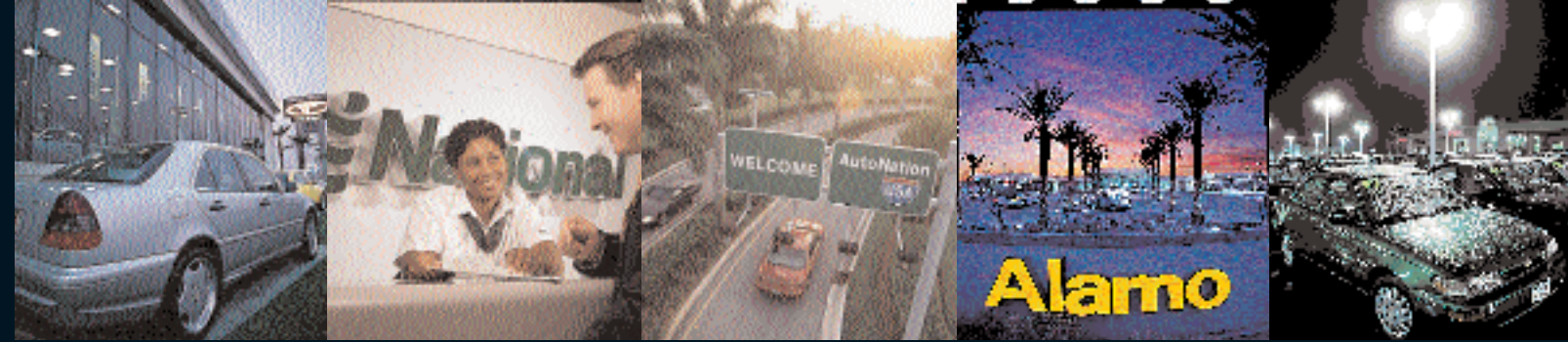


AutoNation, Inc. | 1998 ANNUAL REPORT

**AutoNation, Inc.**

110 SE 6th Street  
 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.<sup>SM</sup>*

**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
-----------	-------------------------	-------------------------

**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.

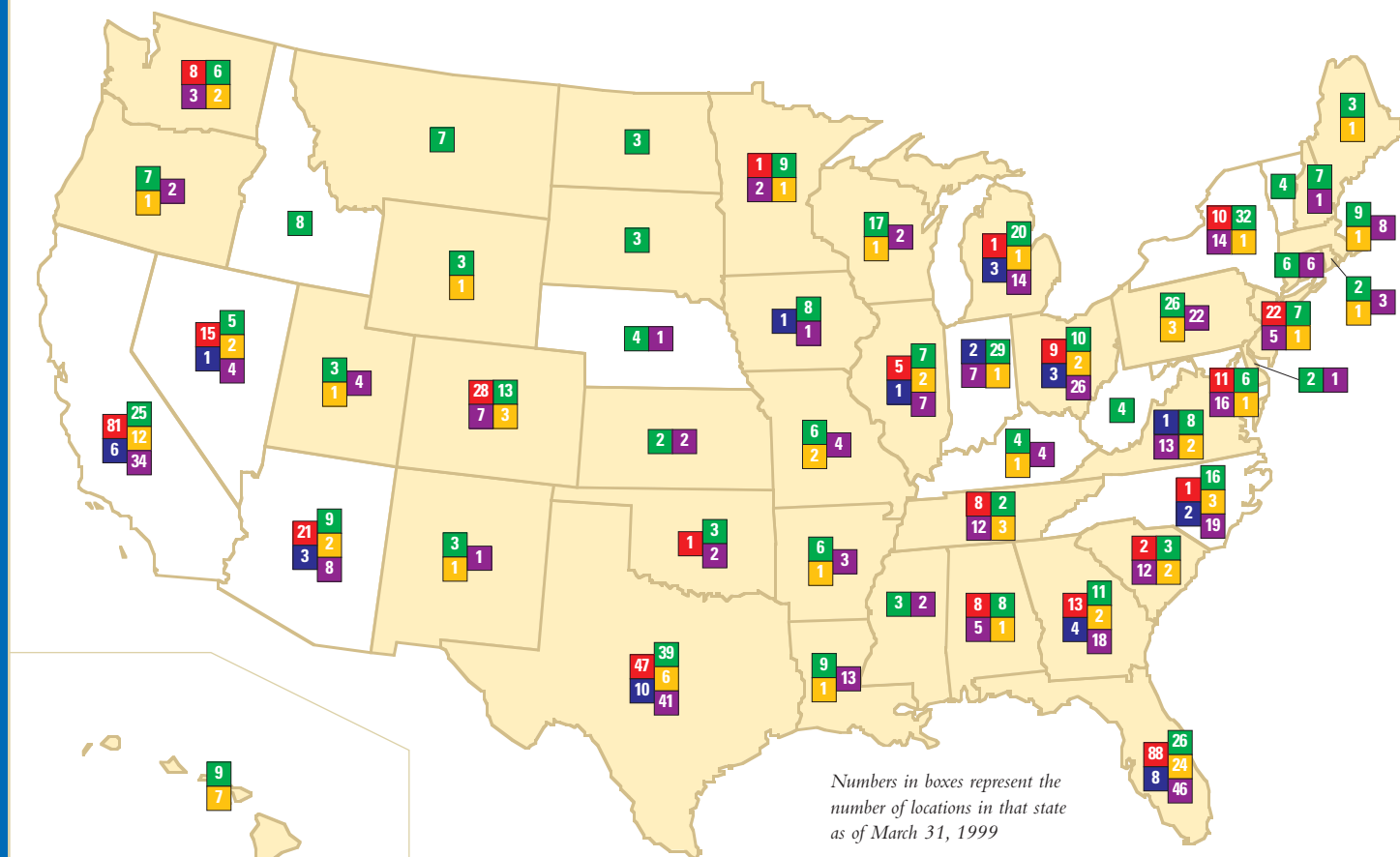
**New National Car Rental and Alamo Rent-A-Car Presidents**  
Robert Briggs was appointed President of National Car Rental. Karen Beard became the first female president of a national vehicle rental company when she was promoted to President of Alamo Rent-A-Car.

**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	
Reunion	1	
Romania	8	
Russia	1	
Saipan	4	
Singapore	1	
Slovakia	10	
Slovenia	110	87
Spain	2	4
St. Maarten	2	4
Sweden	11	
Switzerland*	3	3
Thailand	6	
Tunisia	7	
Turkey	110	109
United Kingdom*	1	
U.S. Virgin Islands	1	
Yugoslavia	1	

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

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

BOARD OF DIRECTORS

▶ (left to right)

Frene B. Rosenfeld | Michael G. DeGroot | Rick L. Burdick  
John 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)*

John J. Melk  
Chairman of the Board, President & Chief Executive Officer  
H<sub>2</sub>O 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