442</u>	<u>\$ 491,514</u>	<u>\$ 455,012</u>	<u>\$ 437,060</u>

management's discussion and analysis of financial condition and results of operations 2008

overview

Genuine Parts Company is a service organization engaged in the distribution of automotive replacement parts, industrial replacement parts, office products and electrical/electronic materials. The Company has a long tradition of growth dating back to 1928, the year we were founded in Atlanta, Georgia. In 2008, business was conducted throughout the United States, Puerto Rico, Canada and Mexico from approximately 2,000 locations.

We recorded consolidated net sales of \$11.0 billion for the year ended December 31, 2008, an increase of 2% compared to \$10.8 billion in 2007. Consolidated net income for the year ended December 31, 2008, was \$475 million, down 6% from \$506 million in 2007. After achieving steady and consistent results through the first three quarters of the year, we experienced a weakening in demand across all of our business segments during the final quarter. Our businesses were impacted by the effects of reduced consumer spending, declining industrial production and higher unemployment, which we discuss further below.

Our 2008 revenue increase of 2% follows a 4% and 7% increase in revenues in 2007 and 2006, respectively. Our 6% decrease in net income follows a 7% increase in 2007 and double-digit earnings growth in each of the prior three years. During these periods, the Company has implemented a variety of initiatives in each of our four business segments to grow sales and earnings, including the introduction of new and expanded product lines, geographic expansion, sales to new markets, enhanced customer marketing programs and cost savings initiatives.

The following discussion addresses the major categories on the December 31, 2008 consolidated balance sheet. Our cash balance of \$68 million was down \$164 million or 71% from December 31, 2007, due mainly to \$129 million in increased expenditures for dividends, share repurchases and acquisitions during the year as well as the \$31 million decrease in net income. We are pleased with our use of cash in these areas. Accounts receivable increased by approximately 1%, which is less than our increase in annual revenues, and inventory was down by approximately 1%. Accounts payable increased \$20 million or 2% from the prior year, due primarily to improved payment terms with certain suppliers and the expansion of our procurement card program begun in 2007. The prior year's current portion of debt of \$250 million matured in November 2008 and was replaced on favorable terms with new borrowings maturing in 2013 and reclassified to long-term debt during the fourth quarter. Total debt outstanding at December 31, 2008 was unchanged from \$500 million at December 31, 2007.

results of operations

Our results of operations are summarized below for the three years ended December 31, 2008, 2007 and 2006. Financial information for our four business segments is provided on the previous page.

<i>(in thousands except per share data)</i>	Year ended December 31,		
	2008	2007	2006
Net Sales	\$ 11,015,263	\$ 10,843,195	\$ 10,457,942
Gross Profit	3,272,490	3,217,223	3,104,495
Net Income	475,417	506,339	475,405
Diluted Earnings Per Share	2.92	2.98	2.76

Net Sales

Consolidated net sales for the year ended December 31, 2008 totaled \$11.0 billion, another record level of revenue for the Company and a 2% increase from 2007. Similar to the prior year, the Industrial and Electrical business segments showed the strongest sales growth among our operations. The Automotive and Office segments continued to experience sluggish growth and, for the year, Automotive reported a slight sales increase, while Office reported a decrease in revenues. After reporting consistent sales growth through the first three quarters of the year, we experienced a significant weakening in demand across all our business segments during the final quarter, reflecting the effects of the worsening state of the economy, such as reduced consumer spending, declining industrial production and higher unemployment. Cumulatively, prices in 2008 were up approximately 6% in the Automotive segment, 8% in the Industrial and Electrical segments and 4% in the Office segment. These price increases reflect the highest inflationary period for the Company in many years.

Net sales for the year ended December 31, 2007 totaled \$10.8 billion, a 4% increase from 2006. In 2007, the Industrial and Electrical business segments had the strongest sales improvement, with the Automotive segment showing slight progress in revenue growth and the Office segment reporting a slight decrease in revenues for the year. For 2007, prices were up approximately 2% in the Automotive segment, 5% in the Industrial and Electrical segments and 3% in the Office segment.

Automotive Group

Net sales for the Automotive Group ("Automotive") were \$5.3 billion in 2008, essentially flat compared to 2007. In the first half of the year, Automotive sales were consistent with our 2007 results, but our rate of sales growth decreased during each succeeding quarter of

the year, from 3% to 2% to 1% in the first, second and third quarters of 2008, respectively. This downward trend was partly due to the impact of the decrease in miles driven caused by high gas prices over most of the year. Demand weakened further in the fourth quarter, as evidenced by the decrease in consumer spending, resulting in a 6% sales decrease from the final quarter of 2007. This is consistent with historical patterns during a softening economy, when consumers defer or forego discretionary spending on automotive maintenance and supply items. Other factors impacting our Automotive sales for the year include acquisitions, which had a slightly positive effect on sales, and the sale of our Johnson Industries business in the first quarter of 2008, which had a negative 2% impact on sales.

Automotive sales were \$5.3 billion in 2007, an increase of 2% from 2006. Our sales growth was relatively steady during the year, ranging from 2% to 3% by quarter, as the more challenging market conditions we began to see in the last half of 2006 continued throughout 2007 without any significant change. We observed the ongoing pressure of high gas prices on miles driven and consumer spending, which negatively impact aftermarket demand. The continued effectiveness of our growth initiatives, such as our major accounts programs, served to offset these conditions and, as a result, Automotive reported progress in 2007.

Industrial Group

Net sales for Motion Industries, our Industrial Group (“Industrial”), were \$3.5 billion in 2008, an increase of 5% compared to 2007. Through the first three quarters of the year, sales held strong and were relatively consistent from quarter to quarter, increasing 6% in the first quarter and 7% in the second and third quarters. The fourth quarter proved to be more difficult for this business, due to the deteriorating economic environment, including worsening manufacturing production trends, and sales for the period were even with the fourth quarter of 2007. In 2008, sales were positively impacted by several acquisitions, which accounted for approximately 2% of Industrial’s sales growth for the year.

Net sales were \$3.4 billion in 2007, an increase of 8% compared to 2006. In 2007, this group recorded strong and consistent sales growth, with revenues increasing from 7% to 9% in each quarter of the year. Industrial participated in the continued strength of the markets it serves through initiatives such as product line expansion, targeted industry programs, branch expansion and acquisitions. In addition, Industrial expanded its distribution network by opening four new locations and by adding another eight locations via five acquisitions.

Office Group

Net sales for S.P. Richards, our Office Products Group (“Office”), were \$1.7 billion in 2008, down 2% compared to the prior year. 2008 represents the second consecutive year of decreased revenues for Office and is indicative of the continued industry-wide slow

down in office products consumption. During the year, sales were down 2% in the first quarter and even with the prior year periods in the second and third quarters. Demand in the fourth quarter worsened, consistent with the significant increase in unemployment for the period, and sales were down 5% from the 2007 fourth quarter. For the year, sales were positively impacted by three acquisitions, which contributed nearly 2% to sales in Office. The increase in net sales due to acquisitions, as well as our sales initiatives, were more than offset by the prevailing poor conditions in the office products industry.

Net sales for 2007 were \$1.8 billion, down 1% compared to 2006. Weak demand in the overall office products industry, which we began to see in 2006, negatively impacted our results in 2007. Primarily, depressed sales activity with our national accounts customer base offset steady sales growth to independent dealers during the year. After a 3% sales decrease in the first quarter, sales increased 1% in the second quarter, were flat in the third quarter and decreased 1% in the fourth quarter.

Electrical Group

Net sales for EIS, our Electrical and Electronic Group (“Electrical”), improved to \$466 million in 2008, an increase in sales of 7% for the second consecutive year. Electrical sales were strong through the first nine months of the year, increasing 7% in the first quarter, 11% in the second quarter and 13% in the third quarter. The deteriorating economy, including manufacturing contraction as measured by the Institute for Supply Management’s Purchasing Managers Index, as well as decreasing commodity prices in a major product category, had a significant impact on this business in the fourth quarter and sales decreased 4% from the same period in 2007. Acquisitions during the year had a positive 2% impact on Electrical sales in 2008 and, combined with Electrical’s sales initiatives, partially offset the weakening conditions in the marketplace in the last quarter of the year.

Net sales increased by 7% to \$436 million in 2007. The sales progress at Electrical reflected favorable market conditions, as evidenced by continued manufacturing expansion in the U.S during the year. Also, this group’s focus on new products and markets, geographic expansion and strategic customer and supplier relationships served as key sales initiatives at Electrical. During 2007, sales were up 12% in the first quarter, 7% in the second quarter, 4% in the third quarter and 6% in the fourth quarter.

Cost of Goods Sold

Cost of goods sold was \$7.7 billion, \$7.6 billion and \$7.4 billion in 2008, 2007 and 2006, respectively, and represents 70.3% of net sales in all three years. The constant rate over these three periods reflects how our ongoing gross margin initiatives to enhance our pricing strategies, promote and sell higher margin products and minimize material acquisition costs were offset by increasing competitive pricing pressures in the markets we serve.

management's discussion and analysis of financial condition and results of operations (cont.) 2008

In 2008, 2007, and 2006, each of our four business segments experienced vendor price increases, and by working with our customers we were able to pass most of these along to them.

Operating Expenses

Selling, administrative and other expenses ("SG&A") increased slightly to \$2.4 billion in 2008, representing 21.4% of net sales and up from 21.0% of net sales in 2007. SG&A expenses as a percentage of net sales increased from the prior year despite the benefits of our ongoing cost control initiatives, which, for 2008, were offset by the lower level of sales growth relative to the prior year. Our cost management initiatives emphasize continuous improvement programs designed to optimize our utilization of people and systems which is especially important in a difficult economy. During 2008, the Company reduced its workforce by approximately 5% in an effort to properly adjust our costs to lower sales volumes. We also have initiatives in place to further reduce our expenses, including additional reductions associated with personnel costs as well as planned savings in areas such as fleet management and fuel and energy consumption. Our management teams are focused on the ongoing assessment of the appropriate cost structure in our businesses and the need for additional cost reductions, while maintaining our high standards for excellent customer service.

Depreciation and amortization expense in 2008 was \$89 million, relatively consistent with 2007. The provision for doubtful accounts was \$24 million in 2008, up from a \$14 million bad debt expense in 2007. Our bad debt expense reflects an increase in uncollectible accounts receivables in 2008 and is likely directly correlated to the effects of the difficult economic climate, which has pressured certain of our customers. We believe the Company is adequately reserved for bad debts at December 31, 2008.

In 2007, SG&A increased slightly to \$2.3 billion, or 21.0% of net sales, which was improved from 2006 when SG&A as a percent of net sales was 21.2%. Depreciation and amortization expense in 2007 was \$88 million, up 19% from 2006, reflecting our increased level of capital spending in 2006 and 2007 relative to the previous few years. The provision for doubtful accounts was \$14 million in 2007, down from a \$16 million bad debt expense in 2006.

Non-Operating Expenses and Income

Non-operating expenses consist primarily of interest. Interest expense was relatively steady over the last three years, at \$32 million, \$31 million and \$32 million in 2008, 2007 and 2006, respectively.

In "Other", interest income net of minority interests decreased in 2008 from the prior two years due to the effects of lower interest rates and reduced cash balances on which interest income is earned.

Income Before Income Taxes

Income before income taxes was \$768 million in 2008, a decrease of 5.9% from \$817 million in 2007. As a percentage of net sales,

income before income taxes was 7.0% in 2008, reflecting a decrease from 7.5% in 2007. In 2007, income before income taxes of \$817 million was up 5.9% from \$771 million in 2006 and as a percentage of net sales was 7.5%, up from 7.4% in 2006.

Automotive Group

Automotive income before income taxes as a percentage of net sales, which we refer to as operating margin, decreased to 7.2% in 2008 from 7.8% in 2007. The decline in operating margin for 2008 is attributed to Automotive's lower sales volume for the year, partially offset by the benefit of cost reduction measures. Automotive's initiatives to grow sales and control costs are intended to improve its operating margin in the years ahead.

Automotive operating margins increased to 7.8% in 2007 from 7.7% in 2006. Our progress in 2007 primarily related to non-recurring costs incurred in 2006 for certain closing and consolidation expenses at Johnson Industries and our re-manufacturing operations.

Industrial Group

Industrial operating margins were 8.4% in 2008, which is unchanged from the operating margin in 2007 and up from 8.3% in 2006. After several years of ongoing operating margin improvement for Industrial, the lower level of sales growth in 2008 offset the effectiveness of our sales and operating initiatives. We will continue to focus on these initiatives, however, to show progress in the years ahead.

Office Group

Operating margins in Office were 8.3% in 2008, down from 8.9% in 2007 and 9.4% in 2006. The prevailing weakness in the office products industry that began in the latter part of 2006 continued to pressure the operating margins at Office in 2007 and 2008, and we will likely face more moderation in demand over the next several quarters. As we work to better align our costs to revenues, our near term sales initiatives at Office are focused on capturing additional marketshare.

Electrical Group

Operating margins in Electrical increased to 7.9% in 2008, up from 7.0% in 2007 and 5.5% in 2006. Our progress in 2008 represents the fifth consecutive year of operating margin improvement for Electrical. The manufacturing sector of the economy was strong over most of this five-year period, which helped drive Electrical's progress. Assuming a weak manufacturing sector for the near term, Electrical will rely more on its sales and cost initiatives than the strength of the manufacturing sector for continued progress.

Income Taxes

The effective income tax rate increased to 38.1% in 2008 from 38.0% in 2007. The net increase from the prior year rate is mainly due to a non-deductible expense associated with a Company retirement plan. The 38.0% tax rate in 2007 had decreased from 38.3% in 2006. The decrease in the effective rate in 2007 was primarily due to lower state taxes and favorable tax rate changes in Canada.

Net Income

Net income was \$475 million in 2008, a decrease of 6% from \$506 million in 2007. On a per share diluted basis, net income was \$2.92 in 2008 compared to \$2.98 in 2007, down 2%. Net income in 2008 was 4.3% of net sales compared to 4.7% of net sales in 2007.

Net income of \$506 million in 2007 was up 7% from \$475 million in 2006 and, on a per share diluted basis, net income was \$2.98 in 2007 compared to \$2.76 in 2006. Net income was 4.7% of net sales in 2007, an increase from 4.5% of net sales in 2006.

Share-Based Compensation

Effective January 1, 2006 the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123(R), Share Based Payment, choosing the "modified prospective" method. Compensation cost recognized for the year ended December 31, 2006 includes:

(a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, Accounting for Stock Based Compensation, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated with the provisions of SFAS No. 123(R). Most options may be exercised not earlier than twelve months nor later than ten years from the date of grant. As of January 1, 2006, there was approximately \$1.2 million of unrecognized compensation cost for all awards granted prior to January 1, 2003 to employees that remained unvested prior to the effective date of SFAS No. 123(R). This compensation cost is being recognized over a weighted-average period of approximately four years. For the year ended December 31, 2008, total compensation cost related to nonvested awards not yet recognized was approximately \$19.6 million. The weighted-average period over which this compensation cost is expected to be recognized is approximately three years. For the years ended December 31, 2008, 2007 and 2006, \$13.0 million, \$14.3 million, and \$11.9 million of share-based compensation cost was recorded, respectively. There have been no modifications to valuation methodologies or methods subsequent to the adoption of SFAS No. 123(R).

financial condition

The following is a discussion of the Company's financial condition at December 31, 2008. Our cash balance of \$68 million was down \$164 million or 71% from December 31, 2007, due primarily to increased expenditures of \$9 million for dividends, \$32 million for share repurchases and \$89 million for acquisitions during the year as well as the \$31 million decrease in net income. The Company's accounts receivable balance at December 31, 2008 increased by approximately 1% from the prior year, which is less than our increase in annual revenues. Inventory at December 31, 2008 was down by approximately 1% from December 31, 2007, also favorable to our increase in sales for the year. Goodwill and other intangible assets increased by \$76 million or 93% from December 31, 2007 and relates to the Company's acquisitions during the year. The changes in our December 31,

2008 balances for deferred taxes, up \$183 million, and other assets, down \$63 million, from 2007, respectively, as well as pension and other post-retirement benefits liabilities, up \$411 million, are primarily due to changes in the funded status of the Company's pension and other post-retirement plans in 2008. Accounts payable increased \$20 million or 2% from the prior year, due primarily to improved payment terms with certain suppliers and the expansion of our procurement card program in 2008. The prior year's current portion of debt of \$250 million matured in November 2008 and was replaced on favorable terms with new borrowings maturing in 2013 and reclassified to long-term debt during the fourth quarter.

liquidity and capital resources

The Company's sources of capital consist primarily of cash flows from operations, supplemented as necessary by private issuances of debt and bank borrowings. We have \$500 million of long-term debt outstanding at December 31, 2008, of which \$250 million matures in 2011 and \$250 million matures in 2013. The capital and credit markets have become tighter and more volatile in recent months and if these conditions continue or worsen, they are likely to impact our access to these markets. Currently, we believe that our available short-term and long-term sources of capital are sufficient to fund the Company's operations, including working capital requirements, scheduled debt payments, interest payments, capital expenditures, benefit plan contributions, income tax obligations, dividends, share repurchases and contemplated acquisitions.

The ratio of current assets to current liabilities was 3.0 to 1 at December 31, 2008 compared to 2.6 to 1 at December 31, 2007. The change in current ratio was primarily due to the reclassification of \$250 million in the current portion of debt which matured in November 2008. Our liquidity position remains solid. The Company had \$500 million in total debt outstanding at December 31, 2008 and 2007. In addition, at December 31, 2008, the Company had available a \$350 million unsecured revolving line of credit. No amounts are outstanding under the line of credit at December 31, 2008 and 2007.

A summary of the Company's consolidated statements of cash flows is as follows:

	Year Ended December 31,			Percent Change	
	<i>(in thousands)</i>			2008	2007
Net Cash Provided by (Used in):	2008	2007	2006	vs. 2007	vs. 2006
Operating Activities	\$530,309	\$ 641,471	\$ 433,500	-17%	48%
Investing Activities	(214,334)	(87,598)	(145,599)	145%	-40%
Financing Activities	(472,573)	(469,496)	(340,729)	1%	38%

management's discussion and analysis of financial condition and results of operations (cont.) 2008

Net Cash Provided by Operating Activities:

The Company continues to generate cash, with net cash provided by operating activities totaling \$530 million in 2008. This represents a 17% decrease from 2007, when net cash provided by operating activities was especially strong at \$641 million. Primarily, the change in 2008 was due to the \$116 million net increase in cash used for working capital requirements, including accounts receivable, inventory and accounts payable, as well as the \$31 million decrease in net income from 2007. For 2007, the \$31 million increase in net income as well as \$167 million in working capital gains during the year resulted in a 48% increase in net cash from operations compared to 2006.

Net Cash Used in Investing Activities:

Net cash flow used in investing activities was \$214 million in 2008 compared to \$88 million in 2007, an increase of 145%. Primarily, the change in investing activities was due to the \$89 million increase in cash used for the acquisition of businesses in 2008 and the \$56 million decrease in cash proceeds from the sale of assets during the year, relative to 2007. In 2007, a sale-leaseback transaction for certain real properties provided the Company \$56 million in cash proceeds. Such sale-leaseback proceeds also explain the 40% decrease in net cash used in investing activities in 2007 compared to 2006.

Net Cash Used in Financing Activities:

The Company used \$473 million of cash in financing activities in 2008, which was relatively consistent with 2007. For the three years presented, net cash used in financing activities was primarily for dividends paid to shareholders and the repurchase of the Company's common stock. The Company paid dividends to shareholders of \$252 million, \$243 million and \$228 million during 2008, 2007, and 2006, respectively. The Company expects this trend of increasing dividends to continue in the foreseeable future. During 2008, 2007 and 2006, the Company repurchased \$273 million, \$241 million and \$123 million, respectively, of the Company's common stock. We expect to remain active in our share repurchase program, but the amount and value of shares repurchased will vary annually.

Notes and Other Borrowings

The Company maintains a \$350 million unsecured revolving line of credit with a consortium of financial institutions, which matures in December 2012 and bears interest at LIBOR plus .23% (0.69% at December 31, 2008). At December 31, 2008 and 2007, no amounts were outstanding under the line of credit. Due to the workers' compensation and insurance reserve requirements in certain states, the Company also had unused letters of credit of approximately \$51 million and \$56 million outstanding at December 31, 2008 and 2007, respectively.

At December 31, 2008, the Company had unsecured Senior Notes outstanding under a \$500 million financing arrangement as follows: \$250 million, Series B, 6.23% fixed, due 2011; and \$250 million senior unsecured note, 4.67% fixed, due 2013. Certain borrowings contain covenants related to a maximum debt-to-capitalization ratio and certain limitations on additional borrowings. At December 31, 2008, the Company was in compliance with all such covenants. The weighted average interest rate on the Company's outstanding borrowings was approximately 5.45% at December 31, 2008 and 6.05% at December 31, 2007. Total interest expense, net of interest income, for all borrowings was \$29.8 million, \$21.1 million and \$26.4 million in 2008, 2007 and 2006, respectively.

Construction and Lease Agreement

The Company also has an \$85 million construction and lease agreement with an unaffiliated third party. Properties acquired by the lessor are constructed and then leased to the Company under operating lease agreements. The total amount advanced and outstanding under this agreement at December 31, 2008 was approximately \$72 million. Since the resulting leases are operating leases, no debt obligation is recorded on the Company's consolidated balance sheet. This construction and lease agreement expires in 2009 and no additional properties are being added to this agreement, as the construction term has ended. Lease payments fluctuate based upon current interest rates and are generally based upon LIBOR plus .50%. The lease agreement contains residual value guarantee provisions and guarantees under events of default. Although management believes the likelihood of funding to be remote, the maximum guarantee obligation, which represents our residual value guarantee, under the construction and lease agreement is approximately \$63 million at December 31, 2008. Refer to Notes 4 and 8 to the Consolidated Financial Statements for further information regarding this arrangement.

Contractual and Other Obligations

In October 2007, the Company entered into a sale-leaseback transaction with a financial institution. In connection with the transaction, the Company sold certain automotive retail store properties and immediately leased the properties back over a lease term of twenty years. The lease was classified as an operating lease. Net proceeds from the transaction amounted to approximately \$56 million. The Company realized a net gain of approximately \$20 million, which was deferred and will be amortized over the lease term.

The following table shows the Company's approximate obligations and commitments, including interest due on credit facilities, to make future payments under contractual obligations as of December 31, 2008:

(in thousands)	Total	Payment Due by Period			
		Less than 1 year	1-3 yrs	3-5 yrs	Over 5 years
Credit facilities	\$ 602,829	\$ 27,250	\$ 303,202	\$ 272,377	\$ -
Capital leases	7,703	1,634	2,317	1,728	2,024
Operating leases	512,812	121,505	149,333	93,545	148,429
Total contractual cash obligations	<u>\$ 1,123,344</u>	<u>\$ 150,389</u>	<u>\$ 454,852</u>	<u>\$ 367,650</u>	<u>\$ 150,453</u>

Due to the uncertainty of the timing of future cash flows associated with the Company's unrecognized tax benefits at December 31, 2008, the Company is unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, \$36 million of unrecognized tax benefits have been excluded from the contractual obligations table above. Refer to Note 6 to the Consolidated Financial Statements for a discussion on income taxes.

Purchase orders or contracts for the purchase of inventory and other goods and services are not included in our estimates. We are not able to determine the aggregate amount of such purchase orders that represent contractual obligations, as purchase orders may represent authorizations to purchase rather than binding agreements. Our purchase orders are based on our current distribution needs and are fulfilled by our vendors within short time horizons. The Company does not have significant agreements for the purchase of inventory or other goods specifying minimum quantities or set prices that exceed our expected requirements.

As discussed in 'Construction and Lease Agreement' above, the Company has approximately \$72 million outstanding under a construction and lease agreement which expires in 2009. In addition, the Company guarantees the borrowings of certain independently controlled automotive parts stores (independents) and certain other affiliates in which the Company has a minority equity ownership interest (affiliates). The Company's maximum exposure to loss as a result of its involvement with these independents and affiliates is equal to the total borrowings subject to the Company's guarantee. To date, the Company has had no significant losses in connection with guarantees of independents' and affiliates' borrowings.

The following table shows the Company's approximate commercial commitments under these two arrangements as of December 31, 2008:

(in thousands)	Total Amounts Committed	Amount of Commitment Expiration per Period			
		Less than 1 year	1-3 years	3-5 years	Over 5 years
Line of Credit	-	-	-	-	-
Standby letters of credit	\$ 50,553	\$ 50,553	\$ -	\$ -	\$ -
Guaranteed borrowings of independents and affiliates	189,946	57,271	20,975	13,984	97,716
Residual value guarantee under operating leases	62,678	62,678	-	-	-
Total commercial commitments	<u>\$ 303,177</u>	<u>\$ 170,502</u>	<u>\$ 20,975</u>	<u>\$ 13,984</u>	<u>\$ 97,716</u>

In addition, the Company sponsors defined benefit pension plans that may obligate us to make contributions to the plans from time to time. Contributions in 2008 were \$3 million. We expect to make a \$53 million cash contribution to our qualified defined benefit plans in 2009, and contributions required for 2010 and future years will depend on a number of unpredictable factors including the market performance of the plans' assets and future changes in interest rates that affect the actuarial measurement of the plans' obligations.

Share Repurchases

On August 21, 2006, our Board of Directors authorized the repurchase of 15 million shares of our common stock, and on November 17, 2008, the Board authorized the repurchase of an additional 15 million shares. Such repurchase plans were announced on August 21, 2006 and November 17, 2008, respectively. The authorization for these repurchase plans continues until all such shares have been repurchased or the repurchase plan is terminated by action of the Board of Directors. In 2008, the Company repurchased approximately 6.8 million shares and the Company had remaining authority to purchase approximately 18.5 million shares at December 31, 2008.

management's discussion and analysis of financial condition and results of operations (cont.) 2008

critical accounting estimates

General

Management's Discussion and Analysis of Financial Condition and Results of Operations is based upon our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net sales and expenses and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are uncertain at the time the estimate is made and if different estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. Management believes the following critical accounting policies reflect its most significant estimates and assumptions used in the preparation of the consolidated financial statements. For further information on the critical accounting policies, see Note 1 of the notes to our consolidated financial statements.

Inventories – Provisions for Slow Moving and Obsolescence

The Company identifies slow moving or obsolete inventories and estimates appropriate loss provisions related thereto. Historically, these loss provisions have not been significant as the vast majority of the Company's inventories are not highly susceptible to obsolescence and are eligible for return under various vendor return programs. While the Company has no reason to believe its inventory return privileges will be discontinued in the future, its risk of loss associated with obsolete or slow moving inventories would increase if such were to occur.

Allowance for Doubtful Accounts – Methodology

The Company evaluates the collectibility of accounts receivable based on a combination of factors. Initially, the Company estimates an allowance for doubtful accounts as a percentage of net sales based on historical bad debt experience. This initial estimate is periodically adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filing) or as a result of changes in the overall aging of accounts receivable. While the Company has a large customer base that is geographically dispersed, a general economic downturn in any of the industry segments in which the Company operates could result in higher than expected defaults and, therefore, the need to revise estimates for bad debts. For the years ended December 31, 2008, 2007 and 2006, the Company recorded provisions for bad debts of \$23.9 million, \$13.5 million, and \$16.5 million, respectively.

Consideration Received from Vendors

The Company enters into agreements at the beginning of each year with many of its vendors providing for inventory purchase incentives and advertising allowances. Generally, the Company earns inventory purchase incentives upon achieving specified volume purchasing levels and advertising allowances upon fulfilling its obligations related to cooperative advertising programs. The Company accrues for the receipt of inventory purchase incentives as part of its inventory cost based on cumulative purchases of inventory to date and projected inventory purchases through the end of the year and, in the case of advertising allowances, upon completion of the Company's obligations related thereto. While management believes the Company will continue to receive such amounts in 2009 and beyond, there can be no assurance that vendors will continue to provide comparable amounts of incentives and allowances in the future.

Impairment of Property, Plant and Equipment and Goodwill and Other Intangible Assets

At least annually, the Company evaluates property, plant and equipment, goodwill and other intangible assets for potential impairment indicators. The Company's judgments regarding the existence of impairment indicators are based on market conditions and operational performance, among other factors. Future events could cause the Company to conclude that impairment indicators exist and that assets associated with a particular operation are impaired. Evaluating the impairment also requires the Company to estimate future operating results and cash flows which require judgment by management. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

Employee Benefit Plans

The Company's benefit plan committees in the U.S. and Canada establish investment policies and strategies and regularly monitor the performance of the Company's pension plan assets. The pension plan investment strategy implemented by the Company's management is to achieve long-term objectives and invest the pension assets in accordance with the applicable pension legislation in the U.S. and Canada and fiduciary standards. The long-term primary objectives for the pension plan funds are to provide for a reasonable amount of long-term growth of capital without undue exposure to risk, protect the assets from erosion of purchasing power and provide investment results that meet or exceed the pension plan's actuarially assumed long term rate of return.

Based on the investment policy for the U.S. pension plan, as well as an asset study that was performed based on the Company's asset allocations and future expectations, the Company's expected rate of return on plan assets for measuring 2009 pension expense or income is 8.00% for the U.S. plan. The asset study forecasted expected rates of return for the approximate duration of the Company's benefit obligations, using capital market data and historical relationships.

The discount rate is chosen as the rate at which pension obligations could be effectively settled and is based on capital market conditions

as of the measurement date. We have matched the timing and duration of the expected cash flows of our pension obligations to a yield curve generated from a broad portfolio of high-quality fixed income debt instruments to select our discount rate. Based upon this cash flow matching analysis, we selected a weighted average discount rate for the U.S. plans of 6.50% at December 31, 2008.

Net periodic cost for our defined benefit pension plans was \$46.9 million, \$51.2 million and \$48.2 million for the years ended December 31, 2008, 2007 and 2006, respectively. The pension cost over these periods was influenced by the change in assumptions for the rate of return on plan assets, the discount rate and the rate of compensation increases. Refer to Note 7 to the Consolidated Financial Statements for more information regarding employee benefit plans.

On September 29, 2006, the Financial Accounting Standards Board issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. SFAS No. 158 was effective for public companies for fiscal years ending after December 15, 2006. The Company adopted the balance sheet recognition provisions of SFAS No. 158 at the end of fiscal year 2006.

The Company has evaluated the potential impact of the Pension Protection Act ("the Act"), which was passed into law on August 17, 2006, on future U.S. pension plan funding requirements based on current market conditions. The Act is not anticipated to have a material effect on the Company's liquidity and capital resources.

quarterly results of operations

The following is a summary of the quarterly results of operations for the years ended December 31, 2008 and 2007:

We reported the quarterly earnings per share amounts as if each quarter was a discrete period. As a result, the sum of the basic and

	March 31,	Three Months Ended		Dec. 31,
		June 30,	Sept. 30,	
		<i>(in thousands except per share data)</i>		
2008				
Net Sales	\$ 2,739,473	\$ 2,873,485	\$ 2,882,115	\$ 2,520,190
Gross Profit	819,483	852,213	849,005	751,789
Net Income	123,543	133,073	131,017	87,784
Earnings				
Per Share:				
Basic	.75	.81	.81	.55
Diluted	.75	.81	.81	.55
2007				
Net Sales	\$ 2,648,843	\$ 2,769,527	\$ 2,797,556	\$ 2,627,269
Gross Profit	789,944	824,585	824,488	778,206
Net Income	121,553	130,121	128,580	126,085
Earnings				
Per Share:				
Basic	.71	.76	.76	.76
Diluted	.71	.76	.76	.75

diluted earnings per share will not necessarily total the annual basic and diluted earnings per share.

The preparation of interim consolidated financial statements requires management to make estimates and assumptions for the amounts reported in the interim condensed consolidated financial statements. Specifically, the Company makes certain estimates in its interim consolidated financial statements for the accrual of bad debts, inventory adjustments and discounts and volume incentives earned. Bad debts are accrued based on a percentage of sales, and volume incentives are estimated based upon cumulative and projected purchasing levels. Inventory adjustments are accrued on an interim basis and adjusted in the fourth quarter based on the annual October 31 book-to-physical inventory adjustment. The methodology and practices used in deriving estimates for interim reporting typically results in adjustments upon accurate determination at year-end. The effect of these adjustments in 2008 and 2007 was not significant.

forward looking statements

Some statements in this report, as well as in other materials we file with the Securities and Exchange Commission (SEC) or otherwise release to the public and in materials that we make available on our website, constitute forward-looking statements that are subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Senior officers may also make verbal statements to analysts, investors, the media and others that are forward-looking. Forward-looking statements may relate, for example, to future operations, prospects, strategies, financial condition, economic performance (including growth and earnings), industry conditions and demand for our products and services. The Company cautions that its forward-looking statements involve risks and uncertainties, and while we believe that our expectations for the future are reasonable in view of currently available information, you are cautioned not to place undue reliance on our forward-looking statements. Actual results or events may differ materially from those indicated as a result of various important factors. Such factors include, but are not limited to, the ability to maintain favorable supplier arrangements and relationships, changes in general economic conditions, the growth rate of the market demand for the Company's products and services, competitive product, service and pricing pressures, including internet related initiatives, the effectiveness of the Company's promotional, marketing and advertising programs, changes in the financial markets, including particularly the capital and credit markets, changes in laws and regulations, including changes in accounting and taxation guidance, the uncertainties of litigation, as well as other risks and uncertainties discussed in the Company's Annual Report on Form 10-K for 2008 and from time to time in the Company's subsequent filings with the SEC.

Forward-looking statements are only as of the date they are made, and the Company undertakes no duty to update its forward-looking statements except as required by law. You are advised, however, to review any further disclosures we make on related subjects in our Form 10-Q, Form 8-K and other reports to the SEC.

report of management

Genuine Parts Company

Management's Responsibility for the Financial Statements

We have prepared the accompanying consolidated financial statements and related information included herein for the years ended December 31, 2008, 2007 and 2006. The opinion of Ernst & Young LLP, the Company's independent registered public accounting firm, on those consolidated financial statements is included herein. The primary responsibility for the integrity of the financial information included in this annual report rests with management. Such information was prepared in accordance with generally accepted accounting principles appropriate in the circumstances based on our best estimates and judgments and giving due consideration to materiality.

Management's Report on Internal Control over Financial Reporting

The management of Genuine Parts Company and its subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934.

The Company's internal control system was designed to provide reasonable assurance to the Company's management and to the board of directors regarding the preparation and fair presentation of the Company's published consolidated financial statements. The Company's internal control over financial reporting includes those policies and procedures that:

- i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and
- iii. provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

All internal control systems, no matter how well designed, have inherent limitations and may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management, including our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2008.

In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in "Internal Control-Integrated Framework." Based on this assessment, management concluded that, as of December 31, 2008, the Company's internal control over financial reporting was effective.

Ernst & Young LLP has issued an audit report on the Company's operating effectiveness of internal control over financial reporting as of December 31, 2008. This report appears on page 25.

Audit Committee Responsibility

The Audit Committee of Genuine Parts Company's Board of Directors is responsible for reviewing and monitoring the Company's financial reports and accounting practices to ascertain that they are within acceptable limits of sound practice in such matters. The membership of the Committee consists of non-employee Directors. At periodic meetings, the Audit Committee discusses audit and financial reporting matters and the internal audit function with representatives of financial management and with representatives from Ernst & Young LLP.



JERRY W. NIX
Vice Chairman and Chief Financial Officer
February 25, 2009

report of independent registered public accounting firm on internal control over financial accounting

The Board of Directors and Shareholders of Genuine Parts Company

We have audited Genuine Parts Company's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Genuine Parts Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable

assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Genuine Parts Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Genuine Parts Company as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008 of Genuine Parts Company and our report dated February 25, 2009 expressed an unqualified opinion thereon.

Ernst + Young LLP

Atlanta, Georgia
February 25, 2009

report of independent registered public accounting firm on the financial statements

The Board of Directors and Shareholders of Genuine Parts Company

We have audited the accompanying consolidated balance sheets of Genuine Parts Company as of December 31, 2008 and 2007, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 Genuine Parts Company at December 31, 2008 and 2007, and the

consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 7, effective December 31, 2006, the Company adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Benefits*.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Genuine Parts Company's internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2009 expressed an unqualified opinion thereon.

Ernst + Young LLP

Atlanta, Georgia
February 25, 2009

consolidated balance sheets

(in thousands, except share data and per share amounts) December 31,

	2008	2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 67,777	\$ 231,837
Trade accounts receivable, net	1,224,525	1,216,220
Merchandise inventories, net	2,316,880	2,335,716
Prepaid expenses and other current assets	262,238	269,239
Total current assets	<u>3,871,420</u>	<u>4,053,012</u>
Goodwill and other intangible assets, less accumulated amortization	158,825	82,453
Deferred tax asset	218,503	35,778
Other assets	114,337	176,837
Property, plant, and equipment:		
Land	51,835	47,415
Buildings, less allowance for depreciation (2008 – \$158,019; 2007 – \$153,869)	151,959	143,685
Machinery and equipment, less allowance for depreciation (2008 – \$470,513; 2007 – \$469,909)	219,471	234,889
Net property, plant, and equipment	<u>423,265</u>	<u>425,989</u>
	<u>\$ 4,786,350</u>	<u>\$ 4,774,069</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 1,009,423	\$ 989,816
Current portion of debt	–	250,000
Accrued compensation	106,731	102,027
Other accrued expenses	84,116	99,766
Dividends payable	62,148	60,789
Income taxes payable	24,685	45,578
Total current liabilities	<u>1,287,103</u>	<u>1,547,976</u>
Long-term debt	500,000	250,000
Minority interests in subsidiaries	69,046	66,230
Pension and other post-retirement benefit liabilities	502,605	91,159
Other long-term liabilities	103,264	101,988
Shareholders' equity:		
Preferred stock, par value \$1 per share – authorized 10,000,000 shares; none issued	–	–
Common stock, par value \$1 per share – authorized 450,000,000 shares; issued and outstanding 159,442,508 in 2008 and 166,065,250 shares in 2007	159,443	166,065
Accumulated other comprehensive (loss) income	(478,562)	(123,715)
Retained earnings	2,643,451	2,674,366
Total shareholders' equity	<u>2,324,332</u>	<u>2,716,716</u>
	<u>\$ 4,786,350</u>	<u>\$ 4,774,069</u>

See accompanying notes.

consolidated statements of income

(in thousands, except per share amounts) Year ended December 31,

	2008	2007	2006
Net sales	\$ 11,015,263	\$ 10,843,195	\$ 10,457,942
Cost of goods sold	7,742,773	7,625,972	7,353,447
Gross margin	<u>3,272,490</u>	<u>3,217,223</u>	<u>3,104,495</u>
Operating expenses:			
Selling, administrative, and other expenses	2,359,829	2,278,155	2,217,882
Depreciation and amortization	88,698	87,702	73,423
Provision for doubtful accounts	23,883	13,514	16,472
Total operating expenses	<u>2,472,410</u>	<u>2,379,371</u>	<u>2,307,777</u>
Non-operating expenses (income):			
Interest expense	31,721	31,327	31,576
Other	(109)	(10,220)	(5,774)
Total non-operating expenses	<u>31,612</u>	<u>21,107</u>	<u>25,802</u>
Income before income taxes	768,468	816,745	770,916
Income taxes	293,051	310,406	295,511
Net income	<u>\$ 475,417</u>	<u>\$ 506,339</u>	<u>\$ 475,405</u>
Basic net income per common share	<u>\$ 2.93</u>	<u>\$ 2.99</u>	<u>\$ 2.77</u>
Diluted net income per common share	<u>\$ 2.92</u>	<u>\$ 2.98</u>	<u>\$ 2.76</u>
Weighted average common shares outstanding	162,351	169,129	171,576
Dilutive effect of stock options and non-vested restricted stock awards	635	1,006	910
Weighted average common shares outstanding - assuming dilution	<u>162,986</u>	<u>170,135</u>	<u>172,486</u>

See accompanying notes.

consolidated statements of shareholders' equity

<i>(in thousands, except share and per share amounts)</i>	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Total Shareholders' Equity
	Shares	Amount					
Balance at January 1, 2006	173,032,697	\$ 173,033	\$ –	\$ 45,535	\$ 2,475,389	\$ 2,693,957	
Net income	–	–	–	–	475,405	475,405	
Foreign currency translation adjustment	–	–	–	(2,341)	–	(2,341)	
Changes in fair value of derivative instruments, net of income taxes of \$201	–	–	–	322	–	322	
Change in minimum pension liability, net of income taxes of \$922	–	–	–	(1,265)	–	(1,265)	
Comprehensive income						<u>472,121</u>	
Pension and postretirement benefit adjustment, net of income taxes of \$187,371 ⁽¹⁾	–	–	–	(284,785)	–	(284,785)	
Cash dividends declared, \$1.35 per share	–	–	–	–	(231,454)	(231,454)	
Stock options exercised, including tax benefit of \$3,005	432,694	433	11,249	–	–	11,682	
Stock-based compensation	–	–	11,948	–	–	11,948	
Purchase of stock	(2,934,517)	(2,935)	(23,197)	–	(97,346)	(123,478)	
Balance at December 31, 2006	170,530,874	170,531	–	(242,534)	2,621,994	2,549,991	
Net income	–	–	–	–	506,339	506,339	
Foreign currency translation adjustment	–	–	–	78,877	–	78,877	
Changes in fair value of derivative instruments, net of income taxes of \$184	–	–	–	296	–	296	
Pension and postretirement benefit adjustment, net of income taxes of \$24,278	–	–	–	39,646	–	39,646	
Comprehensive income						<u>625,158</u>	
Cash dividends declared, \$1.46 per share	–	–	–	–	(246,481)	(246,481)	
Stock options exercised, including tax benefit of \$4,438	530,262	530	14,438	–	–	14,968	
Stock-based compensation	–	–	14,300	–	–	14,300	
Purchase of stock	(4,995,886)	(4,996)	(28,738)	–	(207,486)	(241,220)	
Balance at December 31, 2007	166,065,250	166,065	–	(123,715)	2,674,366	2,716,716	
Net income	–	–	–	–	475,417	475,417	
Foreign currency translation adjustment	–	–	–	(112,150)	–	(112,150)	
Pension and postretirement benefit adjustment, net of income taxes of \$160,695	–	–	–	(242,697)	–	(242,697)	
Comprehensive income						<u>120,570</u>	
Cash dividends declared, \$1.56 per share	–	–	–	–	(253,166)	(253,166)	
Stock options exercised, net of income taxes of \$586	157,643	158	77	–	–	235	
Stock-based compensation	–	–	12,977	–	–	12,977	
Purchase of stock	(6,780,385)	(6,780)	(13,054)	–	(253,166)	(273,000)	
Balance at December 31, 2008	159,442,508	\$ 159,443	\$ –	\$(478,562)	\$ 2,643,451	\$ 2,324,332	

See accompanying notes.

⁽¹⁾ The pension and postretirement benefit adjustment relates to the adoption of SFAS No. 158 as described further in Note 7.

consolidated statements of cash flows

<i>(in thousands)</i> Year ended December 31,	2008	2007	2006
Operating activities			
Net income	\$ 475,417	\$ 506,339	\$ 475,405
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	88,698	87,702	73,423
Excess tax expense (benefits) from share-based compensation	586	(4,438)	(3,005)
(Gain) Loss on sale of property, plant, and equipment	(2,086)	(2,214)	509
Deferred income taxes	(40,023)	(8,066)	(5,481)
Minority interests	4,561	4,939	3,991
Stock-based compensation	12,977	14,300	11,948
Changes in operating assets and liabilities:			
Trade accounts receivable, net	(19,695)	38,330	(31,821)
Merchandise inventories, net	(20,709)	(42,087)	(7,240)
Trade accounts payable	(14,307)	65,103	(66,116)
Other long-term assets	49,729	(11,806)	(7,052)
Other, net	(4,839)	(6,631)	(11,061)
	<u>54,892</u>	<u>135,132</u>	<u>(41,905)</u>
Net cash provided by operating activities	530,309	641,471	433,500
Investing activities			
Purchases of property, plant and equipment	(105,026)	(115,648)	(126,044)
Proceeds from sale of property, plant, and equipment	11,721	67,656	4,452
Acquisition of businesses and other investments	(133,604)	(44,855)	(29,007)
Proceeds from disposal of businesses	12,575	5,249	–
Other	–	–	5,000
	<u>(214,334)</u>	<u>(87,598)</u>	<u>(145,599)</u>
Net cash used in investing activities			
Financing activities			
Proceeds from debt	1,283,000	–	160,000
Payments on debt	(1,283,000)	–	(160,881)
Stock options exercised	821	10,530	8,677
Excess tax (expense) benefits from share-based compensation	(586)	4,438	3,005
Dividends paid	(251,808)	(243,244)	(228,052)
Purchase of stock	(273,000)	(241,220)	(123,478)
Other	52,000	–	–
	<u>(472,573)</u>	<u>(469,496)</u>	<u>(340,729)</u>
Net cash used in financing activities			
Effect of exchange rate changes on cash	(7,462)	11,487	(110)
Net (decrease) increase in cash and cash equivalents	(164,060)	95,864	(52,938)
Cash and cash equivalents at beginning of year	231,837	135,973	188,911
Cash and cash equivalents at end of year	<u>\$ 67,777</u>	<u>\$ 231,837</u>	<u>\$ 135,973</u>
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Income taxes	\$ 338,859	\$ 324,399	\$ 285,696
Interest	<u>\$ 31,297</u>	<u>\$ 31,540</u>	<u>\$ 32,521</u>

See accompanying notes.

notes to consolidated financial statements

december 31, 2008

1. summary of significant accounting policies

Business

Genuine Parts Company and all of its majority-owned subsidiaries (the Company) is a distributor of automotive replacement parts, industrial replacement parts, office products, and electrical/electronic materials. The Company serves a diverse customer base through more than 2,000 locations in North America and, therefore, has limited exposure from credit losses to any particular customer, region, or industry segment. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Principles of Consolidation

The consolidated financial statements include all of the accounts of the Company. Income applicable to minority interests is included in other non-operating expenses (income). Significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements, in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates and the differences could be material.

Revenue Recognition

The Company recognizes revenues from product sales upon shipment to its customers.

Foreign Currency Translation

The consolidated balance sheets and statements of income of the Company's foreign subsidiaries have been translated into U.S. dollars at the current and average exchange rates, respectively. The foreign currency translation adjustment is included as a component of accumulated other comprehensive (loss) income.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents.

Trade Accounts Receivable and the Allowance for Doubtful Accounts

The Company evaluates the collectability of trade accounts receivable based on a combination of factors. Initially, the Company estimates an allowance for doubtful accounts as a percentage of net sales based on historical bad debt experience. This initial estimate is periodically adjusted when the Company becomes aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filing) or as a result of changes in the overall aging of accounts receivable. While the Company has a large customer base that is geographically dispersed, a general economic downturn in any of the industry segments in which the Company operates could result in higher than expected defaults, and, therefore, the need to revise estimates

for bad debts. For the years ended December 31, 2008, 2007, and 2006, the Company recorded provisions for bad debts of approximately \$23,883,000, \$13,514,000, and \$16,472,000, respectively. At December 31, 2008 and 2007, the allowance for doubtful accounts was approximately \$18,588,000 and \$15,521,000, respectively.

Merchandise Inventories, Including Consideration Received From Vendors

Merchandise inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for a majority of automotive parts, electrical/electronic materials, and industrial parts, and by the first-in, first-out (FIFO) method for office products and certain other inventories. If the FIFO method had been used for all inventories, cost would have been approximately \$426,461,000 and \$326,816,000 higher than reported at December 31, 2008 and 2007, respectively.

The Company identifies slow moving or obsolete inventories and estimates appropriate provisions related thereto. Historically, these losses have not been significant as the vast majority of the Company's inventories are not highly susceptible to obsolescence and are eligible for return under various vendor return programs. While the Company has no reason to believe its inventory return privileges will be discontinued in the future, its risk of loss associated with obsolete or slow moving inventories would increase if such were to occur.

The Company enters into agreements at the beginning of each year with many of its vendors providing for inventory purchase incentives and advertising allowances. Generally, the Company earns inventory purchase incentives and advertising allowances upon achieving specified volume purchasing levels or other criteria. The Company accrues for the receipt of inventory purchase incentives and advertising allowances as part of its inventory cost based on cumulative purchases of inventory to date and projected inventory purchases through the end of the year, or, in the case of specific advertising allowances, upon completion of the Company's obligations related thereto. While management believes the Company will continue to receive consideration from vendors in 2009 and beyond, there can be no assurance that vendors will continue to provide comparable amounts of incentives and allowances in the future.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist primarily of prepaid expenses and amounts due from vendors.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets primarily represent the excess of the purchase price paid over the fair value of the net assets acquired in connection with business acquisitions. Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets* (SFAS No. 142) requires that when the fair value of goodwill is less than the related carrying value, entities are required to reduce the

amount of goodwill. In accordance with the provisions of SFAS No. 142, the Company reviews its goodwill annually in the fourth quarter, or sooner if circumstances indicate that the carrying amount may exceed fair value. No goodwill impairments have been recorded in 2008, 2007, or 2006. The impairment-only approach required by SFAS No. 142 may have the effect of increasing the volatility of the Company's earnings if goodwill impairment occurs at a future date.

Other Assets

Other assets are comprised of the following:

<i>(in thousands) December 31,</i>	2008	2007
Retirement benefit assets	\$ 7,229	\$ 45,680
Investment accounted for under the cost method	21,400	21,400
Cash surrender value of life insurance policies	47,873	55,937
Other	37,835	53,820
Total other assets	<u>\$ 114,337</u>	<u>\$ 176,837</u>

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Buildings include certain leases capitalized at December 31, 2008 and 2007. Depreciation and amortization is primarily determined on a straight-line basis over the following estimated useful life of each asset: buildings and improvements, 10 to 40 years; machinery and equipment, 5 to 15 years.

Long-Lived Assets Other Than Goodwill

The Company assesses its long-lived assets other than goodwill for impairment whenever facts and circumstances indicate that the carrying amount may not be fully recoverable. To analyze recoverability, the Company projects undiscounted net future cash flows over the remaining life of such assets. If these projected cash flows are less than the carrying amount, an impairment would be recognized, resulting in a write-down of assets with a corresponding charge to earnings. Impairment losses, if any, are measured based upon the difference between the carrying amount and the fair value of the assets.

Other Long-Term Liabilities

Other long-term liabilities are comprised of the following:

<i>(in thousands) December 31,</i>	2008	2007
Post-employment benefit liabilities	\$ 9,300	\$ 8,901
Obligations under capital and other leases	12,708	13,707
Insurance liabilities	43,019	36,723
Deferred gain on sale-leaseback	18,477	19,458
Other	19,760	23,199
Total other long-term liabilities	<u>\$ 103,264</u>	<u>\$ 101,988</u>

The Company's post-employment benefit liabilities consist primarily of actuarially determined obligations. See Note 4 for further discussion of the Company's obligations under capital leases and the sale-leaseback transaction.

Insurance liabilities consist primarily of reserves for the workers' compensation program. The Company carries various large risk deductible workers' compensation policies for the majority of workers' compensation liabilities. The Company records the workers' compensation reserves based on an analysis performed by an independent actuary. The analysis calculates development factors, which are applied to total reserves as provided by the various insurance companies who underwrite the program. While the Company believes that the assumptions used to calculate these liabilities are appropriate, significant differences in actual experience or significant changes in these assumptions may materially affect workers' compensation costs.

Self-Insurance

The Company is self-insured for the majority of group health insurance costs. A reserve for claims incurred but not reported is developed by analyzing historical claims data provided by the Company's claims administrators. While the Company believes that the assumptions used to calculate these liabilities are appropriate, significant differences from historical trends may materially impact financial results. These reserves are included in accrued expenses in the accompanying consolidated balance sheets as the expenses are expected to be paid within one year.

Accumulated Other Comprehensive (Loss) Income

Accumulated other comprehensive (loss) income is comprised of the following:

<i>(in thousands) December 31,</i>	2008	2007
Foreign currency translation	\$ 17,550	\$ 129,700
Unrecognized net actuarial loss, net of tax	(533,562)	(250,846)
Unrecognized prior service credit (cost), net of tax	37,450	(2,569)
Total accumulated other comprehensive loss	<u>\$ (478,562)</u>	<u>\$ (123,715)</u>

Fair Value of Financial Instruments

The carrying amounts reflected in the consolidated balance sheets for cash and cash equivalents, trade accounts receivable and trade accounts payable approximate their respective fair values based on the short-term nature of these instruments. At December 31, 2008 and 2007, the fair value of fixed rate debt was approximately \$491,000,000 and \$529,000,000, respectively, based primarily on quoted prices for similar instruments. The fair value of fixed rate

notes to consolidated financial statements (continued)

december 31, 2008

1. summary of significant accounting policies (continued)

debt was estimated by calculating the present value of anticipated cash flows. The discount rate used was an estimated borrowing rate for similar debt instruments with like maturities.

Shipping and Handling Costs

Shipping and handling costs are classified as selling, administrative and other expenses in the accompanying consolidated statements of income and totaled approximately \$140,000,000 in the years ended December 31, 2008 and 2007, and \$130,000,000 in the year ended December 31, 2006.

Advertising Costs

Advertising costs are expensed as incurred and totaled \$42,800,000, \$44,700,000, and \$49,700,000 in the years ended December 31, 2008, 2007, and 2006, respectively.

Accounting for Legal Costs

The Company's legal costs expected to be incurred in connection with loss contingencies are expensed as such costs are incurred.

Stock Compensation

The Company maintains various Long-Term Incentive Plans, which provide for the granting of stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalents, and other share-based awards.

Effective January 1, 2006, the Company adopted SFAS No. 123(R), *Share-Based Payment* (SFAS No. 123(R)), choosing the "modified prospective" method. Compensation cost recognized for the years ended December 31, 2008, 2007 and 2006, includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123, *Accounting for Stock-Based Compensation* (SFAS No. 123); and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated with the provisions of SFAS No. 123(R). Results for prior periods have not been restated. Most options may be exercised not earlier than twelve months nor later than ten years from the date of grant.

Net Income per Common Share

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding during the year. The computation of diluted net income per common share includes the dilutive effect of stock options, stock appreciation rights and non-vested restricted stock awards.

Options to purchase approximately 4.4 million, 1.6 million and 2.1 million shares of common stock ranging from \$42-\$49 per share were outstanding at December 31, 2008, 2007 and 2006, respectively. These options were not included in the computation of diluted net income per common share because the options' exercise price was greater than the average market price of common stock.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current year presentation.

Recently Issued Accounting Pronouncements

On September 15, 2006, the Financial Accounting Standards Board (FASB) issued SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States, and expands disclosures about fair value measurements. SFAS No. 157 does not expand the use of fair value in any new circumstances. The provisions of SFAS No. 157, as issued, are effective for the fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff position 157-2 that deferred for one year the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually). As of January 1, 2008, the Company adopted SFAS No. 157 for all financial assets and liabilities and for non-financial assets and liabilities recognized or disclosed at fair value on a recurring basis. The Company determined that the adoption did not have a significant impact on the consolidated financial statements. Additionally, the Company does not expect the adoption of SFAS No. 157 for non-financial assets and liabilities, effective January 1, 2009, will have a significant impact on the Company's consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), *Business Combinations* (SFAS No. 141(R)). SFAS No. 141(R) will change the accounting for business combinations. Under SFAS No. 141(R), an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. SFAS No. 141(R) will change the accounting treatment and disclosure for certain specific items in a business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. SFAS No. 141(R) will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements—An Amendment of ARB No. 51* (SFAS No. 160). SFAS No. 160 establishes new accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. The Company does not expect that SFAS No. 160 will have a significant impact on the Company's consolidated financial statements.

2. goodwill and other intangible assets

In accordance with SFAS No. 142, the Company performed an annual goodwill and indefinite lived intangible asset impairment test during the fourth quarter of 2008, 2007, and 2006. The present value of future cash flows approach was used to determine any potential impairment. The Company determined that these assets were not impaired and, therefore, no impairment was recognized for the years ended December 31, 2008, 2007, and 2006.

The changes in the carrying amount of goodwill during the years ended December 31, 2008, 2007, and 2006 by reportable segment, as well as other identifiable intangible assets, are summarized as follows (in thousands):

	Goodwill					Total
	Automotive	Industrial	Office Products	Electrical/ Electronic Materials	Identifiable Intangible Assets	
Balance as of January 1, 2006	\$ 23,887	\$ 31,409	\$ 2,131	\$ –	\$ 5,290	\$ 62,717
Amortization	–	–	–	–	(463)	(463)
Balance as of December 31, 2006	23,887	31,409	2,131	–	4,827	62,254
Additions	300	13,593	–	–	7,424	21,317
Amortization	–	–	–	–	(1,118)	(1,118)
Balance as of December 31, 2007	24,187	45,002	2,131	–	11,133	82,453
Additions	16,025	25,834	8,423	2,870	26,081	79,233
Amortization	–	–	–	–	(2,861)	(2,861)
Balance as of December 31, 2008	\$ 40,212	\$ 70,836	\$ 10,554	\$ 2,870	\$ 34,353	\$ 158,825

3. credit facilities

There were no amounts outstanding subject to variable rates at December 31, 2008 and 2007. The weighted average interest rate on the Company's outstanding borrowings was approximately 5.45% at December 31, 2008 and 6.05% at December 31, 2007.

The Company maintains a \$350,000,000 unsecured revolving line of credit with a consortium of financial institutions that matures in December 2012 and bears interest at LIBOR plus .23% (0.69% at December 31, 2008). The Company also has the option under this agreement to increase its borrowing an additional \$200,000,000. No amounts were outstanding under this line of credit at December 31, 2008 and 2007. Certain borrowings contain covenants related to a maximum debt-to-capitalization ratio and certain limitations on additional borrowings. At December 31, 2008, the Company was in compliance with all such covenants. Due to the workers compensation and insurance reserve requirements in certain states, the Company also had unused letters of credit of \$50,553,000 and \$56,453,000 outstanding at December 31, 2008 and 2007, respectively.

Amounts outstanding under the Company's credit facilities consist of the following:

(in thousands) December 31,	2008	2007
Unsecured term notes:		
November 30, 2001, Series A Senior Notes, \$250,000,000, 5.86% fixed, due November 30, 2008	\$ –	\$ 250,000
November 30, 2001, Series B Senior Notes, \$250,000,000, 6.23% fixed, due November 30, 2011	250,000	250,000
November 30, 2008, Senior Unsecured Notes, \$250,000,000, 4.67% fixed, due November 30, 2013	250,000	–
Total debt	500,000	500,000
Less debt due within one year	–	250,000
Long-term debt, excluding current portion	\$ 500,000	\$ 250,000

notes to consolidated financial statements (continued)

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3. credit facilities (continued)

Approximate maturities under the Company's credit facilities are as follows (in thousands):

2009	\$	—
2010		—
2011		250,000
2012		—
2013		250,000
	\$	<u>500,000</u>

4. leased properties

In June 2003, the Company completed an amended and restated master agreement to our \$85,000,000 construction and lease agreement (the Agreement). The lessor in the Agreement is an independent third-party limited liability company, which has as its sole member a publicly traded corporation. Properties acquired by the lessor are constructed and/or then leased to the Company under operating lease agreements. No additional properties are being added to this Agreement, as the construction term has ended. The Company does not believe the lessor is a variable interest entity, as defined in FASB Interpretation No. 46(R), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51 (FIN No. 46)*. In addition, the Company has verified that even if the lessor was determined to be a variable interest entity, the Company would not have to consolidate the lessor nor the assets and liabilities associated with properties leased to the Company. This is because the assets leased under the Agreement do not exceed 50% of the total fair value of the lessor's assets, excluding any assets that should be excluded from such calculation under FIN No. 46, nor did the lessor finance 95% or more of the leased balance with non-recourse debt, target equity or similar funding. The Agreement has been accounted for as an operating lease under SFAS No. 13, *Accounting for Leases* (SFAS No. 13) and related interpretations. Future minimum rental commitments under the Agreement have been included in the table of future minimum payments below.

Rent expense related to the Agreement is recorded under selling, administrative, and other expenses in our consolidated statements of income and was \$2,586,000, \$4,877,000, and \$4,797,000 for the years ended December 31, 2008, 2007, and 2006, respectively.

In October 2007, the Company entered into a sale-leaseback transaction with a financial institution. In connection with the transaction, the Company sold certain automotive retail store properties and immediately leased the properties back over a lease term of twenty years. The lease was classified as an operating lease. Net proceeds from the transaction amounted to approximately \$56,000,000. The Company realized a net gain of approximately \$20,000,000, which was deferred and is being amortized over the lease term. The unamortized portion of the deferred gain is included in other long-term liabilities in the consolidated balance sheets at December 31, 2008 and 2007.

At December 31, 2008 and 2007, buildings include \$11,550,000 and \$15,400,000 with accumulated depreciation of \$6,831,000 and \$8,336,000, respectively, for leases of distribution centers and stores capitalized. Depreciation expense for capital leases was approximately \$2,267,000, \$2,509,000, and \$4,585,000 in 2008, 2007, and 2006, respectively.

Future minimum payments, by year and in the aggregate, under the capital and noncancelable operating leases with initial or remaining terms of one year or more consisted of the following at December 31, 2008 (in thousands):

	Capital Leases	Operating Leases
2009	\$ 1,634	\$ 120,622
2010	1,296	94,473
2011	1,021	55,007
2012	913	53,784
2013	815	38,806
Thereafter	2,024	148,429
Total minimum lease payments	7,703	<u>\$ 511,121</u>
Amounts representing interest	<u>2,984</u>	
Present value of future minimum lease payments	<u>\$ 4,719</u>	

Rental expense for operating leases was approximately \$159,562,000 in 2008, \$153,273,000 in 2007, and \$147,727,000 in 2006.

5. stock options and restricted stock awards

The Company maintains various Long-Term Incentive Plans, which provide for the granting of stock options, stock appreciation rights (SARs), restricted stock, restricted stock units (RSUs), performance awards, dividend equivalents and other share-based awards. The Company issues new shares upon option exercise under these plans.

Effective January 1, 2006, the Company adopted SFAS No. 123(R) choosing the "modified prospective" method. Compensation cost recognized for the years ended December 31, 2008, 2007 and 2006, includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of SFAS No. 123; and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant date fair value estimated with the provisions of SFAS No. 123(R). Most options may be exercised not earlier than twelve months nor later than ten years from the date of grant. The Company recognizes compensation expense based on the straight-line method for all award types, including SARs, which are subject to graded vesting based on a service condition. As of January 1, 2006, there was approximately \$1.2 million of unrecognized compensation cost for all awards granted prior

to January 1, 2003, to employees that remained unvested prior to the effective date of SFAS No. 123(R). This compensation cost is expected to be recognized over a weighted-average period of approximately four years.

For the year ended December 31, 2008, total compensation cost related to nonvested awards not yet recognized was approximately \$19.6 million. The weighted-average period over which this compensation cost is expected to be recognized is approximately three years. The aggregate intrinsic value for options and RSUs outstanding at December 31, 2008 and 2007 was approximately \$24.9 million and \$58.5 million, respectively. The aggregate intrinsic value for options and RSUs vested totaled approximately \$13.3 million and \$37.9 million at December 31, 2008 and 2007, respectively. At December 31, 2008, the weighted-average contractual life for outstanding and exercisable options and RSUs was six and five years, respectively. For the years ended December 31, 2008, 2007, and 2006, \$13.0 million, \$14.3 million, and \$11.9 million of share-based compensation cost was recorded, respectively. The total income tax benefit recognized in the consolidated statements of income for share-based compensation arrangements was approximately \$5.2 million, \$5.7 million, and \$4.8 million for 2008, 2007, and 2006, respectively. There have been no modifications to valuation methodologies or methods subsequent to the adoption of SFAS No. 123(R).

For the years ended December 31, 2008, 2007, and 2006, the fair value for options and SARs granted was estimated using a Black-Scholes option pricing model with the following weighted-average assumptions, respectively: risk-free interest rate of 3.5%, 4.6%, and 4.8%; dividend yield of 3.0%, 3.1%, and 2.9%; annual historical volatility factor of the expected market price of the Company's common stock of 17%, 21%, and 21%; an average expected life and estimated turnover based on the historical pattern of existing grants of six years and 4.0% to 5.1%, respectively. The fair value of RSUs is based on the price of the Company's stock on the date of grant. The total fair value of shares vested during the years ended December 31, 2008, 2007, and 2006, was \$14.9 million, \$10.5 million, and \$6.9 million, respectively.

A summary of the Company's stock option activity and related information is as follows:

	Shares ⁽¹⁾ (000's)	Weighted-Average Exercise Price ⁽²⁾
Outstanding at beginning of year	6,315	\$ 38
Granted	1,501	42
Exercised	(224)	32
Forfeited	(121)	46
Outstanding at end of year ⁽³⁾	<u>7,471</u>	\$ 41
Exercisable at end of year	<u>4,550</u>	\$ 39
Shares available for future grants	<u>5,170</u>	

⁽¹⁾ Shares include *Restricted Stock Units* (RSUs).

⁽²⁾ The weighted average exercise price excludes RSUs.

⁽³⁾ The exercise prices for options outstanding as of December 31, 2008 ranged from approximately \$21 to \$49. The weighted-average remaining contractual life of all options outstanding is approximately seven years.

The weighted-average grant date fair value of options and SARs granted during the years 2008, 2007, and 2006 was \$5.78, \$9.64, and \$9.14, respectively. The aggregate intrinsic value of options exercised during the years ended December 31, 2008, 2007, and 2006 was \$5.0 million, \$15.6 million, and \$10.7 million.

In 2008, the Company granted approximately 1,385,000 SARs and 116,000 RSUs. In 2007, the Company granted approximately 1,272,000 SARs and 95,000 RSUs. In 2006, the Company granted approximately 1,246,000 SARs and 94,000 RSUs. SARs represent a right to receive the excess, if any, of the fair market value of one share of common stock on the date of exercise over the grant price. RSUs represent a contingent right to receive one share of the Company's common stock at a future date provided certain pre-tax profit targets are achieved. The majority of awards vest on a pro-rata basis for periods ranging from one to five years and are expensed accordingly on a straight-line basis.

A summary of the Company's nonvested share awards (RSUs) activity is as follows:

	Shares (000's)	Weighted- Average Grant Date Fair Value
Nonvested Share Awards (RSUs)		
Nonvested at January 1, 2008	312	\$ 43
Granted	116	42
Vested	(118)	36
Forfeited or Expired	<u>(36)</u>	43
Nonvested at December 31, 2008	<u>274</u>	\$ 42

Prior to the adoption of SFAS No. 123(R), the Company presented all tax benefits for deductions resulting from the exercise of stock options as operating cash flows in the consolidated statements of cash flows. SFAS No. 123(R) requires the cash flows resulting from the tax benefits or tax (expense) related to tax deductions in excess of or less than the compensation cost recognized for those options to be classified as financing cash inflow (outflow). For the years ended December 31, 2008, 2007 and 2006 approximately (\$0.6 million), \$4.4 million and \$3.0 million, respectively, of excess tax benefits (expense) was classified as a financing cash inflow (outflow).

notes to consolidated financial statements (continued)

december 31, 2008

6. income taxes

Deferred income taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and amounts used for income tax purposes. Undistributed earnings of the Company's foreign subsidiaries are considered to be indefinitely reinvested. As such, no U.S. federal and state income taxes have been provided thereon, and it is not practicable to determine the amount of the related unrecognized deferred income tax liability. Significant components of the Company's deferred tax assets and liabilities are as follows:

(in thousands) December 31,	2008	2007
Deferred tax assets related to:		
Expenses not yet deducted for tax purposes	\$ 114,092	\$ 110,494
Pension liability not yet deducted for tax purposes	326,808	168,835
Capital loss	24,787	—
Valuation allowance	(24,787)	—
	<u>440,900</u>	<u>279,329</u>
Deferred tax liabilities related to:		
Employee and retiree benefits	125,655	147,285
Inventory	79,304	98,196
Property, plant and equipment	17,614	19,849
Other	13,250	6,918
	<u>235,823</u>	<u>272,248</u>
Net deferred tax asset	205,077	7,081
Current portion of deferred tax liability	(13,426)	(28,697)
Non-current deferred tax asset	<u>\$ 218,503</u>	<u>\$ 35,778</u>

The current portion of the deferred tax liability is included in income taxes payable in the consolidated balance sheets. The Company has a capital loss carryforward of approximately \$62,000,000 that will expire in 2013.

The components of income tax expense are as follows:

(in thousands)	2008	2007	2006
Current:			
Federal	\$ 261,250	\$ 262,922	\$ 243,089
State	45,167	42,101	41,361
Foreign	26,657	13,449	16,542
Deferred	(40,023)	(8,066)	(5,481)
	<u>\$ 293,051</u>	<u>\$ 310,406</u>	<u>\$ 295,511</u>

The reasons for the difference between total tax expense and the amount computed by applying the statutory Federal income tax rate to income before income taxes are as follows:

(in thousands)	2008	2007	2006
Statutory rate applied to income	\$ 268,964	\$ 285,861	\$ 269,821
Plus state income taxes, net of Federal tax benefit	25,831	26,672	26,395
Capital loss	(30,038)	—	—
Capital loss - valuation allowance	24,787	—	—
Other	3,507	(2,127)	(705)
	<u>\$ 293,051</u>	<u>\$ 310,406</u>	<u>\$ 295,511</u>

The Company or one of its subsidiaries files income tax returns in the US federal jurisdiction, various states, and foreign jurisdictions. With few exceptions, the Company is no longer subject to federal, state and local tax examinations by tax authorities for years before 2005 or subject to non-United States income tax examinations for years ended prior to 2002. The Company does not anticipate total unrecognized tax benefits will significantly change during the year due to the settlement of audits and the expiration of statutes of limitations. The Company adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, an interpretation of FASB Statement No. 109, (FIN No. 48), on January 1, 2007. The cumulative effect of adopting FIN No. 48 did not have a material impact on the Company's financial position or the results of operations. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

(in thousands)	Unrecognized Tax Benefits	
	2008	2007
Balance at beginning of year	\$ 32,100	\$ 29,215
Additions based on tax positions related to the current year	7,376	7,929
Additions for tax positions of prior years	3,790	455
Reductions for tax positions for prior years	(190)	(1,557)
Reduction for lapse in statute of limitations	(5,449)	(2,897)
Settlements	(1,198)	(1,045)
Balance at end of year	<u>\$ 36,429</u>	<u>\$ 32,100</u>

The amount of gross tax effected unrecognized tax benefits as of December 31, 2008 was approximately \$36,429,000 of which approximately \$14,417,000, if recognized, would affect the effective tax rate. During the year ending December 31, 2008, the Company paid interest and penalties of approximately \$815,000. The Company had approximately \$5,004,000 and \$2,328,000 of accrued interest and penalties at December 31, 2008 and December 31, 2007, respectively. The Company recognizes potential interest and penalties related to unrecognized tax benefits as a component of income tax expense.

7. employee benefit plans

The Company's defined benefit pension plans cover substantially all of its employees in the U.S. and Canada. The plan covering U.S. employees is noncontributory and benefits are based on the employees' compensation during the highest five of their last ten years of credited service. The Canadian plan is contributory and benefits are based on career average compensation. The Company's funding policy is to contribute an amount equal to the minimum required contribution under ERISA. The Company may increase its contribution above the minimum if appropriate to its tax and cash position and the plans' funded position.

In 2008, the US defined benefit plan was amended to prohibit employees hired on or after March 1, 2008 to participate in the plan. The plan was also amended to freeze credited service for participants who do not meet certain age and length of service requirements as of December 31, 2008. However, the plan continues to reflect future pay increases for all participants.

The Company also sponsors unfunded supplemental retirement plans covering employees in the U.S. and Canada and other postretirement benefit plans in the U.S. The Company uses a measurement date of December 31 for its pension and other postretirement benefit plans.

On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, which amended SFAS No. 87 and SFAS No. 106 to require recognition of the overfunded or underfunded status of pension and other postretirement benefit plans on the balance sheet. Under SFAS No. 158, gains and losses, prior service costs and credits, and any remaining transition amounts under SFAS No. 87 and SFAS No. 106 that have not yet been recognized through net periodic benefit cost are to be recognized in accumulated other comprehensive income, net of tax effects, until they are amortized as a component of net periodic cost. SFAS No. 158 was effective for publicly held companies for fiscal years ending after December 31, 2006.

(in thousands)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Changes in benefit obligation				
Benefit obligation at beginning of year	\$ 1,387,669	\$ 1,334,528	\$ 28,640	\$ 25,669
Service cost	53,311	53,700	880	750
Interest cost	90,300	82,029	1,614	1,441
Plan participants' contributions	3,216	3,203	3,782	3,721
Plan amendments	(66,349)	–	–	–
Actuarial (gain) loss	51,042	(61,447)	1,282	3,874
Exchange rate (gain) loss	(24,446)	19,039	–	–
Gross benefits paid	(44,713)	(43,383)	(7,664)	(7,585)
Less federal subsidy	n/a	n/a	784	770
Benefit obligation at end of year	\$ 1,450,030	\$ 1,387,669	\$ 29,318	\$ 28,640

The benefit obligations for the Company's U.S. pension plans included in the above were \$1,360,045,000 and \$1,258,892,000 at December 31, 2008 and 2007, respectively. The total accumulated benefit obligation for the Company's defined benefit pension plans was approximately \$1,238,101,000 and \$1,119,588,000 at December 31, 2008 and 2007, respectively.

notes to consolidated financial statements (continued)
 december 31, 2008

7. employee benefit plans (continued)

The assumptions used to measure the pension and other postretirement plan benefit obligations for the plans at December 31, 2008 and 2007, were:

	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Weighted-average discount rate	6.50%	6.49%	6.00%	5.75%
Rate of increase in future compensation levels	3.75%	3.75%	—	—

An 8% annual rate of increase in the per capita cost of covered health care benefits was assumed on December 31, 2008. The rate was assumed to decrease ratably to 5% at December 31, 2014, and thereafter.

(in thousands)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Changes in plan assets				
Fair value of plan assets at beginning of year	\$1,365,776	\$1,260,538	\$ —	\$ —
Actual return on plan assets	(326,669)	89,248	—	—
Exchange rate (loss) gain	(23,098)	21,030	—	—
Employer contributions	3,355	35,140	3,882	3,094
Plan participants' contribution	3,216	3,203	3,782	3,721
Benefits paid	(44,713)	(43,383)	(7,664)	(6,815)
Fair value of plan assets at end of year	<u>\$ 977,867</u>	<u>\$1,365,776</u>	<u>\$ —</u>	<u>\$ —</u>

The fair values of plan assets for the Company's U.S. pension plans included in the above were \$882,211,000 and \$1,222,686,000 at December 31, 2008 and 2007, respectively.

The asset allocations for the Company's funded pension plans at December 31, 2008 and 2007, and the target allocation for 2009, by asset category were:

Asset Category	Target Allocation	Percentage of Plan Assets at December 31	
	2009	2008	2007
Equity securities	65%	58%	68%
Debt securities	34%	39%	29%
Real estate and other	1%	3%	3%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

At December 31, 2008 and 2007, the plan held 2,016,932 shares of common stock of the Company with a market value of approximately \$76,361,000 and \$93,384,000, respectively. Dividend payments received by the plan on Company stock totaled approximately \$3,146,000 and \$2,945,000 in 2008 and 2007, respectively. Fees paid during the year for services rendered by parties in interest were based on customary and reasonable rates for such services.

The Company's benefit plan committees in the U.S. and Canada establish investment policies and strategies and regularly monitor the performance of the funds. The pension plan strategy implemented by the Company's management is to achieve long-term objectives and invest the pension assets in accordance with the applicable pension legislation in the U.S. and Canada, as well as fiduciary standards. The long-term primary objectives for the pension plans are to provide for a reasonable amount of long-term growth of capital, without undue exposure to risk, protect the assets from erosion of purchasing power, and provide investment results that meet or exceed the pension plans' actuarially assumed long term rates of return.

Based on the investment policy for the pension plans, as well as an asset study that was performed based on the Company's asset allocations and future expectations, the Company's expected rate of return on plan assets for measuring 2009 pension expense or income is 8.00% for the plans. The asset study forecasted expected rates of return for the approximate duration of the Company's benefit obligations, using capital market data and historical relationships.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets at December 31:

Amounts recognized in the consolidated balance sheets consist of:

(in thousands)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Other long-term asset	\$ 7,229	\$ 45,680	\$ n/a	\$ n/a
Other current liability	(2,742)	(2,200)	(3,363)	(2,854)
Other long-term liability	(476,650)	(65,373)	(25,955)	(25,786)
	<u>\$(472,163)</u>	<u>\$(21,893)</u>	<u>\$(29,318)</u>	<u>\$(28,640)</u>

Amounts recognized in accumulated other comprehensive (loss) income consist of:

<i>(in thousands)</i>	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Net actuarial loss	\$ 863,484	\$ 393,061	\$ 24,575	\$ 24,908
Prior service (credit) cost	(63,578)	2,748	1,161	1,533
	<u>\$ 799,906</u>	<u>\$ 395,809</u>	<u>\$ 25,736</u>	<u>\$ 26,441</u>

For the pension benefits, the following table reflects the total benefits expected to be paid from the plans' or the Company's assets. Of the pension benefits expected to be paid in 2009, \$2,830,000 is expected to be paid from employer assets. For pension benefits, expected contributions reflect amounts expected to be contributed to funded plans. For other postretirement benefits, the following table reflects only the Company's share of the benefit cost. The expected benefit payments show the Company's cost without regard to income from federal subsidy payments received pursuant to the Medicare Prescription Drug Improvement and Modernization Act of 2003 (MMA). Expected MMA subsidy payments, which reduce the Company's cost for the plan, are shown separately.

Information about the expected cash flows for the pension plans and other post retirement benefit plans follows:

<i>(in thousands)</i>	Pension Benefits	Other Postretirement Benefits	
		Employer Contribution	Value Due to MMA Subsidy
Employer contribution			
2009 (expected)	\$ 53,391	\$ 3,463	\$ -
Expected benefit payments			
2009	48,423	3,996	533
2010	52,429	3,946	570
2011	57,693	3,892	-
2012	65,066	3,735	-
2013	72,135	3,607	-
2014 through 2018	455,665	17,617	-

Net periodic benefit cost included the following components:

<i>(in thousands)</i>	Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006
Service cost	\$ 53,311	\$ 53,700	\$ 50,224	\$ 880	\$ 750	\$ 475
Interest cost	90,300	82,029	72,246	1,614	1,441	1,327
Expected return on plan assets	(114,690)	(110,131)	(100,174)	-	-	-
Amortization of prior service (credit) cost	(24)	(338)	(471)	371	371	371
Amortization of actuarial loss	17,962	25,909	26,379	1,616	1,424	1,291
Net periodic benefit cost	<u>\$ 46,859</u>	<u>\$ 51,169</u>	<u>\$ 48,204</u>	<u>\$ 4,481</u>	<u>\$ 3,986</u>	<u>\$ 3,464</u>

notes to consolidated financial statements (continued)
 december 31, 2008

7. employee benefit plans (continued)

Other changes in plan assets and benefit obligations recognized in other comprehensive (loss) income are as follows:

<i>(in thousands)</i>	Pension Benefits		Other Post-Retirement Benefits	
	2008	2007	2008	2007
Current year actuarial loss (gain)	\$ 488,384	\$ (40,508)	\$ 1,282	\$ 3,874
Amortization of actuarial (loss) gain	(17,962)	(25,909)	(1,616)	(1,424)
Current year of prior service (cost) credit	(66,349)	—	—	—
Amortization of prior service cost (credit)	24	338	(371)	(371)
Total recognized in other comprehensive income (loss)	\$ 404,097	\$ (66,079)	\$ (705)	\$ 2,079
Total recognized in net periodic benefit cost and other comprehensive income (loss)	\$ 450,956	\$ (14,910)	\$ 3,776	\$ 6,065

The estimated amounts that will be amortized from accumulated other comprehensive (loss) income into net periodic benefit cost in 2009 are as follows:

<i>(in thousands)</i>	Pension Benefits	Other Post-Retirement Benefits
Actuarial loss	\$ 35,748	\$ 1,705
Prior service (credit) cost	(7,249)	371
Total	\$ 28,499	\$ 2,076

The assumptions used in measuring the net periodic benefit costs for the plans follow:

	Pension Benefits			Other Postretirement Benefits		
	2008	2007	2006	2008	2007	2006
Weighted average discount rate	6.49%	6.00%	5.75%	5.75%	5.75%	5.75%
Rate of increase in future compensation levels	3.75%	3.75%	3.75%	—	—	—
Expected long-term rate of return on plan assets	8.25%	8.25%	8.25%	—	—	—

An 8% annual rate of increase in the per capita cost of covered health care benefits was assumed on December 31, 2007. The rate was assumed to decrease ratably to 5% at December 31, 2013, and thereafter.

The effect of a one-percentage point change in the assumed health care cost trend rate is as follows:

<i>(in thousands)</i>	Decrease	Increase
Total service and interest cost components of 2008 net periodic postretirement health care benefit cost	\$ (540)	\$ 766
Accumulated postretirement benefit obligation for health care benefits at December 31, 2008	(5,965)	9,620

The Company has a defined contribution plan that covers substantially all of its domestic employees. The Company's matching contributions are determined based on 20% of the first 6% of the covered employee's salary. Total plan expense was approximately \$7,252,000 in 2008, \$7,245,000 in 2007, and \$6,824,000 in 2006.

8. guarantees

The amended and restated master agreement to our \$85,000,000 construction and lease agreement (the Agreement), discussed further in Note 4, has a term of six years expiring in 2009 and contains residual value guarantee provisions and other guarantees which

would become due in the event of a default under the operating lease agreement, or at the expiration of the operating lease agreement if the fair value of the leased properties is less than the guaranteed residual value. The maximum amount of the Company's potential guarantee obligation, representing the residual value guarantee, at December 31, 2008, is approximately \$62,678,000. The Company believes the likelihood of funding the guarantee obligation under any provision of the operating lease agreement is remote.

The Company also guarantees the borrowings of certain independently controlled automotive parts stores (independents) and certain other affiliates in which the Company has a minority equity ownership interest (affiliates). Presently, the independents are generally consolidated by unaffiliated enterprises that have a controlling financial interest through ownership of a majority voting interest in the entity. The Company has no voting interest or other equity conversion rights in any of the independents. The Company does not control the independents or the affiliates, but receives a fee for the guarantee. The Company has concluded that it is not the primary beneficiary with respect to any of the independents and that the affiliates are not variable interest entities. The Company's maximum exposure to loss as a result of its involvement with these independents and affiliates is equal to the total borrowings subject to the Company's guarantee.

At December 31, 2008, the total borrowings of the independents and affiliates subject to guarantee by the Company were approximately \$189,946,000. These loans generally mature over periods from one to ten years. In the event that the Company is required to make payments in connection with guaranteed obligations of the independents or the affiliates, the Company would obtain and liquidate certain collateral (e.g., accounts receivable and inventory) to recover all or a portion of the amounts paid under the guarantee. When it is deemed probable that the Company will incur a loss in connection with a guarantee, a liability is recorded equal to this estimated loss. To date, the Company has had no significant losses in connection with guarantees of independents' and affiliates' borrowings.

Effective January 1, 2003, the Company adopted FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* (FIN No. 45). In accordance with FIN No. 45 and based on available information, the Company has accrued for those guarantees related to the independents' and affiliates' borrowings and the construction and lease agreement as of December 31, 2008 and 2007. These liabilities are not material to the financial position of the Company and are included in other long-term liabilities in the accompanying consolidated balance sheets.

9. acquisitions

During 2008, the Company acquired 11 companies in the Automotive, Industrial, Office Supply and Electrical/Electronic Groups for approximately \$130,000,000. The acquisitions were accounted for in accordance with SFAS No. 141, *Business Combinations*, and, accordingly,

the Company allocated the purchase price to the assets acquired and the liabilities assumed based on their fair values as of their respective acquisition dates. The results of operations for the acquired companies were included in the Company's consolidated statements of income beginning on their respective acquisition dates. The Company recorded approximately \$72,000,000 of goodwill and other intangible assets associated with these acquisitions.

10. segment data

The segment data for the past five years presented on page 15 is an integral part of these consolidated financial statements.

The Company's reportable segments consist of automotive, industrial, office products, and electrical/electronic materials. Within the reportable segments, certain of the Company's operating segments are aggregated because they have similar economic characteristics, products and services, type and class of customers, and distribution methods.

The Company's automotive segment distributes replacement parts (other than body parts) for substantially all makes and models of automobiles, trucks, and other vehicles.

The Company's industrial segment distributes a wide variety of industrial bearings, mechanical and fluid power transmission equipment, including hydraulic and pneumatic products, material handling components, and related parts and supplies.

The Company's office products segment distributes a wide variety of office products, computer supplies, office furniture, and business electronics.

The Company's electrical/electronic materials segment distributes a wide variety of electrical/electronic materials, including insulating and conductive materials for use in electronic and electrical apparatus.

Inter-segment sales are not significant. Operating profit for each industry segment is calculated as net sales less operating expenses excluding general corporate expenses, interest expense, equity in income from investees, amortization, and minority interests. Approximately \$49,900,000, \$46,900,000, and \$43,500,000 of income before income taxes was generated in jurisdictions outside the United States for the years ending December 31, 2008, 2007, and 2006, respectively. Net sales and net long-lived assets by country relate directly to the Company's operations in the respective country. Corporate assets are principally cash and cash equivalents and headquarters' facilities and equipment.

For management purposes, net sales by segment exclude the effect of certain discounts, incentives, and freight billed to customers. The line item "other" represents the net effect of the discounts, incentives, and freight billed to customers, which are reported as a component of net sales in the Company's consolidated statements of income.

corporate officers

Thomas C. Gallagher	Chairman, President and Chief Executive Officer
Jerry W. Nix	Vice Chairman and Chief Financial Officer
Paul D. Donahue	Executive Vice President
Robert J. Susor	Executive Vice President
Charles A. Chesnutt	Senior Vice President - Technology and Process Improvement
R. Bruce Clayton	Senior Vice President - Human Resources
Frank M. Howard	Senior Vice President and Treasurer
Scott C. Smith	Senior Vice President - Corporate Counsel
Carol B. Yancey	Senior Vice President - Finance and Corporate Secretary
Treg S. Brown	Vice President - Planning and Acquisitions
Philip C. Johnson	Vice President - Compensation and Benefits
Sidney G. Jones	Vice President - Investor Relations
Karl J. Koenig	Vice President - Real Estate

u.s. automotive parts group

Larry R. Samuelson	President
Glenn M. Chambers	Executive Vice President - Operations
Daniel F. Askey	Senior Vice President - Sales
R. Craig Bierman	Senior Vice President - Chief Information Officer
Cary V. Carter	Senior Vice President - Stores
John J. Hanighen IV	Senior Vice President - AutoCare and Wholesale Marketing
Scott W. LeProhon	Senior Vice President - Merchandising and Product Strategy
W. Larry Bevil	Vice President - Information Systems
Jerry W. Biggers	Vice President - Operations Controls
Michael A. Briggs	Vice President - Retail Product Management and Merchandising
Jay C. Burnworth	Vice President - Information Technology

Michael J. Fusaro	Vice President - Process Improvement - Distribution
Richard A. Geiger	Vice President - Finance
Thomas E. Hancock	Vice President - Growth Capital Program
Mark W. Hohe	Vice President - Store Process Improvement
Ronald L. Koenigshofer	Vice President - Operations
David B. Nicki	Vice President - NAPA Tools and Equipment Sales
J. Michael Phillips	Vice President - Organizational Development
Bret A. Robyck	Vice President - AutoCare Sales
Gaylord M. Spencer	Vice President - Marketing Strategy
Michael L. Swartz	Vice President - Inventory & Procurement
Dennis P. Tolivar	Vice President - Major Accounts
Nancy M. Vepraskas	Vice President - Human Resources
Karl E. Wolfe	Vice President - Classification

divisions

M. Todd McMurtrie	Vice President - Atlantic Division
Grant L. Morris	Vice President - Central Division
Michael J. Kelleher	Vice President - Eastern Division
Lee A. Maher	Vice President - Midwest Division
Eric G. Fritsch	Vice President - Mountain Division
Rocklen R. Justice	Vice President - Southern Division
Stuart A. Kambury	Vice President - Southwest Division
Bradley A. Shaffer	Vice President - Western Division

heavy vehicles parts group

D. Gary Silva	President
Greg A. Lancour	Vice President - Operations

rayloc (atlanta, ga)

J. Richard Borman	President
Damon E. Elmore	Vice President - Human Resources
Michael S. Gaffney II	Vice President - Marketing
David Gonzales	Vice President - Product
Joseph W. Lashley	Vice President - Information Services
J. Scott Mosteller	Vice President - Supply Chain
Debbie E. Niffin	Vice President - Finance

subsidiaries

balkamp, inc. (indianapolis, in)

D. Tip Tollison	President
Frank C. Amato	Executive Vice President
Mary F. Knudsen	Vice President - Finance and Treasurer

grupo auto todo (puebla, mexico)

Juan Lujambio	President and Chief Executive Officer
Jorge Otero	Executive Vice President - Finance
Miguel A. Rodriguez	Vice President - Sales and Marketing

altrom import parts group (vancouver, canada)

Pascal J. Litscher	President - Altrom Canada
Scott S. Mountford	President - Altrom America

NAPA canada/UAP inc. (montreal, canada)

Jean Douville	Chairman of the Board
Larry R. Samuelson	Vice Chairman and Chief Executive Officer
Robert Hattem	President and Chief Operating Officer
Kevin M. Chase	Executive Vice President - Auto Parts
Pierre Lefebvre	Senior Vice President, Chief Financial Officer and Secretary
Frank Pipito	Vice President - Finance

motion industries (birmingham, al)

William J. Stevens	President and Chief Executive Officer
Thomas L. Miller	Executive Vice President and Chief Operating Officer
G. Harold Dunaway, Jr.	Executive Vice President - Finance & Administration and Secretary
M. Wayne Law	Executive Vice President - Corp. Purchasing & Distribution
Robert J. Summerlin	Executive Vice President - Marketing and COO - Industrial Products, Integrated Services and Automation
Ellen H. Holladay	Senior Vice President, Chief Information Officer and Operational Excellence Officer
William E. Horn	Senior Vice President - Strategic Accounts
James R. Neill	Senior Vice President - Human Resources
Thomas S. Robertshaw	Senior Vice President - Global Development and Strategic Planning
Timothy P. Breen	Group Vice President - Midwest
R. David James	Group Vice President - Southeast
C. Jeff Rouse	Group Vice President - East
Kevin P. Storer	Group Vice President - West
John D. Walters	Group Vice President - Southwest
Kenneth L. McGrew	Group Vice President - Industrial Supplies
Gerald V. Sourbeer	Group Vice President - Business & Systems Solutions
J. Gary Garris	Vice President - Distribution Center Operations/Corporate Logistics
Zahirudin K. Hameer	Vice President - Inventory Management

Linda L. Price	Vice President - Marketing and Advertising
Mark R. Thompson	Vice President - Corporate Accounts
M. Keith Knight	Vice President - Business Systems
James R. Summers	Vice President - Systems Assurance & Data Center Operations
J. Marvin Walker	Vice President - Finance
Mark W. Sheehan	Group Vice President and President - Motion Canada
R. J. Ward Westgate	Vice President - Marketing - Motion Canada
Marek Nesvadba	Vice President - Motion Canada
Yves R. Simard	Vice President - Motion Canada

s. p. richards company (atlanta, ga)

C. Wayne Beacham	Chairman of the Board, President and Chief Executive Officer
Robert J. Fornal	Executive Vice President - Operations
Richard T. Toppin	Executive Vice President - Sales and Marketing
Steven E. Lynn	Senior Vice President - Merchandising
Donald C. Mikolasy	Senior Vice President - Sales
James F. O'Brien	Senior Vice President - Marketing
Michael D. Orr	Senior Vice President - Logistics/Operations
Boyd E. Rice	Senior Vice President - Chief Information Officer
Kimberly A. Dumont	Vice President - Sales
Robert J. Kelly	Vice President - Sales Operations
Charles E. Macpherson	Vice President - Dealer Development
Tom C. Maley	Vice President - Business Development
G. Henry Martin	Vice President - Human Resources
James C. Moseley	Vice President - Information Systems
John R. Reagan	Vice President - Merchandising
Thomas M. Testa	Vice President - Sales
J. Phillip Welch, Jr.	Vice President - Finance, Controller, Secretary and Treasurer
Lester P. Christian	Vice President - Southeast Division
Bryan T. Hall	Vice President - South Central Division
Gregory L. Nissen	Vice President - Western Division
James P. O'Connor	Vice President - Northeast Division
Richard A. Wiltz	Vice President - North Central Division
Peter R. Dalglish	Managing Director - S. P. Richards Canada

EIS, inc. (atlanta, ga)

Robert W. Thomas	President and Chief Executive Officer
Alexander Gonzalez	Senior Vice President - Electrical and Assembly
Larry L. Griffin	Senior Vice President - Marketing
Thomas A. Jones	Senior Vice President - Manufacturing
William C. Knight	Senior Vice President - Logistics and Operations
Matthew C. Tyser	Senior Vice President - Finance and Secretary

board of directors

Dr. Mary B. Bullock	President Emerita of Agnes Scott College
Richard W. Courts, II	Chairman of the Board of Directors of Atlantic Investment Company
Jean Douville	Chairman of the Board of Directors of UAP Inc.
Thomas C. Gallagher	Chairman, President and Chief Executive Officer
George C. "Jack" Guynn	Retired President and Chief Executive Officer of the Federal Reserve Bank of Atlanta
John D. Johns	Chairman, President and Chief Executive Officer of Protective Life Corporation
Michael M. E. Johns, MD	Chancellor of Emory University and Executive Vice President for Health Affairs, Emeritus
J. Hicks Lanier	Chairman of the Board of Directors and Chief Executive Officer of Oxford Industries, Inc.
Wendy B. Needham	Retired Managing Director, Global Automotive Research at Credit Suisse First Boston
Jerry W. Nix	Vice Chairman and Chief Financial Officer
Larry L. Prince	Chairman of the Executive Committee
Gary W. Rollins	Chief Executive Officer, President and Chief Operating Officer of Rollins Inc.
Lawrence G. Steiner	Retired Chairman of the Board of Directors of Ameripride Services, Inc.

shareholder information

stock listing

Genuine Parts Company's common stock is traded on the New York Stock Exchange under the symbol "GPC".

stock transfer agent, registrar of stock, dividend disbursing agent and other shareholder services

Communications concerning share transfer requirements, duplicate mailings, direct deposit of dividends, lost certificates or dividend checks or change of address should be directed to the Company's transfer agent at:

Computershare
Post Office Box 43078
Providence, Rhode Island 02940-3078
800.568.3476

dividend reinvestment plan

Shareholders can build their investments in Genuine Parts Company through a low-cost plan for automatically reinvesting dividends and by making optional cash purchases of the Company's stock. For enrollment information, write to the Stock Transfer Agent listed above or Shareholder Relations at the Company address.

form 10-K information

A copy of the Company's annual report on Form 10-K, filed with the Securities and Exchange Commission, will be furnished to any shareholder without charge upon written request to:

Shareholder Relations Department
Genuine Parts Company
2999 Circle 75 Parkway
Atlanta, Georgia 30339

certifications

Our Annual Report on Form 10-K includes the certifications of our chief executive officer and chief financial officer required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. Additionally, we filed with the New York Stock Exchange the certification by our chief executive officer that he is not aware of any violation of New York Stock Exchange corporate governance listing standards.

investor relations

Inquiries from security analysts and investment professionals should be directed to the Company's investor relations contacts: Mr. Jerry Nix, Chief Financial Officer, or Mr. Sid Jones, Vice President - Investor Relations, at 770.953.1700.

annual shareholders' meeting

The 2009 annual meeting of the shareholders of Genuine Parts Company will be held at the Executive Offices of the Company, 2999 Circle 75 Parkway, Atlanta, Georgia at 10:00 a.m. on Monday, April 20, 2009.

independent registered public accounting firm

Ernst & Young LLP - Atlanta, Georgia

general counsel

Alston & Bird LLP - Atlanta, Georgia

executive offices

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