GROUP 1 AUTOMOTIVE

April 9, 2009

Dear Stockholders:

The economic events of 2008 will no doubt be remembered for the rest of our lives. The automotive industry sales level of 16.2 million units achieved in 2007 declined steadily throughout the first nine months of 2008 and then "crashed" during the fourth quarter. Final automotive industry sales of 13.2 million units masked the turmoil in the market at the end of the year when annualized selling rates dropped to slightly over 10 million units. This rate was the lowest since the early 1980's, and adjusted for population growth, the lowest since World War II.

The impact of the sudden sales decline severely affected our manufacturers. In a high fixed-cost business such as auto manufacturing, sudden revenue drops create substantial losses and massive cash-flow shortages. Virtually all manufacturers around the globe are in the process of restructuring, and many governments are attempting to provide support. The most acute pressure came to bear on General Motors and Chrysler Corporation, but no automotive producer was immune.

Although we also suffered from the sharp decline in new vehicle sales, we operate under a different business model where our more-stable parts and service business covers between 75% and 85% of our fixed costs. In addition, our cost structure is significantly less fixed than the manufacturers, so we have more ability to adjust our cost structure. I will cover more of that later in this letter.

Other factors throughout 2008 presented us with additional challenges, such as the dramatic rise (to over $4/gallon) and fall in gasoline prices, the severe restriction in consumer lending, and a major hurricane (Ike) which disrupted business in many of our Texas dealerships. Overall, 2008 was quite a year.

Despite these many obstacles, Group 1 Automotive continued to implement the long-term strategic plan we initiated in late 2005. We continued to shift our franchise mix away from the domestic auto brands toward import and luxury brands. We ended the year with 19% of our sales represented by the domestic brands as opposed to nearly 40% in 2004. We also grew our luxury portfolio to 25% in 2008 from 14% in 2004. During this transition, we remain heavily invested in the brands of Toyota Motor Corporation while increasing our exposure to brands such as Honda, Nissan, BMW and Mercedes-Benz.

Given the economic conditions of 2008, we dramatically curtailed our acquisition activity. We did not make any acquisitions during the second half of the year and acquired only five franchises with expected annual revenues of $90 million during the first half of 2008. We also disposed of 14 franchises, primarily domestic brands, with annualized revenues of $146 million.

The other facets of our long-term strategy that we continued to implement in 2008 include:

- Utilization of a single computer operating system and standard chart of accounts
- Disciplined used vehicle inventory management
- Investment in greater parts and service capacity
- Shift to lower-cost/higher-value, web-based marketing for vehicles, as well as parts and service

The focus on the used vehicle and parts and service segments of our business paid off by enabling us to operate our business profitably in the fourth quarter of 2008 despite the severe market downturn and disruptions. We are pleased with the progress we made in those areas in 2008.

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Despite the ongoing improvements in key areas of our business, the sudden economic downturn required that we take aggressive, across-the-board cost reduction actions which included:

- Announcing a $35 million full-year SG&A cost reduction plan in October that was expanded to a $100 million cost reduction action in January 2009. These cost reduction actions, that were executed by the end of March 2009, included:
    - A 10% reduction in pay for the Board of Directors, Regional Vice Presidents and senior corporate management; and, a 5% pay reduction for all other corporate-office employees.
    - Elimination of the 401K plan company match.
    - A reduction of 1,450 total employees.

These same economic conditions required a more conservative approach to the financial management of the company as well. Actions designed to strengthen our balance sheet included:

- A $176 million reduction of non-real estate debt.
- A $32 million reduction in inventory levels, with an additional $150 million reduction planned for first quarter 2009.
- A reduction in capital spending to $53 million in 2008 from $70 million in 2007. Capital expenditures are expected to be less than $30 million in 2009.
- The cash dividend paid by the company was reduced in the fourth quarter of 2008 and was subsequently suspended early in 2009 to preserve cash.

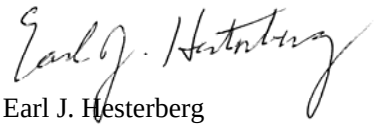
It appears that 2009 is offering similar economic challenges to the latter part of 2008 with all-time lows in consumer confidence, rising unemployment and restricted availability of consumer credit. Therefore, we will continue to rightsize our business with our aggressive cost cutting plan outlined previously and maintain our conservative balance sheet approach relative to reducing debt and preserving cash.

We are very encouraged by the fact that Group 1 remained profitable on an operating basis in the fourth quarter of 2008 despite the dramatic drop in industry sales volumes. Moreover, our parts and service business grew slightly in 2008 and the used vehicle market has held up much better than the new vehicle market over the past six months. The strength of these businesses coupled with the efforts we have put forth into improving efficiencies in those areas have allowed us to continue to generate positive cash flow.

As a result of my colleagues' dedication this past year, we have distinguished Group 1's dealerships as among the best in the industry. In 2008, our dealerships won many of the highest awards presented by our manufacturers. Of the 31 BMW dealerships recognized nationally with BMW's Center of Excellence Award, Group 1's dealerships captured four of them. Additionally, five of our Toyota dealerships won Toyota's prestigious President's Award. These are just two examples of the many outstanding performances by our automotive retail teams which remain focused on serving our customers through these challenging economic times. Overall, twenty-five of Group 1's dealerships were presented with our manufacturer's top awards.

Our goal at Group 1 is to adapt to these changing market conditions to ensure that we remain financially strong and profitable throughout this economic downturn. We firmly believe that the quality of our people and processes will enable us to do so and emerge as a stronger competitor well positioned to benefit from a future economic recovery.

Sincerely,



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