GROUP 1 AUTOMOTIVE

April 11, 2008

Dear Stockholders:

The automotive retail business faced an increasingly challenging environment throughout 2007. We first detected an automotive consumer slowdown in California in late 2006 and witnessed the spread of both automotive retail and housing sector issues across the country that continued throughout 2007.

Total industry sales volume slowed from 16.6 million units in 2006 to 16.1 million units in 2007. However, areas such as California, Florida and parts of the Northeast were disproportionately affected by housing and credit market factors which drove the lower automobile sales levels. Rising fuel prices across the United States created a mix shift from trucks to cars and toward smaller (less profitable) vehicles in general.

Throughout this challenging business and consumer environment, Group 1 continued to implement the strategic initiatives we laid out in late 2005. These included:

- Continuing to shift our brand mix toward a greater weighting of import and luxury brands from our historical, significant dependence on domestic automotive brands.
- Completing the conversion to a single dealership management operating computer system.
- Completing the implementation of a standard chart of accounts at all of our dealerships.
- Establishing a central purchasing organization to better leverage our scale.
- Streamlining further our management structure, moving from four regions to three regions.

We continued to grow our company in 2007 with the acquisition of 14 different franchises estimated to contribute in excess of $700 million of annual revenues. Consistent with the previously mentioned desire to increase our import and luxury brand mix, these franchise acquisitions included five BMW, four Mini and three Mercedes-Benz franchises. By year end, we had improved our percentage of import and luxury brand business to 75% of our total, a five percentage-point increase from 2006 and a 16 percentage-point increase from 2004.

As part of the above-mentioned acquisitions, we entered the international market in 2007 by acquiring powerful and growing BMW and Mini brand dealerships in the United

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Kingdom. We purchased three BMW and three Mini franchises along the southeastern coast of England with expected annualized revenues of $180 million. The dealerships are the longest operating independent BMW franchises in the United Kingdom and are located approximately a one-hour drive south of London in the towns of Brighton, Worthing and Hailsham. We expect to make additional acquisitions in the United Kingdom in the years ahead.

We also took a variety of actions to dispose of underperforming assets in 2007. We sold 15 franchises representing annualized revenues of approximately $155 million. These actions enable us to redeploy capital and management focus to operations, which provide us with better growth and profit opportunities.

In addition, we took a number of steps to better position our balance sheet for the present business environment, including:

- In January 2007, we renewed a $300 million Ford floorplan lending arrangement with improved pricing.
- In March 2007, we amended our existing revolving credit facility and expanded it by $400 million to $1.35 billion. As part of the amendment, the pricing was improved and the agreement was extended by an additional year, making it a five-year revolving syndicated credit facility with 22 financial institutions.
- In April 2007, we established a $235 million mortgage facility to support our strategic initiative of owning rather than leasing our real estate holdings. The mortgage facility will provide capital to the company for the purpose of acquiring real estate and buildings in conjunction with our dealership operations. We can also use the facility to electively buy out existing leases where it makes financial sense for the company. This flexibility will improve our ability to react to dynamic market conditions.

The following actions were taken to return cash to our stockholders during 2007:

- Cash dividend –56 cents per share was paid in cash dividends during the year.
- We completed stock repurchases of $60 million or 1.65 million shares at an average price of $36.28 during the year.

Relative to our board of directors, we were sad to see Robert E. Howard II, one of the founding members of Group 1, announce his retirement and leave our board last May. Bob made consistent contributions to Group 1 during the first 10 years of our company's existence and was always a valuable source of retail automotive input for me. The board seat was filled with another outstanding business person with extensive retailing experience, Ms. Beryl Raff. Beryl currently serves as the Executive Vice President and General Merchandise Manager of Fine Jewelry at J.C. Penney Company, Inc. and has nearly 35 years of experience in retailing throughout the United States.

As we move into 2008, the business environment is certainly not becoming any less challenging. However, our focus is to continue implementing our strategic plan. This includes:

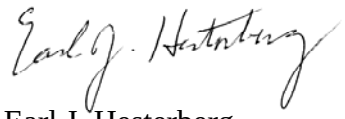
- Better leveraging our scale;
- Further consolidating our back offices;
- Standardizing operating practices within each region and transferring best practices among regions, and;
- Improving our database management and our ability to transact business via the Internet.

We must continue our emphasis on cost reduction as downward pressure on sales revenues are likely to continue at least throughout the remainder of 2008. We will increase our ownership of real estate where practical. We will continue to look for opportunities to acquire attractive brands in attractive markets; however, we expect our acquisition level to be significantly below recent years. Additionally, we will continue to dispose of underperforming dealerships.

In challenging economic times, the importance of people is magnified. We are, therefore, implementing a management development program which will be fed by our first active college recruiting program in order to identify and develop our next generation of talented leaders.

We are entering our third year of transforming our company from a decentralized operation to an integrated retail operation that leverages its scale and human talent. We are confident that the actions we have taken during the past two years, as well as the continued implementation of our strategy, will enable us to navigate through these challenging economic times and emerge as a successful and highly-competitive automotive retailer.

Sincerely,



Earl J. Hesterberg
President and Chief Executive Officer
Group 1 Automotive, Inc.