



ALAMO GROUP INC.  
ANNUAL REPORT

2012

# 2012 FINANCIAL HIGHLIGHTS

In thousands, except per share data	2012	2011	2010	2009	2008
NET SALES	\$628,402	\$603,593	\$538,548	\$454,825	\$557,135
GROSS MARGIN	\$143,512	\$135,085	\$116,914	\$94,561	\$109,414
OPERATING EXPENSES	\$97,507	\$92,347	\$86,041	\$76,100	\$83,059
GAIN ON BARGAIN PURCHASE	—	\$8,616	—	\$30,177	—
GOODWILL IMPAIRMENT	\$656	\$1,898	—	\$14,104	\$5,010
INCOME FROM OPERATIONS	\$45,349	\$49,456	\$30,873	\$34,534	\$21,345
NET INCOME	\$28,903	\$32,687	\$21,117	\$18,633	\$10,999
EARNINGS PER SHARE (DILUTED)	\$2.40	\$2.73	\$1.78	\$1.80	\$1.11
DEPRECIATION & AMORTIZATION	\$10,074	\$10,606	\$11,275	\$8,848	\$9,360
CAPITAL EXPENDITURES	\$4,654	\$5,766	\$4,980	\$3,453	\$6,553
DIVIDENDS PAID	\$2,854	\$2,845	\$2,826	\$2,399	\$2,361
WORKING CAPITAL	\$228,672	\$200,536	\$185,871	\$183,911	\$180,319
CASH FLOW FROM OPERATIONS <sup>(1)</sup>	\$38,639	\$38,336	\$26,085	\$19,177	\$25,514
LONG TERM DEBT <sup>(2)</sup>	\$118	\$8,621	\$23,106	\$44,336	\$99,884
SHAREHOLDER EQUITY	\$310,286	\$277,276	\$253,260	\$236,919	\$184,312
AVERAGE SHARES OUTSTANDING <sup>(3)</sup>	12,058	11,966	11,893	10,363	9,950
BOOK VALUE PER SHARE	\$25.73	\$23.17	\$21.29	\$22.86	\$18.52

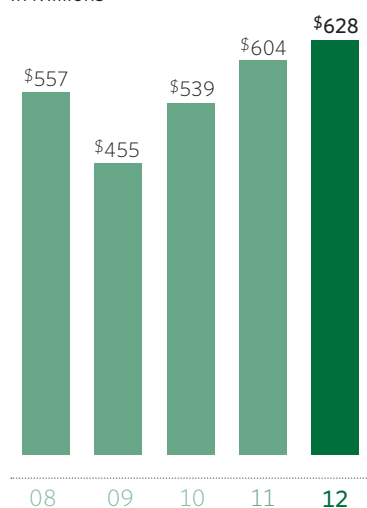
(1) Excludes Changes in Working Capital

(2) Excludes Current Portion

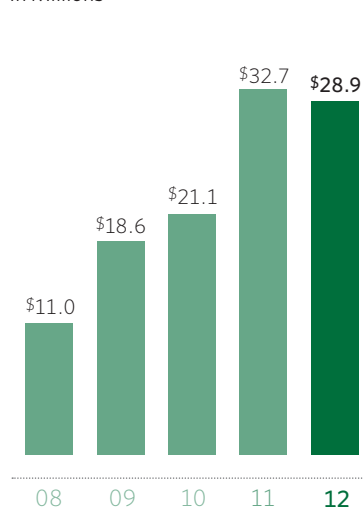
(3) On A Diluted Basis

Certain statements included herein constitute forward looking statements. Such statements are subject to various risks and uncertainties which may cause results to differ materially from those anticipated by the forward looking statements. Among those factors which could cause actual results to differ materially are the following: market demand, competition, weather, currency-related issues and other risk factors listed and described in more detail from time to time in other reports of the Company filed with the Securities and Exchange Commission, including the Company's Form 10-K for 2012 attached hereto.

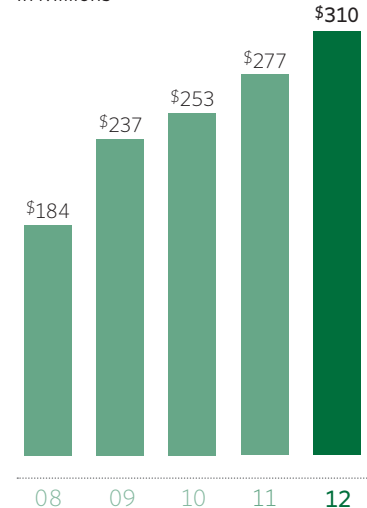
**NET SALES**  
In Millions



**NET INCOME**  
In Millions



**SHAREHOLDER EQUITY**  
In Millions



# LETTER TO OUR SHAREHOLDERS

Alamo Group's 2012 fiscal year produced record sales of \$628 million. And though earnings were below the record levels achieved in 2011, on an adjusted basis, particularly taking out the large Gain on Bargain Purchase from the 2011 acquisition of Tenco, earnings were in line with the previous year. We feel this was a good achievement when you take into account the many challenges of 2012. Our markets continued to feel the impact of weak macroeconomic conditions, which softened even further across Europe, one of our major markets. Governmental budgets in both North America and Europe remained constrained, affecting purchases of the types of infrastructure maintenance equipment we sell in those areas. Our agricultural sector felt the impact of the major drought conditions in the U.S. Midwest. While agriculture commodity prices and farm incomes remained healthy, the dry weather conditions limited equipment utilization in the affected areas, which impacted the sales of higher margin wear and spare parts. Also, our European Division was confronted with both declining market conditions and weaker currency exchange rates, which resulted in lower year over year sales. Against this backdrop, Alamo recorded several notable achievements over the course of 2012. In addition to record annual sales, we saw continued improvement in our gross margins, improved asset utilization, strong cash flow generation and a balance sheet that gives us financial flexibility.

These achievements give us confidence as we move forward in 2013. While we feel global economic conditions will continue to be soft and uncertain, we see opportunities for Alamo. We believe our governmental markets for infrastructure maintenance equipment will hold steady, with some possibility of improvement as end users in this sector are faced with an aging fleet to deal with the ongoing demands of required maintenance. On the agricultural side of our business, commodity prices in this sector remained favorable, as the growth in global food consumption seems to be staying ahead of the growth in food production. Barring adverse conditions that can impact this market, such as a major drought like the one we experienced in 2012, we feel our outlook in this Division should also exhibit steady-to-improving conditions.

Based on this outlook, we are approaching 2013 more aggressively than we have during these recent years of economic stagnation. To begin with, and as a result of our continued strong operating performance and financial strength, in January we raised our quarterly dividend by 17% as part of our focus on building shareholder value. We are also increasing capital expenditures, which we have limited the last several years to maintenance levels. This will include upgrading our operating systems, investing in more efficient production equipment, and working to eliminate some bottlenecks in manufacturing. The improved gross margins and lower working capital we exhibited in the last few years were a result of our ongoing focus on operating efficiencies and we are going to invest more in technology to continue to drive this initiative.

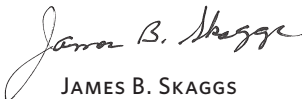
We are also going to increase our focus on product and market development. Each year, even in these challenging economic times, we have introduced over one hundred new or improved products and we want to do more as we focus on further expanding our equipment line and filling in gaps that we feel are necessary to enhance our product offering. In addition, we are looking to broaden our geographic footprint. Improving our distribution outside of our core markets is the primary focus of this initiative, but establishing operations in key new markets is also one of our objectives.

Lastly, we believe there are opportunities to enhance our growth with strategic acquisitions. While this has always been part of our strategy, in recent years we have had more of an internal focus on operational execution.

Acquisitions, however, continue to be an integral part of our growth strategy and moving ahead we want to be more active in this area, seeking not only consolidation opportunities, but also to support our initiatives on product and geographic expansion. Having said that, as with all the initiatives discussed, we will pursue potential acquisitions with our customary disciplined approach, reflecting our conservative nature. This same approach is what has allowed us to manage through the challenging economic situation of the last several years and emerge as a stronger company.

Within this framework, we believe there are opportunities to be more aggressive and feel this is prudent at this time as we continue to focus on our ultimate goal – building shareholder value. We believe the combination of gradually improving market prospects and our ongoing focus on operational execution positions Alamo to move ahead and are encouraged about our prospects for future growth.

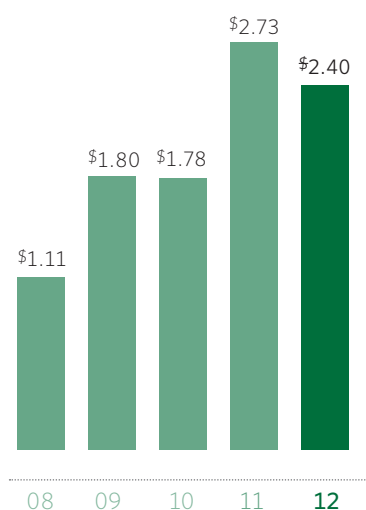
In closing, we want to take this opportunity to thank all those involved in the Company's success for their continued support. This includes our shareholders, customers, employees and suppliers of both goods and services.

  
**JAMES B. SKAGGS**  
Chairman of the Board

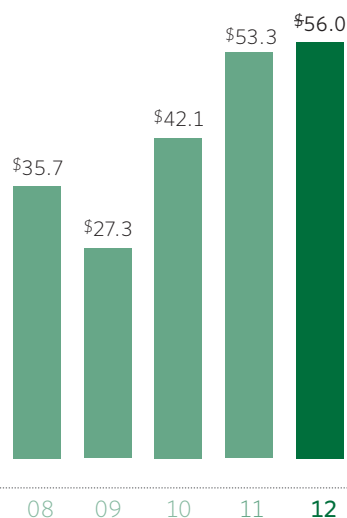
  
**R. A. ROBINSON**  
President & CEO



### EARNINGS PER SHARE Diluted



### EBITDA\* In Millions



\* EBITDA is a non-GAAP financial measure, defined for this purpose as income from operations plus depreciation and amortization, adjusted for gain on bargain purchase and goodwill impairment.

# ALAMO GROUP OPERATING DIVISIONS

Alamo Group is a global leader in the design and manufacture of high quality agricultural equipment and infrastructure maintenance equipment for governmental and industrial markets. The Company, founded in 1969, has approximately 2,470 employees and operates eighteen plants in North America, Europe and Australia as of December 31, 2012. The Corporate offices of Alamo Group are located in Seguin, Texas. The Company's business is divided into three operating divisions: North American Industrial, North American Agricultural and European.

## NORTH AMERICAN INDUSTRIAL DIVISION

The North American Industrial Division produces a wide range of equipment focused on infrastructure maintenance along highways, airports and other right-of-ways and public areas. The main products include mowing equipment, street sweepers, grading/excavating equipment, vacuum trucks, snow removal equipment and related aftermarket parts and services. Brands in this sector include Alamo Industrial®, Terrain King®, Tiger™, Schwarze®, Nite-Hawk™, Tenco®, Gradall®, VacAll® and Henke®. Sales are primarily through independent dealers who sell to governmental entities and related contractors.

## NORTH AMERICAN AGRICULTURAL DIVISION

Alamo's North American Agricultural Division manufactures a variety of implements for use by farmers and ranchers and, to a lesser extent, contractors, landscapers and various other end-users. Products in this division include mowing equipment, front-end loaders, backhoes, tillage equipment, box blades, augers, rock removal equipment, snow throwers and hay cutting and processing equipment, as well as an extensive range of agricultural aftermarket parts. Sales are through a large network of independent agricultural dealers and distributors. Brands in this division include Bush Hog®, Rhino®, Schulte®, Herschel®, Valu-Bilt® and Earthmaster®.

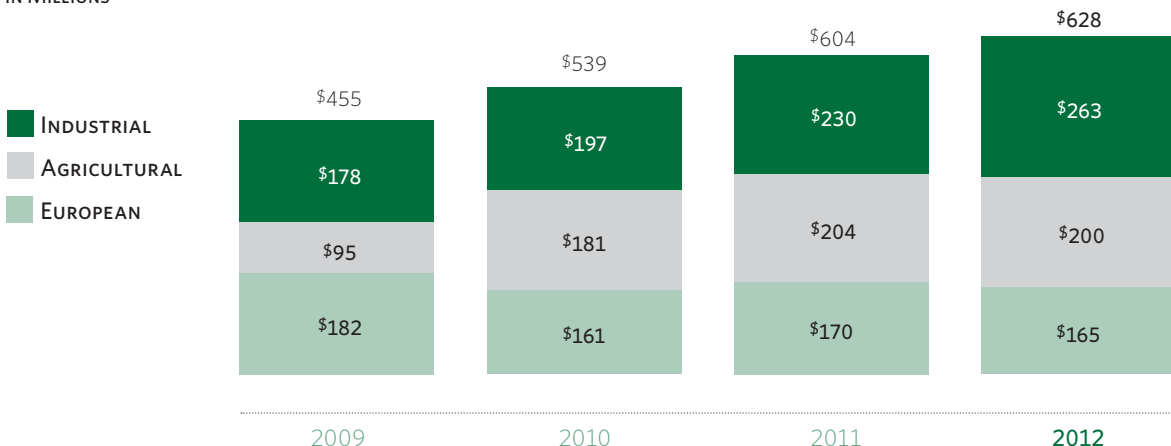
## EUROPEAN DIVISION

Alamo's European Division serves both the agricultural and infrastructure maintenance markets. This division makes a broad range of boom arm mounted flail and rotary cutters for verge and hedge maintenance, rotary mowers, front-end loaders, backhoes, other agricultural implements, vacuum trucks, high pressure cleaning systems, trenchers and related spare parts and service. Sales are primarily through a network of independent dealers and distributors to farms, governmental entities, contractors and various other end-users. Brands in this segment include Bomford®, McConnel®, Spearhead™, Twose™, Rousseau™, Fauchaux™, SMA®, Rivard® and Forges Gorce™.



## SALES BY DIVISION

IN MILLIONS



# ALAMO GROUP INC.

## BOARD OF DIRECTORS

### JAMES B. SKAGGS

Chairman of the Board  
Retired — Director since 1996

### RODERICK R. BATY <sup>(2)</sup> <sup>(3)</sup>

Chairman of the Board, Chief Executive Officer and President:  
NN, Inc. — Director since 2011

### HELEN W. CORNELL <sup>(1)</sup> <sup>(2)</sup>

Retired — Director since 2011

### JERRY E. GOLDRESS <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

Chairman of the Board and Chief Executive Officer:  
Grisanti, Galef and Goldress — Director since 2000

### DAVID W. GRZELAK <sup>(1)</sup> <sup>(2)</sup> <sup>(3)</sup>

Chairman and Chief Executive Officer:  
Komatsu America Corp. — Director since 2006

### GARY L. MARTIN <sup>(1)</sup> <sup>(3)</sup>

Chairman of the Board and President:  
Capital Southwest Corporation — Director since 2007

### RONALD A. ROBINSON

Chief Executive Officer and President — Director since 1999

(1) Member of Compensation Committee

(2) Member of Audit Committee

(3) Member of Nominating/Corporate Governance Committee

## OFFICERS

### RONALD A. ROBINSON

Chief Executive Officer and President

### DAN E. MALONE

Executive Vice President and Chief Financial Officer

### ROBERT H. GEORGE

Vice President, Secretary and Treasurer

### RICHARD J. WEHRLE

Vice President, Corporate Controller

### DONALD C. DUNCAN

Vice President, General Counsel

### DR. GEOFFREY DAVIES, OBE

Vice President  
Managing Director, Alamo Group Europe Limited

### RICHARD D. PUMMELL

Vice President, North American Agricultural Division

### JEFFERY A. LEONARD

Vice President, North American Industrial Division

## CORPORATE OFFICE

Alamo Group Inc.  
1627 East Walnut | Seguin, TX 78155  
P 830.379.1480 | F 830.372.9683  
www.alamo-group.com

STOCK SYMBOL: ALG

Stock traded on NYSE

CUSIP Number: 011311107

## INVESTOR RELATIONS CONTACT

### ROBERT H. GEORGE

Alamo Group Inc.  
P 830.372.9621 | F 830.372.9683  
E bgeorge@alamo-group.com

## TRANSFER AGENT AND REGISTRAR

American Stock Transfer & Trust Co.  
6201 15th Avenue | Brooklyn, NY 11219  
P 800.937.5449  
E info@amstock.com  
www.amstock.com

## ANNUAL STOCKHOLDERS' MEETING

Date: May 2, 2013, 9:00 am (local time)  
Hotel Contessa  
306 W. Market St. | San Antonio, TX 78205

## INDEPENDENT AUDITORS

KPMG LLP  
300 Convent Street, Suite 1200 | San Antonio, TX 78205

## COUNSEL

Strasburger Price Oppenheimer Blend  
711 Navarro, Suite 600 | San Antonio, TX 78205



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[www.alamo-group.com](http://www.alamo-group.com)