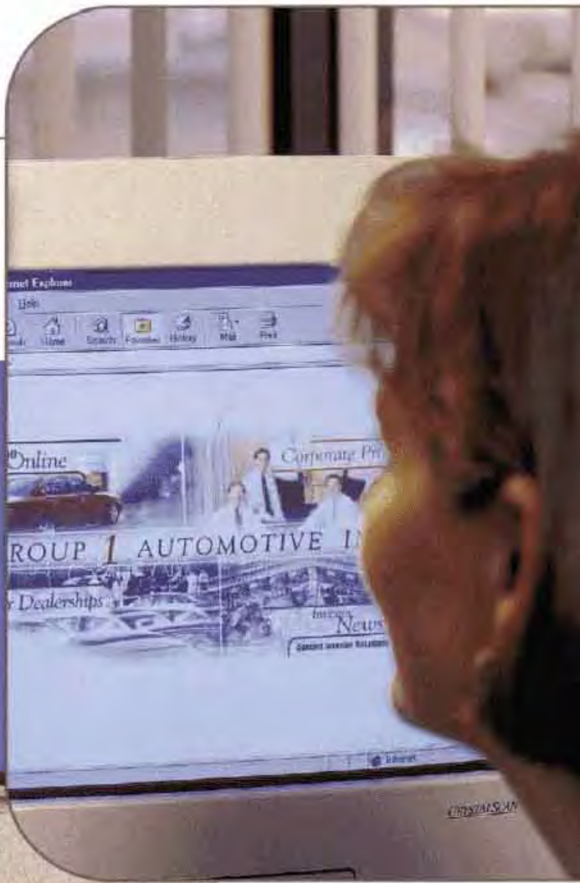
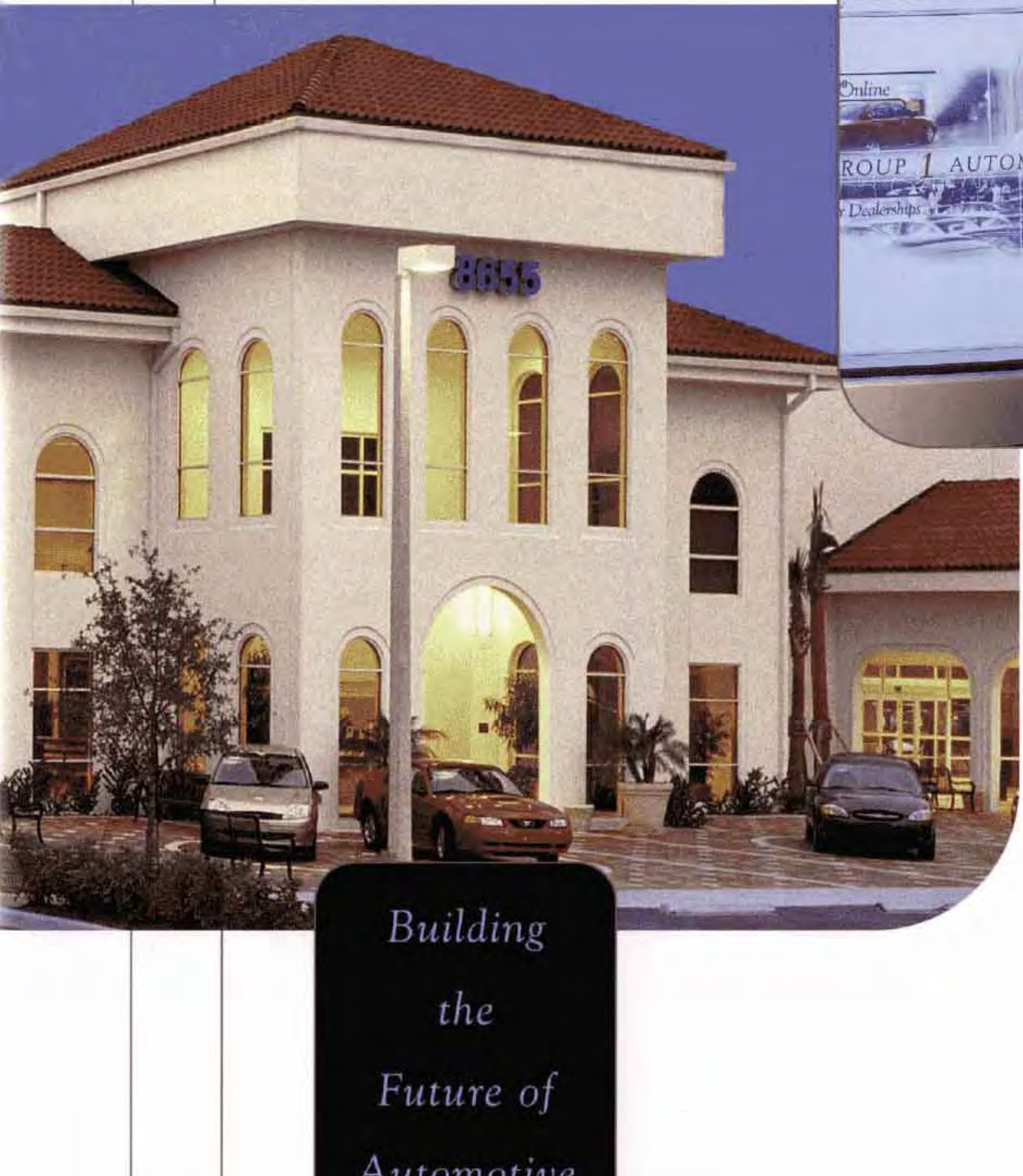




Building the Future of Automotive Retailing

GROUP 1 AUTOMOTIVE ANNUAL REPORT 1999

GROUP 1 AUTOMOTIVE, INC. is a leading operator in the highly fragmented $600 billion automotive retailing industry. With 98 dealership franchises comprised of 29 different brands, located in Texas, Oklahoma, Florida, Georgia, New Mexico, Colorado, Louisiana and Massachusetts. Group 1 is one of the top 10 dealership groups in the United States. Through these dealerships and its internet web pages, the company sells new and used cars and light trucks, provides maintenance and repair services, sells replacement parts and arranges related financing, insurance and service contracts. In 1999, the company sold over 100,000 retail new and used vehicles.

www.group1auto.com

Revenues grew 54% to over $2.5 billion

Operating income increased 65%

Gross and operating margins expanded

Ninth consecutive period of quarter-over-quarter operating margin enhancement

Earnings per share increased 34%

Entered four new markets

Revenue run rate over $3.4 billion

Financial Highlights

Year ended December 31,		1999		1998	change
(in thousands except percentages and per share amounts)					
Revenues	$	2,508,324	$	1,630,057	54%
Operating Income		85,950		52,046	65%
Net Income		33,515		20,719	62%
Diluted Earnings per Share	$	1.55	$	1.16	34%
Shares Outstanding (diluted)		21,559		17,905	20%
Gross Margin		15.0%		14.5%	
Operating Margin		3.4%		3.2%	
Pretax Margin		2.2%		2.2%	
Working Capital	$	80,128	$	48,251	
Inventories		386,255		219,176	
Total Assets		842,910		477,710	
Stockholders' Equity		232,029		136,184	

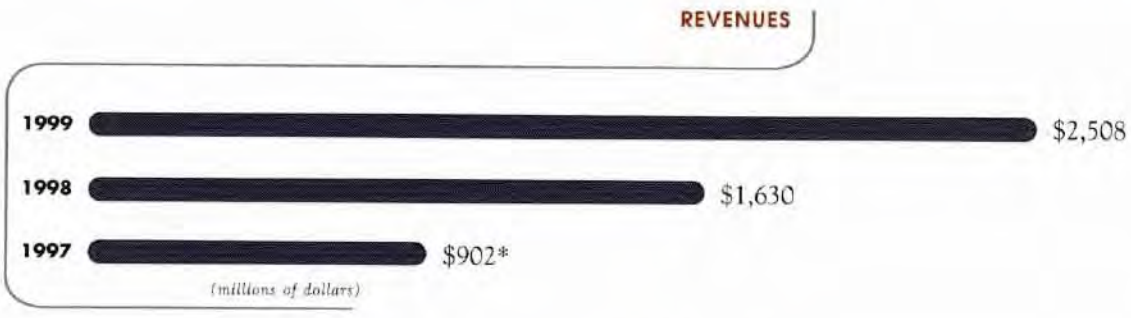
We are building....

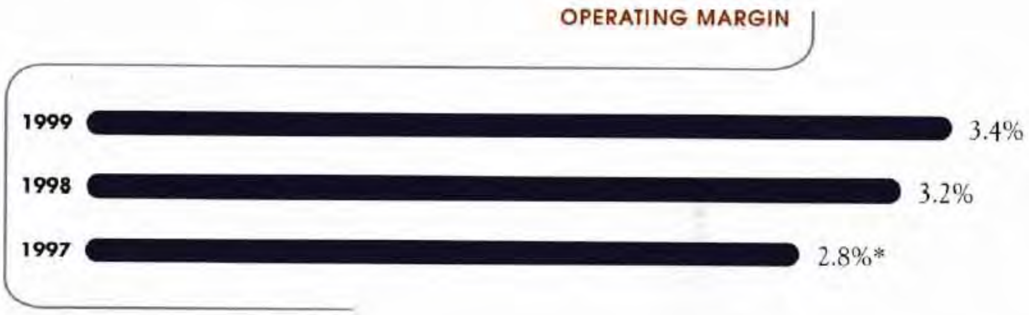
....a first-class dealership network....

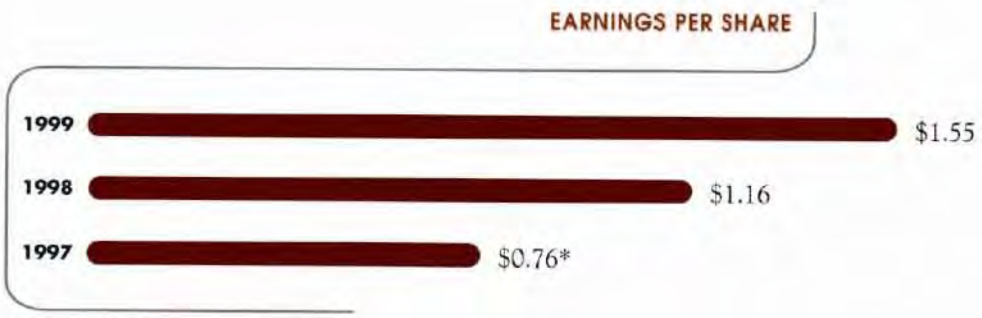
....customer traffic and incremental revenue through Internet portals....

....state-of-the-art facilities awarded through strong manufacturing relationships....

....and the unique Group 1 team of automotive retailing and public-company business professionals







* *Pro forma for founding groups*

To Our Stockholders

I am pleased to report that 1999 was another outstanding year for our company. We delivered on our short-term goals—grow revenues through existing dealerships and acquisitions, seek quality, accretive acquisitions, continue to identify and minimize inefficiencies and maximize economies of scale—and in the process established a solid foundation for profitability and increased shareholder value as we enter the 21st century.

1999 REPORT CARD

Revenues grew 54% to over $2.5 billion while net income accelerated to $33.5 million, or $1.55 per share, a 34% increase. While our top line benefited from a record-setting year for new vehicle sales, we also grew our more profitable used vehicle, parts, service, finance and insurance businesses. This drove continued margin expansion. Gross margin improved to 15.0% from 14.5% last year and 14.1%* in 1997, and operating margin expanded to 3.4% from 3.2% last year and 2.8%* in 1997. We have achieved consecutive quarter-over-quarter improvement in operating margins since becoming a public company. Our significant operating leverage will continue to drive more revenue to the bottom line as we strive to reach our operating margin target of 4.0%.

Cash flow, defined as net income plus depreciation and amortization, was healthy at $2.05 per share. Our balance sheet remained strong with working capital of $80 million and long-term debt to capitalization of 33%.

Our excellent dealership operations and strong financial health give us the ability to focus our attention on building the future of Group 1. During 1999, your company's management did exactly that.

GROUNDBREAKING GROWTH

Our efforts to develop and maintain excellent relationships with automobile manufacturers were rewarded when we opened two new, high-profile dealerships.

Last year, Ford approved one of its new prototype dealerships for our Carroll Automotive Group. On 23 acres—allowing for a 150,000-square-foot facility, including a 30,000-square-foot collision service center, triple the average size—it is one of the largest Ford dealerships in the United States. It incorporates many features that Ford's research has indicated consumers want, including a customer lounge/cafeteria, a play area for children and a quiet area where customers can hook up laptop computers.

Toyota awarded us a new Lexus companion dealership in Clear Lake, which is in the southern suburbs of Houston. Toyota only awards its companion dealerships to its most successful dealers. In this case, it is our highly successful Sterling McCall Lexus dealership that allowed us to expand our Lexus franchise.

We built a new 31,000-square-foot facility for our Dallas-based McKinney Dodge dealership and began construction on another new Dodge store in Beaumont, Texas. Sterling McCall Toyota in Houston significantly expanded its service area to 92 bays and is running three shifts to meet customers' needs.

** Pro forma for founding groups*

VIRTUAL GROWTH

1999 challenged all retailers, not just automotive retailers, to determine how to maximize the power of the Internet. Our business strategy is to grow revenues while delivering increased earnings. We decided that this strategy and Group 1's valuable dealership operations and strong local brands would not be maximized on the Internet by being just another source to sell vehicles, which are the least profitable segment of our business, based on gross margin. Instead, we have developed portal pages for each of our platforms to enable more efficient interface with our customers. These websites can be used to schedule service appointments, order parts and renew leases, as well as conduct inventory searches for new and used cars. We expect this strategy will expand the geographic reach of our dealerships and drive incremental sales. Visit us at: www.group1auto.com.

DISCIPLINED GROWTH

In order to improve the geographic diversity and enhance the brand mix of our operations, we continued to execute our disciplined and successful acquisition strategy. Over the course of 1999, we acquired over $900 million of revenues in the form of 35 dealership franchises with retail vehicle sales of over 40,000 units. We entered four new, exciting markets —New Orleans, Boston, Pensacola, Florida and West Texas—and added experienced dealership-level management talent. Our revenue run rate now exceeds $3.4 billion.

Our philosophy of acquiring well-run, profitable dealerships and integrating regional operations through the platform/tuck-in strategy has delivered shareholder value. By consolidating items such as financing, risk management, local advertising, back-office functions and systems, significant synergy is generated.

ADDITIONAL FUEL FOR GROWTH

To build our foundation and continue to grow our operations, funds are required. To supplement our internally generated cash, we issued $100 million in 10-year senior subordinated notes and 2 million shares of new common stock. These activities raised approximately $140 million. And our credit facility expanded from $425 million to $1 billion. Besides more than doubling our available funds, five automotive captive finance companies joined with 10 commercial banks to participate in the credit facility, a unique endorsement from automobile manufacturers that reflects the excellent relationships we have developed.

Another notable event was the agreement of directors and operators to an extended lock-up period for 9.8 million shares of stock. This demonstrates their commitment to and belief in the company we are building.

STRONG LEADERSHIP SUPPORTS GROWTH

During the fourth quarter, Sterling McCall, one of our founding dealers, retired from our board of directors. He was a key driver behind our company's formation and an outstanding ambassador to the dealership and manufacturing communities. We are pleased that Sterling will continue to work with us as a consultant and an advisory member of the board.

Joining the board is John Adams, Executive Vice President of Trinity Industries, Inc. John had a 25-year career with Chase Bank of Texas and its predecessor, Texas Commerce Bank, most notably as President of the Houston bank, Chairman and Chief Executive Officer of the Dallas/Fort Worth Metroplex, and, most recently, Chairman, President and Chief Executive Officer of Chase Texas. He also serves on the board of directors of American Express International Bank. John's extensive financial and operations experience will make a significant contribution to our continued growth.

CHALLENGE FOR THE FUTURE

For the first year of the new century, our short-term goals remain the same. We will grow revenues through existing dealerships and target select acquisition opportunities. We will seek quality, accretive acquisitions and not focus on revenues at the expense of operating margins and earnings per share. We will continue to identify and minimize inefficiencies as we leverage our economies of scale. And we will continue to make progress toward our operating margin goal of 4.0%.

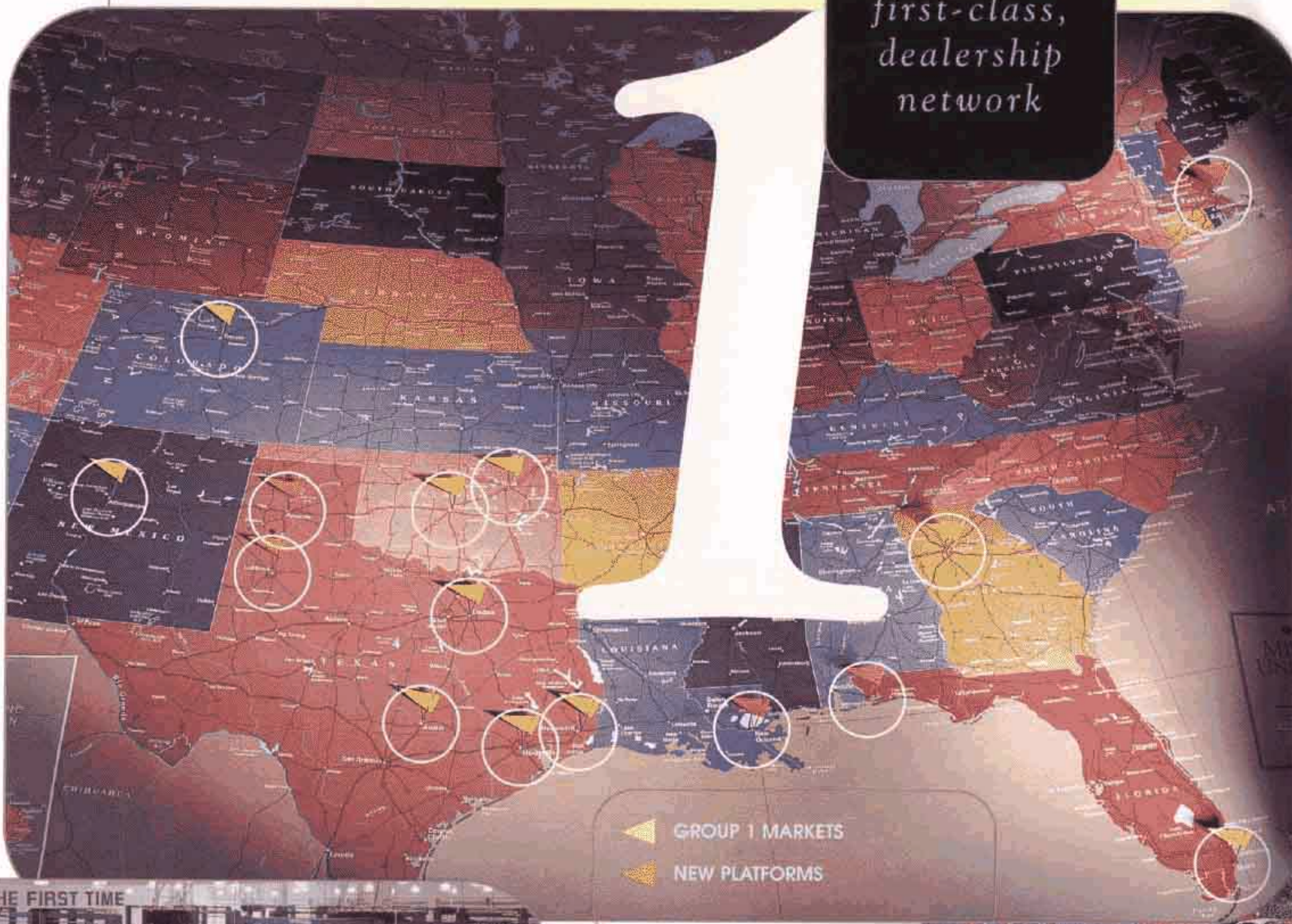
Over the long term, we intend to operate dealerships throughout the continental United States, sell all major brands in every market served and continue double-digit annual growth.

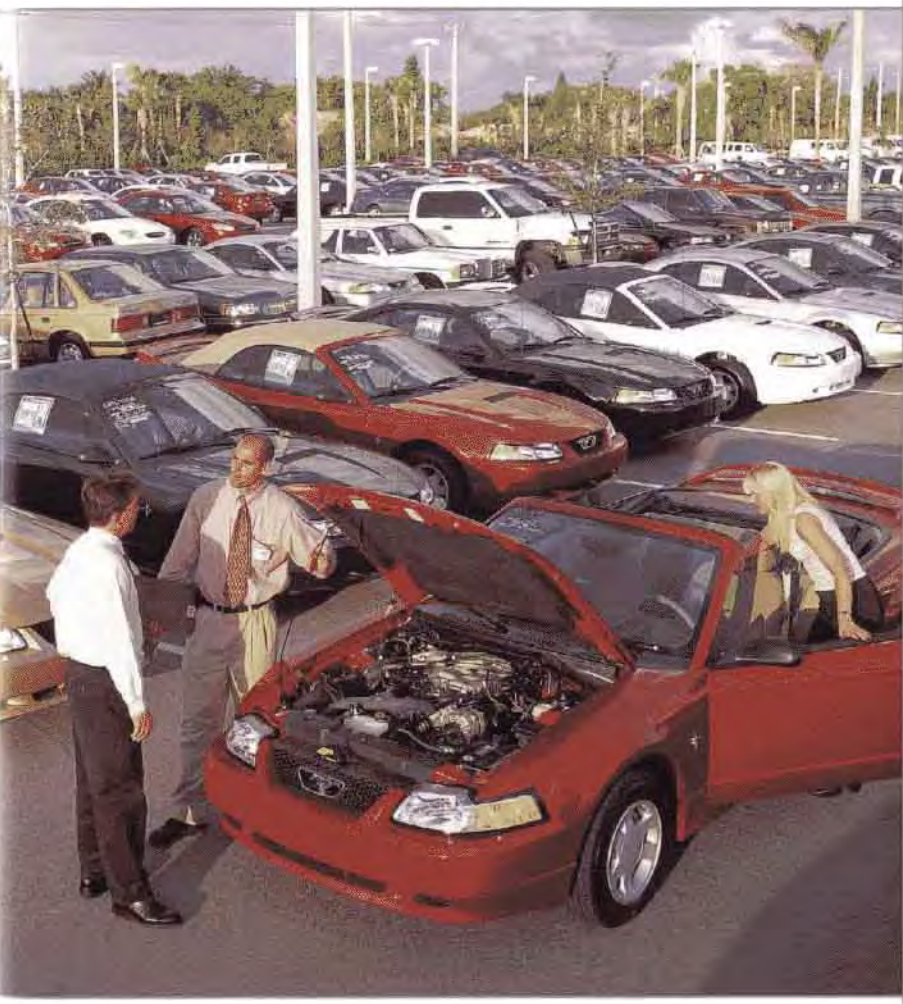
Our 5,000 co-workers contributed greatly to our success this year. We applaud their efforts and will rely on their continued hard work and enthusiasm to meet the challenges the future holds.

And to our stockholders, we thank you for your confidence in our company and our strategy for the future. We will continue to focus on our business and control whatever is within our control. We will continue to execute our proven strategy and look forward to an exciting year.

B.B. Hollingsworth, Jr.
Chairman, President and
Chief Executive Officer
Group 1 Automotive, Inc.
March 30, 2000

We are building a first-class, dealership network





Group 1 uses a disciplined, two-tiered acquisition strategy. First, the company pursues platform acquisitions in attractive regional markets where it is not represented. Group 1 seeks to partner with profitable, quality owners and operators who are committed to continue to run successful dealerships.

After the company acquires the strong, dealership-level management talent and operations to establish a regional platform, Group 1 seeks tuck-in acquisitions. These are smaller, yet profitable dealerships that augment brands, products and services.

The platform/tuck-in strategy serves two purposes. First, it creates regional critical mass to facilitate economies of scale, operating efficiencies and cost savings. Second, it promotes improved geographic diversity and enhanced brand mix, key elements of Group 1's strategy.

Most importantly, acquisitions deliver positive results to the company's bottom line.

Group 1 has implemented a national and regional Internet marketing program. The national portal allows a user to access all Group 1 dealerships while regional portals capitalize on name recognition and customer loyalty developed by the dealerships. Often, a potential buyer starts a search on the page that features a known dealer.

According to J.D. Powers and Associates, over half of all retail car buyers in 2000 will use the Internet to influence their buying decisions. Most of these buyers will use the Internet for research; some will use the Internet to select a dealer.

Group 1 uses its platform portals to drive prospective buyers to its nearest dealership. These portals enable more efficient interface with customers who can schedule service appointments and reminders, order parts, or search for a new or used vehicle. Group 1 believes that the portals expand the geographic reach of a dealership and drive incremental sales.

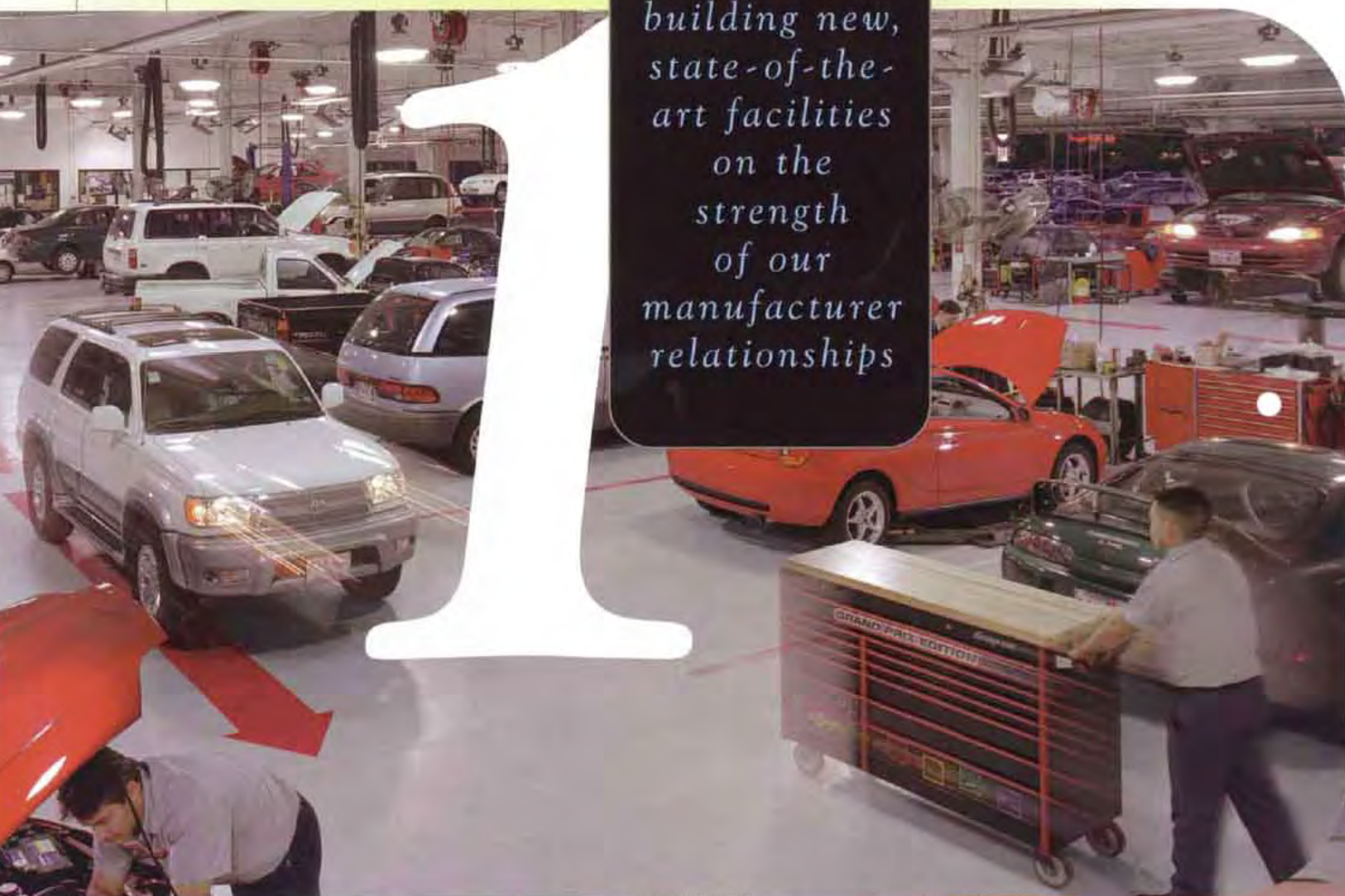
We are building customer traffic and incremental sales through Internet platform portals

Group 1 Platform Portals:

www.lubychevrolet.com
Denver
www.casanet.com
Albuquerque
www.bobhowardauto.com
Oklahoma City
www.genemesser.com
Amarillo/Lubbockk
www.dallasautodealers.com
Dallas
www.mccallgroup.com
Houston
www.maxwellauto.com
Austin
www.mikesmithdirect.com
Beaumount
www.bohnzone.com
New Orleans
www.eworldauto.net
Atlanta/Pensacola
www.worldautogroup.com
Miami/Ft. Lauderdale
www.iramotorgroup.com
Boston

1

We are building new, state-of-the-art facilities on the strength of our manufacturer relationships



Group 1 is committed to grow by maintaining strong relationships and working in partnership with automobile manufacturers. Relationship-building efforts were rewarded when two new, high-profile dealerships were opened in 1999.

Ford approved a new prototype dealership for the Carroll Automotive Group in south Florida, one of the largest for Ford in the United States. It incorporates many features that Ford research has indicated customers want.

Because of its excellent relationship with Toyota, Group 1 and the McCall Group received a new Lexus dealership located in Clear Lake, a rapidly growing suburb south of Houston. The new store is a companion to Sterling McCall Lexus in Houston. Toyota only awards its companion dealerships to operators who have successful dealerships in the area.

Other projects in 1999 included a new facility for McKinney Dodge in Dallas and a significant expansion of the service area at Sterling McCall Toyota in Houston. Construction began on a new Ford-Mercury facility in Rockwall, Texas, and on two new Dodge facilities in Beaumont, Texas, and Medford, Mass.

Even though Group 1 separates its corporate and local dealership operations so professionals in each discipline run them, these two functions are not totally independent. To make sure all of the interlocking parts are functioning smoothly, Group 1's four Senior Vice Presidents work together, under the Chairman's leadership, to match corporate, dealership, employee and shareholder goals.

John Turner, Senior Vice President—Corporate Development, is primarily responsible for the dealership-acquisition aspect of Group 1's growth formula. Using his extensive experience gained by negotiating transactions and buying companies in other large, consolidating industries, Turner travels the country with a mandate to add quality dealers to the Group 1 family.

Left to right: Smith, Thompson, Turner, Bishop

Turner points out that Group 1's philosophy of allowing the owner/operators to manage their dealerships has made his job easier. "In the beginning, I spent a lot of time identifying acquisition candidates and introducing Group 1

We are building the unique Group1 team by successfully combining automotive retailing and business professionals to dealers. Now, we are known nationwide and most of our leads come through our Group 1 dealers."

Working closely with the dealers, supporting them and their associates, and ensuring that the dealerships have the resources and leadership to be successful is Senior Vice President–Operations, John Bishop, who has almost 30 years of experience with automobile manufacturers and dealers. According to Bishop, his primary responsibility is to ensure the high-level performance of the Group 1 family of dealerships. "Our goal is not only to generate a desirable profit, it is also to achieve excellence in customer care. We believe that we can't have satisfied customers unless we have satisfied employees. To that end, it is our ongoing challenge to attract talented and energetic individuals, keep them motivated and create an environment where they want to stay and succeed."

Charles Smith, Senior Vice President—Industry Relations, and one of Group 1's founding dealers, has been very active in the automotive retailing industry. He is currently a Vice Chairman of the Texas Automobile Dealers Association and is a Board Member and previous Chairman of the American International Automobile Dealers Association. He is currently on General Motor's e-commerce advisory board that is charged with determining the best method for GM and its dealers to work together in the new e-commerce environment. Smith works with manufacturers on issues relating to Group 1 as well as the automotive associations; his goal is to "add value to all sides. "His primary responsibility is to keep the lines of communication open between manufacturers and the dealership community.

The ability to finance and manage growth is the responsibility of the team headed by Scott Thompson, Senior Vice President—Chief Financial Officer and Treasurer, who has extensive experience in the financial services, real estate and automotive retailing industries. Thompson is responsible for financial operations including capital market transactions, borrowing, budgeting and financial controls. "Our job is to expand Group 1's access to the various capital markets and to monitor the company's performance versus agreed-upon targets. The exciting part of the job is helping develop goals and driving Group 1 toward achieving our company vision," Thompson said.

Selected Consolidated Financial Data

We acquired four automobile dealership groups on November 3, 1997 (the "founding groups"). For financial statement presentation purposes, however, the Howard Group, one of the founding groups, has been identified as the accounting acquirer. As such, the financial data as of December 31, 1996 and 1995, and for each of the two years in the period ended December 31, 1996 represent the historical financial data of the Howard Group on a stand-alone basis. The financial data as of and for the year ended December 31, 1997, includes the operations of Group 1 Automotive, Inc., the parent company, and the founding groups, excluding the Howard Group, beginning October 31, 1997, the effective closing date of the acquisitions for accounting purposes. The Howard Group is included for the entire year ended December 31, 1997. The financial data as of and for the years ended December 31, 1999 and 1998, includes the operations of Group 1 and the founding groups from January 1, 1998 and the dealerships acquired since January 1, 1998, from the effective dates of the acquisitions. The following selected historical financial data as of December 31, 1999, 1998, 1997, 1996 and 1995, and for each of the five years in the period ended December 31, 1999, have been derived from audited financial statements.

YEAR ENDED DECEMBER 31, *(dollars in thousands, except per share amounts)*	1999	1998	1997	1996	1995
INCOME STATEMENT DATA:					
Revenues	$ 2,508,324	$ 1,630,057	$ 403,967	$ 281,492	$ 254,003
Cost of sales	2,131,967	1,393,547	349,366	241,898	219,907
Gross profit	376,357	236,510	54,601	39,594	34,096
Selling, general and administrative expenses	279,791	178,038	43,360	30,027	25,628
Depreciation and amortization	10,616	6,426	1,020	741	538
Income from operations	85,950	52,046	10,221	8,826	7,930
Other income (expense):					
Floorplan interest expense	(20,395)	(12,837)	(3,810)	(3,112)	(3,410)
Other interest expense, net	(10,052)	(4,027)	(176)	(56)	(61)
Other income (expense), net	186	39	156	(69)	(80)
Income before income taxes	55,689	35,221	6,391	5,589	4,379
Provision for income taxes	22,174	14,502	573	382	744
Net income	$ 33,515	$ 20,719	$ 5,818	$ 5,207	$ 3,635
Earnings per share:					
Basic	$ 1.62	$ 1.20	-	-	-
Diluted	$ 1.55	$ 1.16	-	-	-
Weighted average shares outstanding:					
Basic	20,683,308	17,281,165	-	-	-
Diluted	21,558,920	17,904,878	-	-	-

AS OF DECEMBER 31, *(in thousands)*	1999	1998	1997	1996	1995
BALANCE SHEET DATA:					
Working capital	$ 80,128	$ 48,251	$ 55,475	$ 9,327	$ 7,538
Inventories	386,255	219,176	105,421	47,674	39,573
Total assets	842,910	477,710	213,149	72,874	61,641
Total long-term debt, including current portion	114,250	45,787	9,369	344	284
Stockholders' equity	232,029	136,184	89,372	12,210	8,620

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

We are a leading operator and consolidator in the highly fragmented automotive retailing industry. We own automobile dealership franchises located in Texas, Oklahoma, Florida, New Mexico, Georgia, Colorado, Louisiana and Massachusetts. Through our dealerships and Internet sites, we sell new and used cars and light trucks, provide maintenance and repair services at all of our dealerships, and operate 19 collision service centers. We expect a significant portion of our future growth to come from acquisitions of additional dealerships.

We have diverse sources of revenues, including: new car sales, new truck sales, used car sales, used truck sales, manufacturer remarketed vehicle sales, parts sales, service sales, collision repair services, finance fees, insurance commissions, vehicle service contract commissions, documentary fees and after-market product sales. Sales revenues from new and used vehicle sales and parts and service sales include sales to retail customers, other dealerships and wholesalers. Other dealership revenue includes revenues from arranging financing, insurance and vehicle service contracts, net of a provision for anticipated chargebacks, and documentary fees.

Our total gross margin varies as our merchandise mix (the mix between new vehicle sales, used vehicle sales, parts and service sales, collision repair services and other dealership revenues) changes. Our gross margin on the sale of products and services generally varies between approximately 7.0% and 85.0%, with new vehicle sales generally resulting in the lowest gross margin and other dealership revenue sales generally resulting in the highest gross margin. When our new vehicle sales increase or decrease at a rate greater than our other revenue sources, our gross margin responds inversely. Factors such as seasonality, weather, cyclicality and manufacturers' advertising and incentives may impact our merchandise mix, and therefore influence our gross margin.

Selling, general and administrative expenses consist primarily of compensation for sales, administrative, finance and general management personnel, rent, marketing, insurance and utilities. Interest expense consists of interest charges on interest-bearing debt, including floorplan inventory financing, net of interest income earned. Until we acquired them, all of the dealerships had been managed as independent private companies and their results of operations reflect different tax structures (S Corporations and C Corporations), which influenced, among other things, their historical levels of owners' compensation. Certain of these owners and key employees agreed to reductions in their compensation and benefits in connection with their acquisition by us.

We are integrating certain functions and installing practices that have been successful at other franchises and in other retail segments ("best practices"). This integration of functions and installation of best practices may present opportunities to increase revenues and reduce costs but may also necessitate additional costs and expenditures for corporate administration, including expenses necessary to implement our acquisition strategy. These various costs and possible cost-savings and revenue enhancements may make historical operating results difficult to compare to and not indicative of, future performance.

Results of Operations

SELECTED OPERATIONAL AND FINANCIAL DATA FOR THE YEARS ENDED DECEMBER 31, 1999 AND DECEMBER 31, 1998

NEW VEHICLE DATA

(dollars in thousands, except per unit amounts)	1999	1998	INCREASE/ (DECREASE)	PERCENT CHANGE
Retail unit sales	60,384	39,822	20,562	51.6 %
Retail sales revenues	$ 1,465,759	$ 931,205	$ 534,554	57.4 %
Gross profit	$ 121,639	$ 74,096	$ 47,543	64.2 %
Average gross profit per retail unit sold	$ 2,014	$ 1,861	$ 153	8.2 %
Gross margin	8.3 %	8.0 %	0.3 %	-

USED VEHICLE DATA

(dollars in thousands, except per unit amounts)	1999	1998	INCREASE/ (DECREASE)	PERCENT CHANGE
Retail unit sales	45,630	31,248	14,382	46.0 %
Retail sales revenues (1)	$ 606,764	$ 411,065	$ 195,699	47.6 %
Gross profit	$ 59,308	$ 38,282	$ 21,026	54.9 %
Average gross profit per retail unit sold	$ 1,300	$ 1,225	$ 75	6.1 %
Gross margin	9.8 %	9.3 %	0.5 %	-

(1) Excludes wholesale revenues

PARTS AND SERVICE DATA

(dollars in thousands)	1999	1998	INCREASE/ (DECREASE)	PERCENT CHANGE
Sales revenues	$ 212,970	$ 139,144	$ 73,826	53.1 %
Gross profit	$ 116,622	$ 74,616	$ 42,006	56.3 %
Gross margin	54.8 %	53.6 %	1.2 %	-

OTHER DEALERSHIP REVENUES, NET

(dollars in thousands, except per unit amounts)	1999	1998	INCREASE/ (DECREASE)	PERCENT CHANGE
Retail new and used unit sales	106,014	71,070	34,944	49.2 %
Retail sales revenues	$ 78,788	$ 49,516	$ 29,272	59.1 %
Net revenues per retail unit sold	$ 743	$ 697	$ 46	6.6 %

YEAR ENDED DECEMBER 31, 1999 COMPARED WITH YEAR ENDED DECEMBER 31, 1998

REVENUES. Revenues increased $878.2 million, or 53.9%, to $2,508.3 million for the year ended December 31, 1999, from $1,630.1 million for the year ended December 31, 1998. New vehicle revenues increased primarily due to strong customer acceptance of our products, particularly Chevrolet, Ford, Lexus and Honda, and the acquisitions of additional dealership operations during 1998 and 1999. The growth in used vehicle revenues was primarily attributable to an emphasis on used vehicle sales in the Houston and Oklahoma markets, and the additional dealership operations acquired. The increase in parts and service revenues was due to the additional dealership operations acquired, coupled with strong organic growth in the Denver, Houston and Beaumont markets. Other dealership revenues increased primarily due to the implementation of our vehicle service contract and insurance programs, and related training, which resulted in improved revenues per unit, in addition to an increase in the number of retail new and used vehicle sales.

GROSS PROFIT. Gross profit increased $139.9 million, or 59.2%, to $376.4 million for the year ended December 31, 1999, from $236.5 million for the year ended December 31, 1998. The increase was attributable to increased revenues and an increase in gross margin from 14.5% for the year ended December 31, 1998, to 15.0% for the year ended December 31, 1999. The gross margin increased even though lower margin new vehicle revenues increased as a percentage of total revenues, as improvements in other dealership revenues per unit and increases in the gross margin on new and used vehicle sales and parts and service sales offset the change in the merchandising mix. The gross margin on new retail vehicle sales improved to 8.3% from 8.0% due to our dealership managers performing well in a favorable market and our sales training programs. The increase in gross margin on used retail vehicle sales to 9.8% from 9.3% was primarily attributable to our dealership managers performing well in a favorable operating environment and our sales training programs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $101.8 million, or 57.2%, to $279.8 million for the year ended December 31, 1999, from $178.0 million for the year ended December 31, 1998. The increase was primarily attributable to the additional dealership operations acquired and increased variable expenses, particularly incentive pay to employees, which increased as gross profit increased. Selling, general and administrative expenses decreased as a percentage of gross profit to 74.3% from 75.3% due primarily to increased operating leverage.

INTEREST EXPENSE. Floorplan and other interest expense, net, increased $13.5 million, or 79.9%, to $30.4 million for the year ended December 31, 1999, from $16.9 million for the year ended December 31, 1998. The increase was primarily attributable to the floorplan interest expense of the additional dealership operations acquired and borrowings to complete acquisitions. A portion of the increase is due to the completion of our offering of $100 million of senior subordinated notes during the first quarter of 1999. Partially offsetting the increases was a 40 basis point decline in the weighted average interest rate on our floorplan notes payable. Contributing to the rate decline was a rate reduction realized from obtaining a lower interest rate on our floorplan notes payable.

SELECTED OPERATIONAL AND FINANCIAL DATA FOR THE YEARS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997

NEW VEHICLE DATA

(dollars in thousands, except per unit amounts)	1998	1997	INCREASE/ (DECREASE)	PERCENT CHANGE
Retail unit sales	39,822	10,498	29,324	279.3 %
Retail sales revenues	$ 931,205	$ 228,044	$ 703,161	308.3 %
Gross profit	$ 74,096	$ 15,695	$ 58,401	372.1 %
Average gross profit per retail unit sold	$ 1,861	$ 1,495	$ 366	24.5 %
Gross margin	8.0 %	6.9 %	1.1 %	-

USED VEHICLE DATA

(dollars in thousands, except per unit amounts)	1998	1997	INCREASE/ (DECREASE)	PERCENT CHANGE
Retail unit sales	31,248	9,990	21,258	212.8 %
Retail sales revenues (1)	$ 411,065	$ 117,672	$ 293,393	249.3 %
Gross profit	$ 38,282	$ 11,575	$ 26,707	230.7 %
Average gross profit per retail unit sold	$ 1,225	$ 1,159	$ 66	5.7 %
Gross margin	9.3 %	9.8 %	(0.5) %	-

(1) Excludes wholesale revenues

PARTS AND SERVICE DATA

(dollars in thousands)	1998	1997	INCREASE/ (DECREASE)	PERCENT CHANGE
Sales revenues	$ 139,144	$ 30,006	$ 109,138	363.7 %
Gross profit	$ 74,616	$ 16,921	$ 57,695	341.0 %
Gross margin	53.6 %	56.4 %	(2.8) %	-

OTHER DEALERSHIP REVENUES, NET

(dollars in thousands, except per unit amounts)	1998	1997	INCREASE/ (DECREASE)	PERCENT CHANGE
Retail new and used unit sales	71,070	20,488	50,582	246.9 %
Retail sales revenues	$ 49,516	$ 10,410	$ 39,106	375.7 %
Net revenues per retail unit sold	$ 697	$ 508	$ 189	37.2 %

YEAR ENDED DECEMBER 31, 1998 COMPARED WITH YEAR ENDED DECEMBER 31, 1997

REVENUES. Revenues increased $1,226.1 million, or 303.5%, to $1,630.1 million for the year ended December 31, 1998, from $404.0 million for the year ended December 31, 1997. The increases in all revenue categories were due primarily to the inclusion of the dealership operations acquired since October 31, 1997, and our focus on higher margin activities.

GROSS PROFIT. Gross profit increased $181.9 million, or 333.2%, to $236.5 million for the year ended December 31, 1998, from $54.6 million for the year ended December 31, 1997. The increase was attributable to increased revenues and an increased gross margin to 14.5% for the year ended December 31, 1998, from 13.5% for the year ended December 31, 1997. The increase in gross margin was caused primarily by improvements in other dealership revenues per unit and increases in the gross margin on new vehicle sales. Additionally, changes in the merchandising mix, higher-margin parts and service sales and other dealership revenues increased as a percentage of total revenues, added to the gross margin improvement.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased $134.6 million, or 310.1%, to $178.0 million for the year ended December 31, 1998 from $43.4 million for the year ended December 31, 1997. The increase was primarily attributable to the additional dealership operations acquired and increased variable expenses, particularly incentive pay to employees, which increased as gross profit increased. Selling, general and administrative expenses decreased as a percentage of gross profit to 75.3% from 79.4% due primarily to increased operating leverage.

INTEREST EXPENSE. Floorplan and other interest expense, net, increased $12.9 million, or 322.5%, to $16.9 million for the year ended December 31, 1998, from $4.0 million for the year ended December 31, 1997. The increase was primarily attributable to the floorplan interest expense of the additional dealership operations acquired and additional interest expense from borrowings to complete acquisitions. Partially offsetting the increases was a cost reduction realized from obtaining a lower interest rate on our floorplan notes payable.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity are cash on hand, cash from operations, our credit facility (which includes the floorplan facility and the acquisition facility) and equity and debt offerings.

The following table sets forth historical selected information from our statements of cash flows:

YEAR ENDED DECEMBER 31, *(in thousands)*	1999	1998	1997
Net cash provided by operating activities	$ 73,224	$ 24,277	$ 6,922
Net cash provided by (used in) investing activities	(126,944)	(58,225)	10,661
Net cash provided by financing activities	106,101	65,299	5,830
Net increase in cash and cash equivalents	$ 52,381	$ 31,351	$ 23,413

CASH FLOWS

Total cash and cash equivalents at December 31, 1999, were $118.8 million.

OPERATING ACTIVITIES. For the three-year period ended December 31, 1999, we generated $104.4 million in net cash from operating activities, primarily driven by net income plus depreciation and amortization. Cash flow provided by operating activities increased $48.9 million from $24.3 million for the year ended December 31, 1998, to $73.2 million for the year ended December 31, 1999. Excluding working capital changes, during 1999 cash flows from operating activities increased $26.1 million over the prior-year period.

INVESTING ACTIVITIES. The $126.9 million of cash used for investing activities during 1999 was primarily attributable to cash paid in completing acquisitions, net of cash balances obtained in the acquisitions, and purchases of property and equipment, partially offset by sales of property and equipment. During 1999, we used approximately $27.4 million in purchasing property and equipment, of which, approximately $19.6 million was for the purchase of land and construction of facilities. Partially offsetting these uses of cash, we received $11.7 million from sales of property and equipment. The proceeds were received primarily from the sale of dealership properties to a REIT for approximately $11.2 million, and for which no gain or loss was recognized.

During 1998, $58.2 million was used in investing activities, primarily for acquisitions, net of cash received, and purchases of property and equipment, net of sales. Of the $9.7 million used in purchasing property and equipment during 1998, approximately $5.6 million related to the purchase of land and construction of facilities for new or expanded operations. During December 1998, we completed the sale and leaseback of six dealership properties and received $20.0 million in gross proceeds from the sale, for which no gain or loss was recognized.

FINANCING ACTIVITIES. We obtained approximately $106.1 million, $65.3 million and $5.8 million from financing activities during the years 1999, 1998 and 1997, respectively. The net cash provided during 1999 was generated primarily from our March 1999 offerings of 2 million shares of common stock and $100 million of senior subordinated notes. The net proceeds from these offerings, approximately $137.7 million, were used to repay $59.0 million borrowed under the acquisition portion of the credit facility, with the remainder of the proceeds being used in completing acquisitions during 1999. Additionally, in connection with the sale of properties to a REIT, we paid off mortgages of approximately $2.5 million.

The net cash provided during 1998 was generated primarily from drawings on our credit facility and was utilized in completing acquisitions and supporting increased sales volumes. Partially offsetting the $75.5 million in borrowings was $10.0 million in principal payments on long-term debt, of which $6.6 million was related to the payoff of mortgages in connection with the sale and leaseback transaction completed in December 1998.

The net cash provided by financing activities for 1997 was primarily attributable to the net proceeds of our initial public offering of approximately $51.8 million, offset primarily by the pay down of floorplan debt in the amount of $33.5 million.

WORKING CAPITAL. At December 31, 1999, we had working capital of $80.1 million. Historically, we have funded our operations with internally generated cash flow and borrowings. While we cannot guarantee it, based on current facts and circumstances, management believes we have adequate cash flow coupled with borrowings under our credit facility to fund our current operations.

ACQUISITION FINANCING

We anticipate that our primary use of cash will be for the completion of acquisitions. We expect the cash needed to complete our acquisitions will come from the operating cash flows of our existing dealerships, borrowings under our current credit facilities, other borrowings or equity or debt offerings. Although we believe that we will be able to obtain sufficient capital to fund acquisitions, we cannot guarantee that such capital will be available to us at the time it is required or on terms acceptable to us.

CAPITAL EXPENDITURES

Our capital expenditures include expenditures to extend the useful life of current facilities and expenditures to start or expand operations. Historically, our annual capital expenditures exclusive of new or expanded operations have approximately equaled our annual depreciation charge. Expenditures relating to the construction or expansion of dealership facilities, generally, are driven by new franchises being awarded to us by a manufacturer or significant growth in sales at an existing facility. Although we believe that we will be able to obtain sufficient capital to fund capital expenditures, we cannot guarantee that such capital will be available to us at the time it is required or on terms acceptable to us.

CREDIT FACILITY

In October 1999, we amended our credit facility to increase the commitment from $500 million to $1 billion and to extend the term of the credit facility from December 2001 to December 2003. The credit facility provides a floorplan facility of $780 million for financing vehicle inventories and an acquisition facility of $220 million for financing acquisitions, general corporate purposes and capital expenditures. Currently, $190 million is available to be drawn under the acquisition facility, subject to a cash flow calculation and the maintenance of certain financial ratios and various covenants. The credit facility also limits the amount we may pay as cash dividends.

In January 1998, we entered into a three-year interest rate swap agreement to hedge our exposure to changes in interest rates. This swap converts the interest rate on $75 million of debt to a fixed rate of approximately 6.91%.

SALE OF DEALERSHIP PROPERTIES TO A REIT

During 1998, we entered into an agreement with a REIT to sell certain of our dealership properties. In connection with the sale of the properties, we have agreed to leaseback the properties under leases with terms of 30 years, with tenant termination options after 15, 20 and 25 years. As of December 31, 1998, we had closed the sale of six properties to the REIT, pursuant to the terms of the agreement, for approximately $20.0 million. During 1999, we sold two additional properties to the REIT for approximately $11.2 million.

We generally seek to avoid the ownership of real property. Accordingly we intend to continue to enter into sale and leaseback transactions in order to minimize our investment in acquired and constructed facilities.

LEASES

We lease various real estate, facilities and equipment under long-term operating lease agreements, including leases with related parties. Generally, the related-party leases have terms of 30 years and are renewable at our option 15 years from execution of the lease and at the end of each subsequent five-year period. Typically, the third-party leases also have 30-year terms, but are cancelable after an initial 15-year period and at the end of each subsequent five-year period.

QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The table below provides information about our market-sensitive financial instruments and constitutes a "forward-looking statement". Our major market-risk exposure is changing interest rates. Our policy is to manage interest rates through use of a combination of fixed and floating rate debt. Interest rate swaps may be used to adjust interest rate exposures when appropriate, based upon market conditions. These swaps are entered into with financial institutions with investment grade credit ratings, thereby minimizing the risk of credit loss. All items described are non-trading.

EXPECTED MATURITY DATE	2000	2001	2002	2003	2004	THEREAFTER	TOTAL	FAIR VALUE DECEMBER 31, 1999
(dollars in millions)								
VARIABLE RATE DEBT								
Current	$0.4	-	-	$363.5	-	-	$363.9	$363.9
Average interest rates	9.47 %	-	-	7.72 %	-	-		
Non-current	-	$0.5	$0.7	$10.6	$0.6	$1.4	$13.8	$13.8
Average interest rates	-	9.75 %	9.57 %	8.34 %	9.96 %	9.96 %		
Total variable rate debt	$0.4	$0.5	$0.7	$374.1	$0.6	$1.4	$377.7	
Interest rate swap	-	$75.0	-	-	-	-	$75.0	$(0.3)
Average pay rate (fixed)	-	6.91 %	-	-	-	-		
Average receive rate (variable)	-	7.72 %	-	-	-	-		
Net variable rate debt	$0.4	$(74.5)	$0.7	$374.1	$0.6	$1.4	$302.7	

Consolidated Balance Sheets

DECEMBER 31, *(in thousands)*	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 118,824	$ 66,443
Accounts and notes receivable, net	35,296	21,373
Inventories	386,255	219,176
Deferred income taxes	8,619	11,212
Other assets	4,429	8,718
Total current assets	553,423	326,922
PROPERTY AND EQUIPMENT, net	46,711	21,960
GOODWILL, net	235,312	123,587
OTHER ASSETS	7,464	5,241
Total assets	$ 842,910	$ 477,710
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floorplan notes payable	$ 363,489	$ 193,405
Current maturities of long-term debt	1,076	2,966
Accounts payable and accrued expenses	108,730	82,300
Total current liabilities	473,295	278,671
DEBT, net of current maturities	15,285	42,821
SENIOR SUBORDINATED NOTES	97,889	-
DEFERRED INCOME TAXES	3,217	-
OTHER LIABILITIES	21,195	20,034
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, 1,000,000 shares authorized, none issued or outstanding	-	-
Common stock, $.01 par value, 50,000,000 shares authorized, 21,801,367 and 18,267,515 issued	218	183
Additional paid-in capital	181,398	118,469
Retained earnings	51,705	18,190
Treasury stock, at cost, 78,609 and 37,366 shares	(1,292)	(658)
Total stockholders' equity	232,029	136,184
Total liabilities and stockholders' equity	$ 842,910	$ 477,710

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Operations

YEAR ENDED DECEMBER 31, *(dollars in thousands, except per share amounts)*	1999	1998	1997
REVENUES:			
New vehicle sales	$ 1,465,759	$ 931,205	$ 228,044
Used vehicle sales	750,807	510,192	135,507
Parts and service sales	212,970	139,144	30,006
Other dealership revenues, net	78,788	49,516	10,410
Total revenues	2,508,324	1,630,057	403,967
COST OF SALES:			
New vehicle sales	1,344,120	857,109	212,349
Used vehicle sales	691,499	471,910	123,932
Parts and service sales	96,348	64,528	13,085
Total cost of sales	2,131,967	1,393,547	349,366
GROSS PROFIT	376,357	236,510	54,601
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	279,791	178,038	43,360
DEPRECIATION EXPENSE	4,853	3,783	850
AMORTIZATION EXPENSE	5,763	2,643	170
Income from operations	85,950	52,046	10,221
OTHER INCOME AND (EXPENSES):			
Floorplan interest expense	(20,395)	(12,837)	(3,810)
Other interest expense, net	(10,052)	(4,027)	(176)
Other income, net	186	39	156
INCOME BEFORE INCOME TAXES	55,689	35,221	6,391
PROVISION FOR INCOME TAXES	22,174	14,502	573
NET INCOME	$ 33,515	$ 20,719	$ 5,818
S Corporation pro forma income taxes (unaudited)			1,465
Pro forma net income (unaudited)			$ 4,353
Earnings per share:			
Basic	$ 1.62	$ 1.20	
Diluted	$ 1.55	$ 1.16	
Weighted average shares outstanding:			
Basic	20,683,308	17,281,165	
Diluted	21,558,920	17,904,878	

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Stockholders' Equity

(dollars in thousands)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS (DEFICIT)	TREASURY STOCK	TOTAL
BALANCE, December 31, 1996	3,570,302	$ 36	$ 6,270	$ 5,904	$ -	$ 12,210
Net income	-	-	-	5,818	-	5,818
Acquisition of founding companies	5,954,613	60	33,294	-	-	33,354
Initial public offering, net	5,148,136	51	51,707	-	-	51,758
Purchase of treasury stock	-	-	-	-	(92)	(92)
Stock transfer by shareholder, net of tax	-	-	575	-	-	575
Dividends, prior to the initial public offering	-	-	-	(14,251)	-	(14,251)
BALANCE, December 31, 1997	14,673,051	147	91,846	(2,529)	(92)	89,372
Net Income	-	-	-	20,719	-	20,719
Issuance of common stock in acquisitions	3,516,805	35	26,770	-	-	26,805
Proceeds from sales of common stock under employee benefit plans	234,650	1	2,063	-	-	2,064
Issuance of treasury stock to employee benefit plan	(156,991)	-	(2,210)	-	2,210	-
Purchase of treasury stock	-	-	-	-	(2,776)	(2,776)
BALANCE, December 31, 1998	18,267,515	183	118,469	18,190	(658)	136,184
Net Income	-	-	-	33,515	-	33,515
Common stock offering, net	2,000,000	20	42,866	-	-	42,886
Issuance of common stock in acquisitions	1,459,852	15	21,069	-	-	21,084
Proceeds from sales of common stock under employee benefit plans	322,195	3	4,195	-	-	4,198
Issuance of treasury stock to employee benefit plan	(248,195)	(3)	(5,201)	-	5,204	-
Purchase of treasury stock	-	-	-	-	(5,838)	(5,838)
BALANCE, December 31, 1999	21,801,367	$ 218	$ 181,398	$ 51,705	$ (1,292)	$ 232,029

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31, (dollars in thousands)	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 33,515	$ 20,719	$ 5,818
Adjustments to reconcile net income to net cash provided by operating activities-			
Depreciation and amortization	10,616	6,426	1,020
Non-cash compensation, net of tax	-	-	575
Deferred income taxes	4,011	(4,201)	(1,015)
Provision for doubtful accounts and uncollectible notes	1,153	356	270
Gain on sale of assets	(53)	(115)	(112)
Changes in assets and liabilities-			
Accounts receivable	(4,717)	(4,544)	1,564
Inventories	(49,079)	44	5,686
Prepaid expenses and other assets	(3,487)	(2,661)	3,609
Due from affiliates, net	-	-	491
Floorplan notes payable	68,584	(1,730)	(5,374)
Accounts payable and accrued expenses	12,681	9,983	(5,610)
Total adjustments	39,709	3,558	1,104
Net cash provided by operating activities	73,224	24,277	6,922
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in notes receivable	(2,452)	(2,276)	(362)
Collections on notes receivable	1,040	1,630	88
Purchases of property and equipment	(27,382)	(9,695)	(2,164)
Proceeds from sale of property and equipment	11,705	20,238	1,935
Cash paid in acquisitions, net of cash received	(109,855)	(68,122)	11,164
Net cash provided by (used in) investing activities	(126,944)	(58,225)	10,661
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings (payments) under floorplan facility for acquisition financing	-	33,523	(33,523)
Net borrowings on revolving credit facility	(32,000)	42,000	-
Principal payments of long-term debt	(3,610)	(10,001)	(471)
Borrowings of long-term debt	5,684	490	109
Proceeds from common stock offering, net	42,886	-	51,759
Proceeds from senior subordinated notes offering, net	94,781	-	-
Proceeds from issuance of common stock to benefit plans	4,198	2,063	-
Purchase of treasury stock	(5,838)	(2,776)	(92)
Dividends paid in cash	-	-	(11,952)
Net cash provided by financing activities	106,101	65,299	5,830
NET INCREASE IN CASH AND CASH EQUIVALENTS	52,381	31,351	23,413
CASH AND CASH EQUIVALENTS, beginning of period	66,443	35,092	11,679
CASH AND CASH EQUIVALENTS, end of period	$ 118,824	$ 66,443	$ 35,092
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for -			
Interest	$ 27,156	$ 15,218	$ 4,200
Taxes	$ 22,812	$ 17,832	$ 131

The accompanying notes are an integral part of these consolidated financial statements.

1. BUSINESS AND ORGANIZATION:

Group 1 Automotive, Inc. and Subsidiaries ("Group 1" or the "Company") was founded in December 1995 to become a leading operator in the highly fragmented automobile retailing industry. The Company is engaged in the retail sale of new and used vehicles and the arranging of vehicle finance, insurance and service contracts. In addition, the Company sells automotive parts and provides vehicle servicing and collision repair.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

BASIS OF PRESENTATION

For financial statement presentation purposes, Howard Group, one of four groups acquired in 1997 (the "Founding Groups"), has been identified as the accounting acquirer. The acquisition of the remaining Founding Groups and the subsequent acquisitions were accounted for using the purchase method of accounting. The results of operations of the Howard Group are included for all periods presented. The operations of Group 1 Automotive, Inc., the parent company, and the Founding Groups, excluding the Howard Group, are included in the results of operations beginning October 31, 1997, the effective closing date of the acquisitions for accounting purposes. The results of operations of all acquisitions subsequent to October 31, 1997 are included from the effective dates of the closings of the acquisitions. The allocation of purchase price to the assets acquired and liabilities assumed has been initially assigned and recorded based on preliminary estimates of fair value and may be revised as additional information concerning the valuation of such assets and liabilities becomes available. All significant intercompany balances and transactions have been eliminated in consolidation.

REVENUE RECOGNITION

Revenue from vehicle sales, parts sales and vehicle service is recognized upon completion of the sale and delivery to the customer.

FINANCE, INSURANCE AND SERVICE CONTRACT INCOME RECOGNITION

The Company arranges financing for customers through various institutions and receives financing fees equal to the difference between the loan rates charged to customers over predetermined financing rates set by the financing institution. In addition, the Company receives commissions from the sale of credit life and disability insurance and vehicle service contracts to customers.

The Company may be charged back ("chargebacks") for unearned financing fees, insurance or vehicle service contract commissions in the event of early termination of the contracts by customers. The revenues from financing fees and commissions are recorded at the time of the sale of the vehicles and a reserve for future chargebacks is established based on historical operating results and the termination provisions of the applicable contracts. Finance, insurance and vehicle service contract revenues, net of estimated chargebacks, are included in other dealership revenue in the accompanying consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include highly liquid investments that have an original maturity of three months or less at the date of purchase, as well as contracts in transit. Contracts in transit represent contracts on vehicles sold, for which the proceeds are in transit from financing institutions.

INVENTORIES

New, used and demonstrator vehicles are stated at the lower of cost or market, determined on a specific-unit basis. Parts and accessories are stated at the lower of cost (determined on a first-in, first-out basis) or market.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and amortized over the lesser of the life of the lease or the estimated useful life of the asset.

Expenditures for major additions or improvements, which extend the useful lives of assets, are capitalized. Minor replacements, maintenance and repairs, which do not improve or extend the lives of such assets, are charged to operations as incurred. Disposals are removed at cost less accumulated depreciation, and any resulting gain or loss is reflected in current operations.

GOODWILL

Goodwill represents the excess of the purchase price of dealerships acquired over the fair value of tangible assets acquired at the date of acquisition. Goodwill is amortized on a straight-line basis over 40 years. Amortization expense charged to operations totaled approximately $4.5 million, $2.2 million, and $170,000 for the years ended December 31, 1999, 1998 and 1997, respectively. Accumulated amortization totaled approximately $7.0 million and $2.5 million as of December 31, 1999 and 1998, respectively.

INCOME TAXES

The Company follows the liability method of accounting for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109. Under this method, deferred income taxes are recorded based upon differences between the financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the underlying assets are realized or liabilities are settled. A valuation allowance reduces deferred tax assets when it is more likely than not that some or all of the deferred tax assets will not be realized.

Prior to acquisition of the Founding Groups, certain entities of the Howard Group elected S Corporation status, as defined by the Internal Revenue Code, whereby the companies were not subject to taxation for federal purposes. Under S Corporation status, the stockholders report their share of these companies' taxable earnings or losses in their personal tax returns. All S Corporation elections were terminated in conjunction with the acquisitions.

SELF-INSURED MEDICAL PLAN

The Company is self-insured for a portion of the claims related to its employee medical benefits program. Claims, not subject to stop-loss insurance, are accrued based upon the Company's estimates of the aggregate liability for claims incurred using certain actuarial assumptions and the Company's historical claims experience.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company's financial instruments consist primarily of floorplan notes payable and long-term debt. The carrying amount of these financial instruments approximates fair value due either to length of maturity or existence of variable interest rates that approximate market rates. Specifically, the carrying value of the Company's senior subordinated notes approximates fair value as they were trading in the market at prices near book value.

In January 1998, the Company entered into a three-year interest rate swap agreement to hedge its exposure to changes in interest rates. The effect of this swap is to convert the interest rate on $75 million of debt to a fixed rate of approximately 6.91%.

ADVERTISING

The Company expenses production and other costs of advertising as incurred. Advertising expense for the years ended December 31, 1999, 1998, and 1997 totaled $25.9, $16.8 and $5.9 million, respectively.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions in determining the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The significant estimates made by management in the accompanying financial statements relate to reserves for vehicle valuations, retail loan guarantees and future chargebacks on finance, insurance and service contract income. Actual results could differ from those estimates.

STATEMENTS OF CASH FLOWS

For purposes of the statements of cash flows, cash and cash equivalents include contracts in transit, which are typically collected within one month. Additionally, the net change in floorplan financing of inventory, which is a customary financing technique in the industry, is reflected as an operating activity in the statements of cash flows.

EARNINGS PER SHARE

SFAS No. 128 requires the presentation of basic earnings per share and diluted earnings per share in financial statements of public enterprises. Under the provisions of this statement, basic earnings per share is computed based on weighted average shares outstanding and excludes dilutive securities. Diluted earnings per share is computed including the impacts of all potentially dilutive securities. As the Company was not a public enterprise until October 1997, and the companies included in the statements of operations were under different tax structures (S Corporations and C Corporations), no earnings per share data have been presented for the historical results of operations for the year ended December 31, 1997. The following table sets forth the shares outstanding for the earnings per share calculations for the years ended December 31, 1999 and 1998:

YEAR ENDED DECEMBER 31,	1999	1998
Common stock outstanding, beginning of period	18,267,515	14,673,051
Weighted average common stock issued in offerings	1,664,049	-
Weighted average common stock issued in acquisitions	739,071	2,591,834
Weighted average common stock issued to employee stock purchase plan	128,757	90,123
Weighted average common stock issued in stock option exercises	32,978	15,953
Less: Weighted average treasury shares repurchased	(149,062)	(89,796)
Shares used in computing basic earnings per share	20,683,308	17,281,165
Dilutive effect of stock options, net of assumed repurchase of treasury stock	875,612	623,713
Shares used in computing diluted earnings per share	21,558,920	17,904,878

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" was issued. SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that an entity recognizes all derivatives as either assets or liabilities in the statement of financial position and measures those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security or a foreign currency-denominated forecasted transaction. The accounting for changes in the fair value of a derivative (that is, gains or losses) depends on the intended use of the derivative and the resulting designation. SFAS No. 137 amended the effective date to be for all fiscal quarters of fiscal years beginning after June 15, 2000. Management does not believe that the adoption of this statement will have a material impact on the financial position or results of operations of the Company.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 101, "Revenue Recognition". SAB No. 101 is effective for years beginning after December 31, 1999, and provides guidance related to recognizing revenue in circumstances where no specific accounting standards exist. Management does not believe that SAB No. 101 will have a material impact on its revenue recognition policies.

RECLASSIFICATIONS

Certain reclassifications have been made to prior year financial statements to conform them to the current year presentation.

3. BUSINESS COMBINATIONS:

During 1999, the Company acquired 32 automobile dealership franchises. These acquisitions were accounted for as purchases. The aggregate consideration paid in completing these acquisitions, including real estate acquired, and satisfying certain contingent acquisition payment arrangements from previous transactions included approximately $109.9 million in cash, net of cash received, approximately 1.5 million shares of restricted/unregistered common stock and the assumption of an estimated $101.5 million of inventory financing and approximately $500,000 of notes payable. Additional consideration may be paid based on the financial performance of certain dealerships, over specified periods. Additional consideration, if any, will be payable in cash and common stock and will result in an increase in goodwill on the balance sheet of the Company. The consolidated balance sheet includes preliminary allocations of the purchase price of the acquisitions, which are subject to final adjustment. These allocations resulted in recording approximately $116.2 million of goodwill, which is being amortized over 40 years.

During 1998, the Company acquired 33 automobile dealership franchises. These acquisitions were accounted for as purchases. The aggregate consideration paid in completing these acquisitions, including real estate acquired, included approximately $68.1 million in cash, net of cash received, approximately 3.5 million shares of restricted/unregistered common stock and the assumption of an estimated $103.1 million in inventory financing and $2.9 million of mortgage financing. Additional consideration may be paid based on the financial performance of certain dealerships, over specified periods. Additional consideration, if any, will be payable in cash and common stock and will result in an increase in goodwill on the balance sheet of the Company. The purchase price allocations resulted in recording approximately $98.7 million of goodwill, which is being amortized over 40 years.

The following pro forma financial information consists of income statement data from continuing operations as presented in the consolidated financial statements plus (1) unaudited income statement data for all acquisitions completed before December 31, 1999, assuming that they occurred on January 1, 1998, (2) the completion of our March 1999 offerings of 2 million shares of common stock and $100 million of senior subordinated notes, assuming they occurred on January 1, 1998, and (3) certain pro forma adjustments discussed below.

(in thousands, except per share amounts) (unaudited)	1999	1998
Revenues	$ 2,974,422	$ 2,657,980
Gross profit	438,151	384,773
Income from operations	102,493	86,275
Net income	39,010	31,329
Basic earnings per share	1.80	1.46
Diluted earnings per share	1.73	1.42

Pro forma adjustments included in the amounts above primarily relate to: (a) increases in revenues related to changes in the contractual commission arrangements on certain third-party products sold by the dealerships; (b) pro forma goodwill amortization expense over an estimated useful life of 40 years; (c) reductions in compensation expense and management fees to the level that certain management employees and owners of the acquired companies will contractually receive; (d) incremental corporate overhead costs related to personnel costs, rents, professional service fees and directors and officers liability insurance premiums; (e) net increases in interest expense resulting from net cash borrowings utilized to complete acquisitions, partially offset by interest rate reductions received; and (f) incremental provisions for federal and state income taxes relating to the compensation differential, S Corporation income and other pro forma adjustments.

4. DETAIL OF CERTAIN BALANCE SHEET ACCOUNTS:

Accounts and notes receivable consist of the following:

DECEMBER 31, *(in thousands)*	1999	1998
Amounts due from manufacturers	$ 17,189	$ 9,522
Parts and service receivables	6,786	3,733
Due from finance companies	6,177	4,452
Other	6,783	4,405
Total accounts and notes receivable	36,935	22,112
Less - Allowance for doubtful accounts	(1,639)	(739)
Accounts and notes receivable, net	$ 35,296	$ 21,373

Inventories, net of valuation reserves, consist of the following:

DECEMBER 31, (in thousands)		1999		1998
New vehicles	$	286,815	$	155,088
Used vehicles		68,287		44,384
Rental vehicles		11,115		7,228
Parts, accessories and other		20,038		12,476
Total inventories	$	386,255	$	219,176

Accounts payable and accrued expenses consist of the following:

DECEMBER 31, (in thousands)		1999		1998
Accounts payable, trade	$	46,437	$	31,362
Accrued expenses		62,293		50,938
Total accounts payable and accrued expenses	$	108,730	$	82,300

5. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

DECEMBER 31, (in thousands)	ESTIMATED USEFUL LIVES IN YEARS		1999		1998
Land	-	$	5,985	$	2,130
Buildings	30 to 40		7,701		1,086
Leasehold improvements	7 to 15		10,586		6,940
Machinery and equipment	3 to 7		16,480		8,186
Furniture and fixtures	5 to 7		13,958		8,104
Company vehicles	5		2,596		1,556
Total			57,306		28,002
Less - Accumulated depreciation			(10,595)		(6,042)
Property and equipment, net		$	46,711	$	21,960

6. FLOORPLAN NOTES PAYABLE:

Floorplan notes payable reflect amounts payable for the purchase of specific vehicle inventory and consist of the following:

DECEMBER 31, (in thousands)		1999		1998
New vehicles	$	320,058	$	166,650
Used vehicles		32,719		19,452
Rental vehicles		10,712		7,303
Total floorplan notes payable	$	363,489	$	193,405

During 1999, the Company amended its Revolving Credit Agreement with a bank group (the "Credit Facility"). The maturity date was extended to December 31, 2003, and the interest rate was reduced. The notes payable bear interest at the London Interbank Offered Rate ("LIBOR") plus 125 basis points.

As of December 31, 1999 and 1998, the interest rate on floorplan notes payable outstanding was 7.72% and 7.12%, respectively. The floorplan arrangement permits the Company to borrow up to $780 million, dependent upon new and used vehicle inventory levels. As of December 31, 1999, total available borrowings under floorplan agreements were approximately $416.5 million.

Vehicle payments on the notes are due when the related vehicles are sold. The notes are collateralized by substantially all of the inventories of the Company.

7. LONG-TERM DEBT:

DECEMBER 31, (in thousands)	1999	1998
Credit Facility (described below)	$ 10,000	$ 42,000
Note payable to a bank with monthly principal payments of $41,892, due through March 2004, bearing interest at 7.5%, payable monthly	-	2,592
Related party notes payable, maturing in November 2007, bearing interest at LIBOR plus 400 basis points	3,835	-
Other notes payable, maturing in varying amounts through October 2004 with a weighted average interest rate of 9.17%	2,526	1,195
Total long-term debt	16,361	45,787
Less - Current portion	(1,076)	(2,966)
Long-term portion	$ 15,285	$ 42,821

The notes payable are secured by the land, buildings or other assets for which the debt was incurred. In addition to floorplan notes payable, the Credit Facility provides an acquisition line of credit of up to $220 million, for the financing of acquisitions, general corporate purposes or capital expenditures. The amount of funds available under the acquisition line is dependent upon a calculation based on the Company's cash flow and maintaining certain financial ratios. The acquisition line of credit of the Credit Facility bears interest based on the LIBOR plus a margin varying from 175 to 325 basis points, dependent upon certain financial ratios. Additionally, the loan agreement contains various covenants including financial ratios and other requirements, which must be maintained by the Company. The agreement also limits the amount the Company may pay as cash dividends. The interest rate on borrowings under the acquisition line of credit of the Credit Facility was 8.21% and 7.37%, at December 31, 1999 and 1998, respectively.

The related party debt is owed to the company of an individual who is a current employee and shareholder of the company, from whom certain of the Company's operations were acquired. The debt was incurred to finance and is secured by equipment, furniture and fixtures purchased for a new dealership-facility leased under a long-term agreement by the Company from the related party.

Total interest incurred on long-term debt was approximately $2.4 million, $4.5 million and $176,000 for the years ended December 31, 1999, 1998 and 1997, respectively, which included approximately $592,000 of capitalized interest in 1999.

The aggregate maturities of long-term debt as of December 31, 1999, were as follows:

(in thousands)	
2000	$ 1,076
2001	1,066
2002	1,042
2003	11,143
2004	665
Thereafter	1,369
Total long-term debt	$ 16,361

8. SENIOR SUBORDINATED NOTES

The Company completed the offering of $100 million of its 10 7/8% Senior Subordinated Notes due 2009 (the "Notes") on March 5, 1999. The Notes pay interest semi-annually on March 1 and September 1 each year beginning September 1, 1999. Before March 1, 2002, the Company may redeem up to $35 million of the Notes with the proceeds of certain public offerings of common stock at a redemption price of 110.875% of the principal amount plus accrued interest to the redemption date. Additionally, the Company may redeem all or part of the Notes at redemption prices of 105.438%, 103.625%, 101.813% and 100.000% of the principal amount plus accrued interest during the 12-month periods beginning March 1 of 2004, 2005, 2006, and 2007 and thereafter, respectively. The Notes are jointly and severally guaranteed, on an unsecured senior subordinated basis, by all subsidiaries of the Company (the "Subsidiary Guarantors"), other than certain inconsequential subsidiaries. All of the Subsidiary Guarantors are wholly owned subsidiaries of the Company. Certain manufacturers have minimum working capital guidelines, which, under certain circumstances, may impair a subsidiary's ability to make distributions to the parent company. Separate financial statements of the Subsidiary Guarantors are not included because (i) all Subsidiary Guarantors have jointly and severally guaranteed the Notes on a full and unconditional basis, to the maximum extent permitted by law, (ii) the aggregate assets, liabilities, earnings and equity of the Subsidiary Guarantors are substantially equivalent to the assets, liabilities, earnings and equity of the parent on a consolidated basis, and (iii) management has determined that such information is not material to investors.

Total interest expense on the senior subordinated notes for the year ended December 31, 1999, was approximately $9.1 million.

9. CAPITAL STOCK AND STOCK OPTIONS:

In 1996, Group 1 adopted the 1996 Stock Incentive Plan (the "Plan"), which provides for the granting or awarding of stock options, stock appreciation rights and restricted stock to officers and other key employees and directors. During 1999, the number of shares authorized and reserved for issuance under the Plan was increased from 2 million shares to 3 million shares, of which 131,923 are available for future issuance as of December 31, 1999. In general, the terms of the option awards (including vesting schedules) are established by the Compensation Committee of the Company's Board of Directors. All outstanding options are exercisable over a period not to exceed 10 years and vest over three- to six-year periods.

The following table summarizes the Company's outstanding stock options:

	NUMBER	WEIGHTED AVERAGE EXERCISE PRICE
Options outstanding, December 31, 1996	205,000	$ 2.90
Grants:		
First quarter 1997 (all at $2.90 per share)	360,000	2.90
Fourth quarter 1997 (all at $12.00 per share)	682,450	12.00
Options outstanding, December 31, 1997	1,247,450	7.88
Grants (exercise prices between $12.00 and $17.88 per share)	780,850	16.16
Exercised	(49,973)	3.13
Forfeited	(99,648)	13.27
Options outstanding, December 31, 1998	1,878,679	11.15
Grants (exercise prices between $16.47 and $24.72 per share)	1,015,850	19.64
Exercised	(75,600)	3.09
Forfeited	(76,425)	13.42
Options outstanding, December 31, 1999	2,742,504	$ 14.45

At December 31, 1999 and 1998, 448,544 and 208,460 options, respectively, were exercisable at weighted average exercise prices of $9.86 and $7.35, respectively. The weighted average exercise price of options granted during the year ended December 31, 1997 was $8.86. The weighted average remaining contractual life of options outstanding at December 31, 1999 is 8.6 years. The weighted average fair value per share of options granted during the years ended December 31, 1999, 1998 and 1997 is $13.40, $9.18 and $5.94, respectively. The fair value of options granted is estimated on the date of grant using the Black-Scholes option pricing model.

The following table summarizes the weighted average information used in determining the fair value of the options granted during the years ended December 31, 1999, 1998 and 1997:

	1999	1998	1997
Weighted average risk-free interest rate	6.2%	5.5%	5.9%
Weighted average expected life of options	10 years	10 years	10 years
Weighted average expected volatility	47.4%	42.8%	58.1%
Weighted average expected dividends	-	-	-

In September 1997, Group 1 adopted the Group 1 Automotive, Inc. 1998 Employee Stock Purchase Plan (the "Purchase Plan"). The Purchase Plan authorizes the issuance of up to 1 million shares of Common Stock and provides that no options may be granted under the Purchase Plan after June 30, 2007. The Purchase Plan is available to all employees of the Company and its participating subsidiaries and is a qualified plan as defined by Section 423 of the Internal Revenue Code. At the end of each fiscal quarter (Option Period) during the term of the Purchase Plan, the employee contributions are used to acquire shares of Common Stock at 85% of the fair market value of the Common Stock on the first or the last day of the Option Period, whichever is lower. During 1999 and 1998, the Company issued 246,595 and 184,677 shares, respectively, of Common Stock to employees participating in the Purchase Plan.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which, if fully adopted, requires the Company to record stock-based compensation at fair value. The Company has adopted the disclosure requirements of SFAS No. 123 and has elected to record employee compensation expense in accordance with Accounting Principles Board Opinion No. 25. Accordingly, compensation expense is recorded for stock options based on the excess of the fair market value of the common stock on the date the options were granted over the aggregate exercise price of the options. As the exercise price of options granted under the Plan has been equal to or greater than the market price of the Company's stock on the date of grant, no compensation expense related to the Plan has been recorded. Additionally, no compensation expense is recorded for shares issued pursuant to the Purchase Plan as it is a qualified plan.

Had compensation expense for the Plan been determined based on the provisions of SFAS No. 123, the impact on the Company's net income would have been as follows:

FOR THE YEAR ENDED DECEMBER 31, *(in thousands, except per share amounts)*	1999	1998	1997
Net income as reported	$ 33,515	$ 20,719	$ 5,818
Pro forma net income under SFAS 123	31,254	19,519	5,451
Pro forma basic earnings per share	1.51	1.13	-
Pro forma diluted earnings per share	1.45	1.09	-

10. OPERATING LEASES:

The Company leases various facilities and equipment under long-term operating lease agreements, including leases with related parties. The related-party leases expire on various dates through May 2029 and, in general, are renewable, at the Company's option, at various times during the lease term. In general, the third-party leases are cancelable at the Company's option, at various times during the lease term, and expire on various dates through December 2029.

During 1998, the Company completed a sale and leaseback transaction related to six of its owned dealerships properties. During 1999, the Company completed a sale and leaseback transaction with respect to two additional properties.

Future minimum lease payments for operating leases are as follows:

YEAR ENDED DECEMBER 31, *(in thousands)*	RELATED PARTIES	THIRD PARTIES	TOTAL
2000	$ 10,893	$ 14,555	$ 25,448
2001	10,893	13,488	24,381
2002	10,893	12,940	23,833
2003	10,985	12,883	23,868
2004	10,986	11,956	22,942
Thereafter	54,604	94,877	149,481
Total	$ 109,254	$ 160,699	$ 269,953

Total rent expense under all operating leases, including operating leases with related parties, was approximately $19.9, $11.1 and $3.3 million for the years ended December 31, 1999, 1998 and 1997, respectively. Rental expense on related-party leases, which is included in the above amounts, totaled approximately $9.6, $8.3 and $2.6 million for the years ended December 31, 1999, 1998 and 1997, respectively.

11. INCOME TAXES:

Federal and state income taxes are as follows:

DECEMBER 31,	1999	1998	1997
(in thousands)			
Federal -			
Current	$ 16,632	$ 15,478	$ 1,291
Deferred	2,360	(3,465)	(762)
State -			
Current	1,531	3,225	297
Deferred	1,651	(736)	(253)
Provision for income taxes	$ 22,174	$ 14,502	$ 573

Actual income tax expense differs from income tax expense computed by applying the U.S. federal statutory corporate tax rate of 35% in 1999 and 1998 and 34% in 1997 to income before income taxes as follows:

DECEMBER 31,	1999	1998	1997
(in thousands)			
Provision at the statutory rate	$ 19,491	$ 12,327	$ 2,173
Increase (decrease) resulting from -			
Income of S Corporations	-	-	(1,269)
State income tax, net of benefit for federal deduction	2,506	1,618	29
Deferred tax assets realized on			
conversion of S Corporations to C Corporations	-	-	(403)
Non-deductible portion of goodwill amortization	407	339	-
Other	(230)	218	43
Provision for income taxes	$ 22,174	$ 14,502	$ 573

Deferred income tax provisions result from temporary differences in the recognition of income and expenses for financial reporting purposes and for tax purposes. The tax effects of these temporary differences representing deferred tax assets (liabilities) result principally from the following:

DECEMBER 31,	1999	1998
(in thousands)		
Inventory (LIFO conversion)	$ (5,401)	$ (2,981)
Reserves and accruals not deductible until paid	18,702	17,828
Goodwill	(3,311)	(584)
Depreciation	(1,950)	(1,082)
Other	(2,638)	(186)
Net deferred tax asset	$ 5,402	$ 12,995

The net deferred tax assets (liabilities) are comprised of the following:

DECEMBER 31,	1999	1998
(in thousands)		
Deferred tax assets -		
Current	$ 12,956	$ 11,238
Long-term	8,114	7,154
Deferred tax liabilities -		
Current	(4,337)	(26)
Long-term	(11,331)	(5,371)
Net deferred tax asset	$ 5,402	$ 12,995

12. COMMITMENTS AND CONTINGENCIES:

LITIGATION

The Company is a defendant in several lawsuits arising from normal business activities. Management has reviewed pending litigation with legal counsel and believes that the ultimate liability, if any, resulting from such actions will not have a material adverse effect on the Company's financial position or results of operations.

INSURANCE

Because of their vehicle inventory and nature of business, automobile dealerships generally require significant levels of insurance covering a broad variety of risks. The Company's insurance includes an umbrella policy with a $100 million per occurrence limit as well as insurance on its real property, comprehensive coverage for its vehicle inventory, general liability insurance, employee dishonesty coverage and errors and omissions insurance in connection with its vehicle sales and financing activities.

13. SUBSEQUENT EVENTS (UNAUDITED):

RECENT ACQUISITIONS

Since December 31, 1999, the Company has completed acquisitions of 11 dealership franchises. One of these acquisitions is a new platform with 10 dealership franchises in Massachusetts. The remaining acquisition is a tuck-in, which will complement platform operations in Florida. These acquisitions bring the Company's total number of dealership franchises to 98. The aggregate consideration paid in completing these acquisitions, including real estate acquired, was approximately $29.3 million in cash and 330,000 shares of Common Stock and the assumption of an estimated $32.6 million of inventory financing and $10.7 million of mortgage and other debt.

Report of Independent Public Accountants

To Group 1 Automotive, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Group 1 Automotive, Inc. and Subsidiaries (a Delaware corporation) (the "Company") as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Arthur Andersen LLP
Houston, Texas
February 17, 2000

BOARD OF DIRECTORS

John L. Adams [1,2]
Executive Vice President, Trinity Industries, Inc.

Bennett E. Bidwell [1*,2]
Retired Chairman of Chrysler Motors Corporation

John H. Duncan [1,2*]
Private Investor

B.B. Hollingsworth, Jr.
Chairman, President and Chief Executive Officer

Robert E. Howard II
President of Howard Group

Charles M. Smith
Senior Vice President—Industry Relations

1 Member Audit Committee
2 Member Compensation Committee
** Committee Chairman*

Left to right: Howard, Duncan, Hollingsworth, Adams, Bidwell, Smith

OFFICERS

B.B. Hollingsworth, Jr.
Chairman, President and Chief Executive Officer

John S. Bishop
Senior Vice President—Operations

Charles M. Smith
Senior Vice President—Industry Relations

Scott L. Thompson
Senior Vice President—Chief Financial Officer and Treasurer

John T. Turner
Senior Vice President—Corporate Development

H. Clifford Buster, III
Vice President—Financial Operations

Randy L. Callison
Vice President—Corporate Development

J. Brooks O'Hara
Vice President—Human Resources

Michael J. Poppe
Vice President—Corporate Controller

Frank R. Todaro
Vice President—Corporate Services

Corporate Headquarters
Group 1 Automotive, Inc.
950 Echo Lane, Suite 100
Houston, Texas 77024
(713) 647-5700 Website: www.group1auto.com

Annual Meeting
Wednesday, May 24, 2000, 10:00 AM
Chase Bank of Texas, N.A.
707 Travis Street, Mezzanine Board Room
Houston, Texas

Common Stock Listing
Ticker Symbol: GPI, New York Stock Exchange

Independent Accountants
Arthur Andersen LLP
Houston, Texas

Stock Transfer Agent and Registrar
ChaseMellon Shareholder Services
2323 Bryan Street, Suite 2300
Dallas, Texas 75201
(214) 965-2220

Common Stock Quarterly Data

Year Ended December 31,	1999		1998	
	High	*Low*	*High*	*Low*
First Quarter	30	18 5/16	11 1/2	8 5/8
Second Quarter	26 15/16	20 11/16	18 1/2	10 15/16
Third Quarter	25 1/2	17 3/4	18 1/2	11 3/8
Fourth Quarter	18 3/8	12 3/4	26	12 15/16

There were 161 holders of record of our Common Stock as of March 21, 2000

Dividend Policy
We have never declared or paid dividends on our Common Stock. We intend to retain future earnings, if any, to finance the development and expansion of our business and, therefore, do not anticipate paying any cash dividends on our Common Stock in the foreseeable future. The decision whether to pay dividends will be made by our Board of Directors after considering our results of operations, financial condition, capital requirements, general business conditions and other factors. Certain provisions of our credit facility and the senior subordinated notes require us to maintain certain financial ratios and prohibit us from making substantial disbursements outside the ordinary course of business, including limitations on the payment of cash dividends. In addition, pursuant to the automobile franchise agreements to which our dealerships are subject, all dealerships are required to maintain a certain minimum working capital.

www.group1auto.com

Form 10-K

The 1999 Form 10-K report filed with the Securities and Exchange Commission includes financial data that supplements the material included in the annual report. The company will, without charge, provide a copy to any stockholder upon written request to Shareholder Relations at our Corporate Headquarters.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements which involve known and unknown risks, uncertainties or other factors not under Group 1's control that may cause the actual results, performance or achievements of Group 1 to be materially different from the results, performance or other expectations implied by these forward-looking statements. Some of these risks, uncertainties and other factors include, but are not limited to, those disclosed in Group 1's Form 10-K for the fiscal year ended December 31, 1999.