

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	\$ 11,015,263	\$ 10,843,195	\$ 10,457,942	\$ 9,783,050	\$ 9,097,267
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	860,856	882,158	846,156	787,594	735,203
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	\$ 768,468	\$ 816,745	\$ 770,916	\$ 709,064	\$ 635,919
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	\$ 4,786,350	\$ 4,774,069	\$ 4,496,984	\$ 4,771,538	\$ 4,455,247
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	\$ 88,698	\$ 87,702	\$ 73,423	\$ 65,529	\$ 62,207
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	\$ 105,026	\$ 115,648	\$ 126,044	\$ 85,714	\$ 72,077
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	\$ 11,015,263	\$ 10,843,195	\$ 10,457,942	\$ 9,783,050	\$ 9,097,267
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	\$ 582,090	\$ 508,442	\$ 491,514	\$ 455,012	\$ 437,060

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.