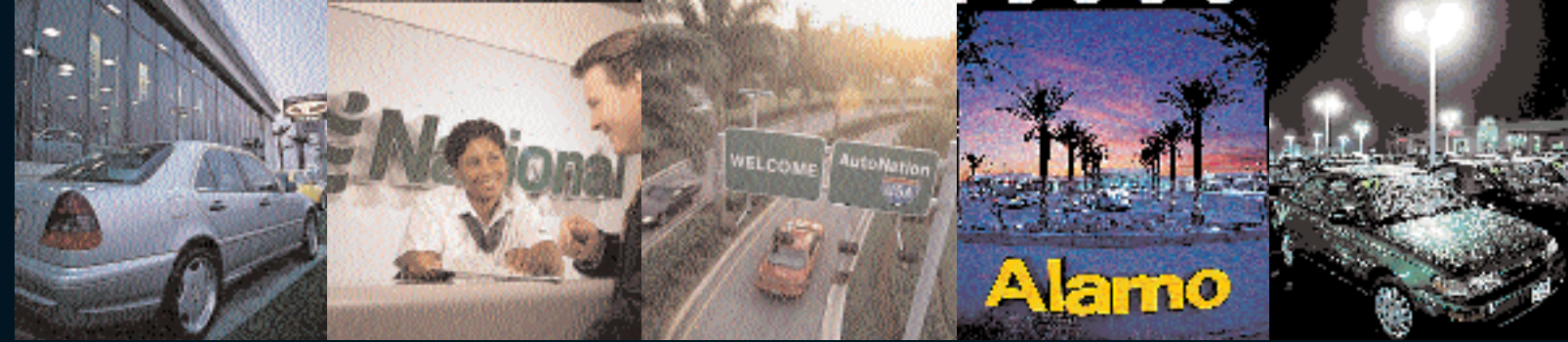


AutoNation, Inc. | 1998 ANNUAL REPORT

AutoNation, Inc.

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 Fort Lauderdale, Florida 33301
 954-769-6000
 www.AutoNation.com



AutoNation, Inc. | 1998 Annual Report

It's about lower prices.
 It's about higher standards.
It's about time.SM

AutoNation, Inc.

The Opportunity

The U.S. automotive industry, comprised of automotive retail (new and used vehicle retail, parts and service and vehicle finance) and automotive rental, accounts for more than \$1.3 trillion in annual revenue, making it one of the largest business categories in the nation. The category is highly fragmented, marked by excess costs, disgruntled consumers and no strong national retail brand. As the vehicle retail and rental categories undergo dramatic change, competitors will strive for greater operating efficiencies, higher consumer satisfaction and stronger brand identity. AutoNation is a leader in driving these improvements and is well-positioned to compete in this trillion dollar industry.

The Company

AutoNation, Inc. is the largest automotive retailer in the United States and one of the country's leading providers of vehicle rental services. The Company owns over 380 franchised automotive dealerships in 20 states, representing 39 manufacturer brands, and operates or franchises 45 AutoNation USA used vehicle megastores in 13 states. It also owns AutoNation Financial Services, a captive finance company, and National Car Rental, Alamo Rent-A-Car and CarTemps USA vehicle rental companies.

The Mission

AutoNation's mission is to be the leading retailer of automotive products and services by providing superior service to customers, a compelling work environment for employees and a superior return for shareholders. We strive to build shareholder value by creating customers for life.

To achieve our mission, we are focused on:

Creating Customers for Life

We seek 100 percent customer satisfaction, every time. We intend to attract and retain customers for all their automotive needs by providing outstanding customer service and value. This commitment to the customer will enhance our market share, revenue and earnings.

Building Businesses

We will expand our automotive retail and rental businesses in growth markets, increasing market share and revenue. We will do this by reorganizing fragmented operations under national brand names and achieving economies of scale.

Developing National Brands

We are developing a powerful national brand in automotive retail with AutoNation. We are also building on the strong brand recognition of National Car Rental and Alamo Rent-A-Car. In all of our automotive businesses, we want our brands to stand for trust, innovation, value and service. We believe strong brand names are key drivers of increased revenue and earnings growth.

Earnings Growth

Our goal is to generate significant, sustainable annual earnings growth. We will achieve this by gaining greater market share, increasing same-store sales, reducing costs and making targeted acquisitions.

Maximizing Shareholder Value

We strive to maximize revenue and minimize costs. This commitment propels earnings growth, which we believe will drive long-term appreciation of our share price.

Inside Flap	1	2	6	8	16	20	22	68	70
Year in Review and Locations	Financial Highlights	A Letter to Shareholders	The Importance of Brand	AutoNation Retail Group	AutoNation Rental Group	Customers for Life	Index to Financials	AutoNation, Inc. Dealerships and Megastores	Shareholder Information



AutoNation, Inc. | 1998 Year in Review

Corporate	AutoNation Retail Group	AutoNation Rental Group
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Company Growth
Earns Fortune 500 Listing
Increasing revenue from \$9 billion in 1997 to over \$16 billion in 1998, AutoNation, Inc. was named the fastest-growing company in America by *Fortune* magazine and entered the 1998 *Fortune 500* list at number 151. The Company jumped to 83rd in the 1999 *Fortune 500* ranking.

Solid Waste Division Sale
The Company announced its plans to sell its solid waste division, Republic Services, Inc. The initial public offering of 36.1 percent of Republic Services generated \$1.4 billion in proceeds, which were reinvested in the Company's core automotive businesses. In March 1999, the Board of Directors voted to sell the Company's remaining shares of Republic Services.

Share Repurchase Program
The Company began to repurchase shares of its common stock under a \$500 million share repurchase program. As of March 31, 1999, the Company had repurchased 17.7 million shares.

AutoNation, Inc. Names New President
John H. Costello joined the Company as its President. His appointment is a key part of AutoNation, Inc.'s strategy to build a compelling national retail brand. He has over 20 years of consumer products and services experience with companies such as Procter & Gamble and PepsiCo. Most recently, he was Senior Executive Vice President and General Manager of Marketing at Sears, Roebuck and Co., where he helped change Sears' image, increase store traffic and drive incremental growth.

Over 530,000 Vehicles Sold
The AutoNation Retail Group sold over 530,000 vehicles in 1998 (286,000 new and 244,000 used).

Acquisitions
The Group acquired 181 franchised automotive dealerships. The acquired franchises are located in growth markets across the United States.

Rochester Auto Collection
The Company formed a joint venture with Ford Motor Company to own and operate a network of Ford and Lincoln-Mercury dealerships in Rochester, New York.

Mile-High Project
In Denver, Colorado, 17 franchised automotive dealerships were branded with the "AutoNation USA" name and began selling vehicles under a one-price, no-haggle sales process that emphasizes customer service and owner retention initiatives. Customer reaction is very positive.

Driver's Mart Worldwide Acquired
The Company acquired Driver's Mart Worldwide, the franchisor of eight Driver's Mart used vehicle stores. The stores subsequently were rebranded as AutoNation USA megastores.

AutoNation USA Megastores Opened
The Company opened AutoNation USA megastores in Arizona, California, Georgia, Illinois and Texas, ending the year with 34 Company-owned and eight franchised locations. Three more locations opened in early 1999.

E-commerce Initiative Launched
Websites were established for each of the Company's franchised dealerships and the AutoNation USA megastore chain. The Company began selling vehicles on-line via the Internet, generating over \$100 million in revenue during the fourth quarter.

Formation of the North American Rental Group
The North American Rental Group was created to oversee and provide shared services to the National Car Rental and Alamo Rent-A-Car brands. Eventually, all common administrative and back-lot functions will be consolidated, leading to future cost savings and operating efficiencies. Jeffrey Parell, former President of National Car Rental, was chosen President of the North American Rental Group.

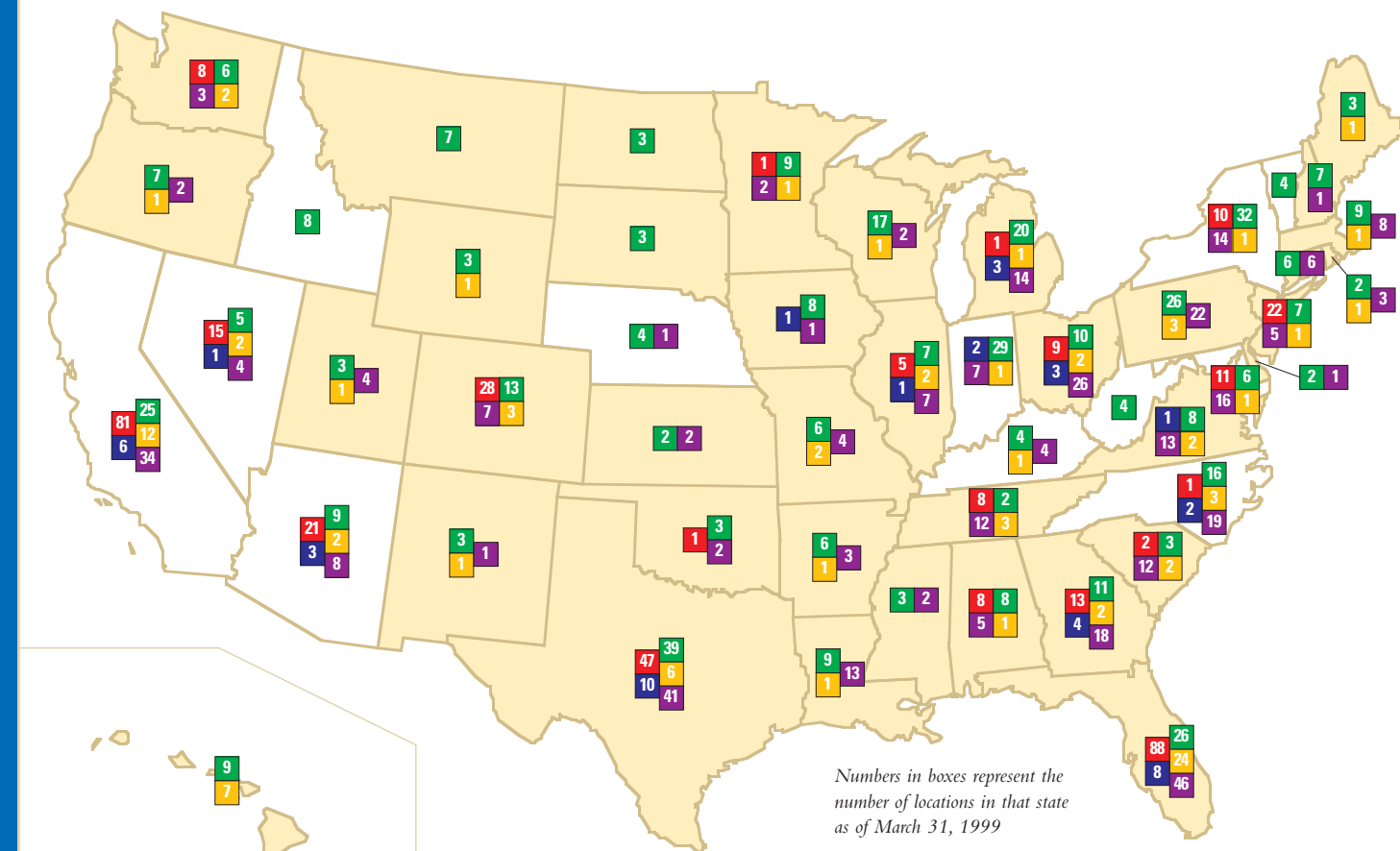
New National Car Rental and Alamo Rent-A-Car Presidents
Robert Briggs was appointed President of National Car Rental. Karen Beard became the first female president of a national vehicle rental company when she was promoted to President of Alamo Rent-A-Car.

Global Odyssey System
Committing to information technology for the 21st century, the AutoNation Rental Group installed its state-of-the-art Global Odyssey System at each National Car Rental location in the U.S. Once the system is installed at Alamo Rent-A-Car, the two companies will share a common information technology platform, facilitating more sophisticated rental, reservations and fleet management systems.

Alamo Rent-A-Car Announces Leisure Traveler Initiatives
Alamo Rent-A-Car initiated major changes to better serve its leisure traveler base. Among the initiatives are an increase in the number of location-specific vehicles (e.g., convertibles in Florida) and more mini-vans and sport utility vehicles at all locations, child play areas, on-site changing rooms and sundry sales stations.

CarTemps USA
The CarTemps USA brand was created by consolidating three previously acquired companies. CarTemps USA ranks second in the local/replacement sector of the rental vehicle industry and has locations in 40 states.

AutoNation, Inc. | Automotive Retail and Rental Locations



Numbers in boxes represent the number of locations in that state as of March 31, 1999

National Car Rental and Alamo Rent-A-Car International Locations		
Antigua	1	
Aruba	2	
Australia	4	
Austria	11	
Belgium*	3	3
Belize	2	
Bonaire	1	
British Virgin Islands	1	
Bulgaria	7	
Canada*	312	4
Canary Islands*	4	4
Colombia	7	
Costa Rica	3	18
Curacao	5	
Cyprus	9	
Czech Republic	2	
Denmark	3	
Dominican Republic	7	
Estonia	2	
France*	270	37
French Guyana	2	
Germany*	140	134
Greece	33	12
Guadeloupe	2	
Guam	1	
Guatemala	2	
Holland*	12	5
Honduras	2	
Hungary	3	
Indonesia	2	
Ireland	9	3
Israel	17	
Italy	120	
Japan	74	
Kenya	3	
Korea	14	
Latvia	1	
Lebanon	1	
Malaysia	9	
Malta	3	5
Martinique	2	
Mauritius	8	
Mexico	40	40
Morocco	12	
New Zealand	10	
Panama	7	
Paraguay	1	
Peru	4	
Philippines	4	
Poland	10	
Portugal		3
Puerto Rico	2	
Romania	8	
Russia	1	
Saipan	4	
Singapore	1	
Slovakia	10	
Slovenia	110	87
Spain	2	4
St. Maarten	11	
Sweden	3	3
Switzerland*	6	
Thailand	7	
Tunisia	4	
Turkey	6	
United Kingdom*	110	109
U.S. Virgin Islands	1	
Yugoslavia	1	

* In these countries National Car Rental and Alamo Rent-A-Car share certain facilities.

AutoNation Retail Group	390 Franchised Dealerships
AutoNation USA Megastores	45
AutoNation Rental Group (U.S.)	469 National Car Rental
	99 Alamo Rent-A-Car
	395 CarTemps USA

BOARD OF DIRECTORS

▶ (left to right)

Frene B. Rosenfeld | Michael G. DeGroot | Rick L. Burdick
 Jim J. Melk | Robert L. Brown | George D. Johnson, Jr. | J.P. Bryan



H. Wayne Huizenga*
Chairman of the Board & Co-Chief Executive Officer

Steven R. Bernard*
Co-Chief Executive Officer

Harris W. Hudson*
Vice Chairman of the Board

Robert L. Brown
President & Chief Executive Officer
B&C Associates, Inc.
(a management consulting and public relations firm)

J.P. Bryan
Chairman of the Board
Torch Energy Advisors, Inc.
(a manager of energy-related institutional holdings)

Rick L. Burdick
Partner
Akin, Gump, Strauss, Hauer & Feld, L.L.P.
(a law firm)

Michael G. DeGroot
Chairman & Chief Executive Officer
Century Business Services, Inc.
(a provider of professional business services and products)

George D. Johnson, Jr.
President & Chief Executive Officer
Extended Stay America, Inc.
(an economy extended stay lodging chain)

Jim J. Melk
Chairman of the Board, President & Chief Executive Officer
H₂O Plus, L.P.
(a bath and skin product manufacturer and distributor)

Frene B. Rosenfeld
President
Kraft Foods, Canada
(a manufacturer and distributor of packaged food and food service products)

* Executive Committee Member, Board of Directors

MANAGEMENT COMMITTEE

H. Wayne Huizenga
Chairman of the Board & Co-Chief Executive Officer

Steven R. Bernard
Co-Chief Executive Officer

Harris W. Hudson
Vice Chairman of the Board

John H. Costello
President

H. Scott Barrett
Senior Vice President
Information Technology

James O. Cole
Senior Vice President,
General Counsel & Secretary

Jeffrey G. Davis
Vice President
Operations Planning

Robert E. Dees, Jr.
Senior Vice President
Human Resources

James J. Donahue, Jr.
Senior Vice President
Corporate Communications

Robert F. Dvors
Senior Vice President
Corporate Real Estate Services

Thomas W. Hawkins
Senior Vice President
Corporate Development

Michael S. Karsner
Senior Vice President
& Chief Financial Officer

William E. Lobeck
President
AutoNation Rental Group

Michael E. Maroone
President
AutoNation Retail Group