



ALAMO GROUP INC.
ANNUAL REPORT

2014

FINANCIAL HIGHLIGHTS

In thousands, except per share data	2013	2012	2011	2010	2009
Net Sales	\$676,836	\$628,402	\$603,593	\$538,548	\$454,825
Gross Margin	\$158,510	\$143,512	\$135,085	\$116,914	\$94,561
Operating Expenses	\$107,773	\$97,507	\$92,347	\$86,041	\$76,100
Gain on Bargain Purchase	—	—	\$8,616	—	\$30,177
Goodwill Impairment	—	\$656	\$1,898	—	\$14,104
Income From Operations	\$50,737	\$45,349	\$49,456	\$30,873	\$34,534
Net Income	\$36,094	\$28,903	\$32,687	\$21,117	\$18,633
Earnings Per Share (Diluted)	\$2.96	\$2.40	\$2.73	\$1.78	\$1.80
Depreciation & Amortization	\$9,024	\$10,074	\$10,606	\$11,275	\$8,848
Capital Expenditures	\$13,639	\$4,654	\$5,766	\$4,980	\$3,453
Dividends Paid	\$3,371	\$2,854	\$2,845	\$2,826	\$2,399
Working Capital	\$256,332	\$228,672	\$200,536	\$185,871	\$183,911
Cash Flow From Operations ⁽¹⁾	\$42,436	\$38,639	\$38,336	\$26,085	\$19,177
Long Term Debt ⁽²⁾	\$8	\$118	\$8,621	\$23,106	\$44,336
Shareholder Equity	\$350,465	\$310,286	\$277,276	\$253,260	\$236,919
Average Shares Outstanding ⁽³⁾	12,212	12,058	11,966	11,893	10,363
Book Value Per Share	\$28.70	\$25.73	\$23.17	\$21.29	\$22.86

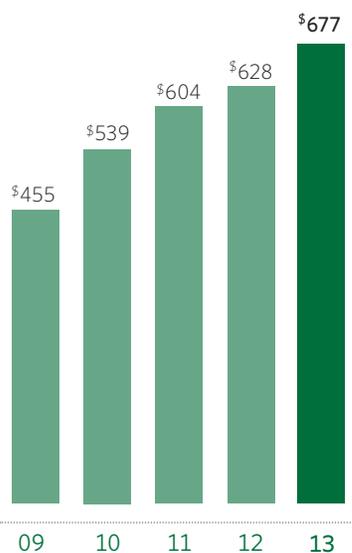
(1) Excludes Changes in Working Capital

(2) Excludes Current Portion

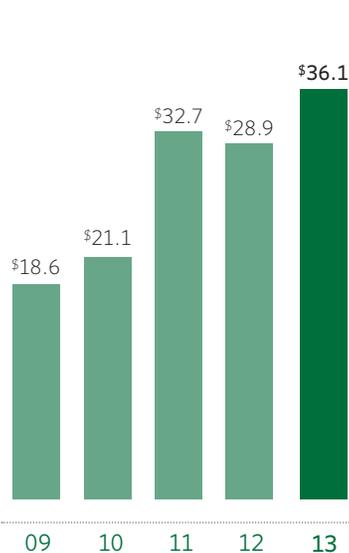
(3) On a Diluted Basis

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 2013 attached hereto.

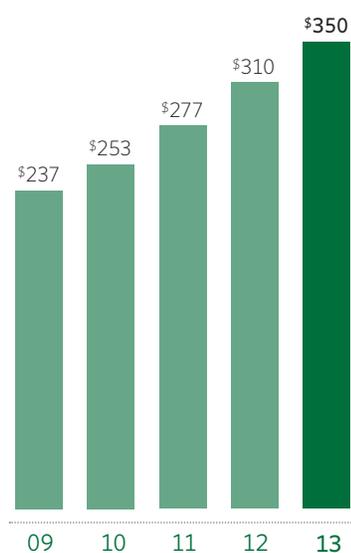
NET SALES IN MILLIONS



NET INCOME IN MILLIONS



SHAREHOLDER EQUITY IN MILLIONS



LETTER TO OUR SHAREHOLDERS

Alamo Group's performance in 2013 can be summed up by saying "we did what we said we were going to do." Record sales and earnings were the result of Alamo continuing to deliver on our stated plans, focusing on the business strategy we outlined more than five years ago. This plan includes a dedication to organic growth, consistent investment in our current products, improving operating efficiencies and an ongoing emphasis on asset management. As a result, organic sales in 2013 grew 8% even as we faced a challenging environment with a weak European market and softening outlook for agricultural equipment. Once again, with our emphasis on cost control and asset management, we took a single digit sales increase and turned it into double digit earnings growth of 25%, just as we have for the last ten years in which our cumulative annual growth rate has averaged over 9% for sales and over 16% for earnings.

In addition, we ended the year with a stronger balance sheet, including no debt and a healthy cash position, while providing shareholders an increased dividend and more than doubling our capital expenditures. The increase in capital spending related to expansions at two of our facilities, one in Canada and one in the U.K., both of which were being constrained by capacity limitations. This is evidence of our commitment to invest in the continuing development of our internal operations.

A key facet of our business strategy is leveraging the Company's strong balance sheet to make strategic acquisitions which will further enhance Alamo's growth. While we believe in a conservative financial structure, we also believe using our cash along with a combination of debt and equity to pursue external opportunities will augment internal growth that is limited to some degree by the nature of the mature markets we serve.

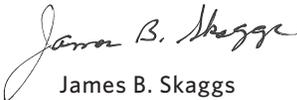
The eleven acquisitions we made in the last ten years are indicative of our dedication and ability to make complementary acquisitions. Our financial results also demonstrate our capacity to successfully integrate acquisitions into Alamo Group following a transaction. We believe this will be the case with our pending acquisition of the business units of Specialized Industries. This is an exciting opportunity for our Company as it fits well in all respects with our overall strategy. Their complementary products should allow us to expand market share in targeted markets, add new products, broaden our distribution network and create synergistic opportunities among our procurement and production facilities. It is also of a scale which brings meaningful growth for Alamo Group. This is precisely the kind of acquisition we envisioned when devising our plan.

Our strategy for 2014 remains the same - continued focus on internal growth, complemented by synergistic acquisitions, all within a framework of diligently managing costs and assets. It is our intent to continue "doing what we say." Certainly, there will be challenges along the way. The severe U.S. winter in the first quarter of 2014 caused the year to start slowly and is affecting the budgets of many customers who use our equipment in the maintenance of infrastructure. There are also indications farm incomes will be off recent highs due to weaker commodity prices which could impact equipment purchases in the agricultural sector. And, while there is evidence of some improvement in our European sector, the overall economic situation remains far from robust.

Still, as demonstrated throughout the economic turmoil of the last several years, Alamo has been able to deal with these challenges and continue to prosper.

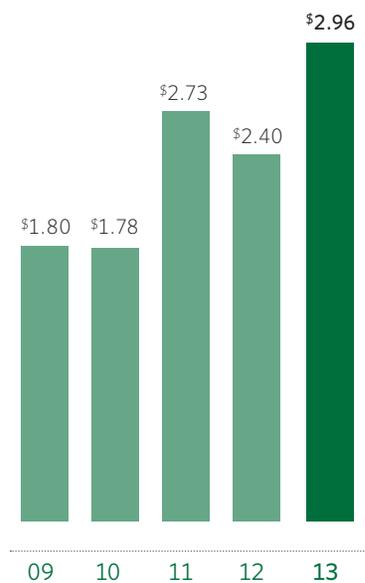
We do not know what other issues will emerge in 2014, but believe the successful strategies we have adhered to in recent years will continue to provide the framework and flexibility to deal with ever-changing conditions. Continued focus on our strategic objectives has allowed us to be aggressive and achieve above market growth rates, while at the same time being fiscally conservative with below average financial risks. This remains our plan for 2014. It is our objective at this time next year to again be able to report “we did what we said we would do.”

Thank you for your continued support of Alamo Group.

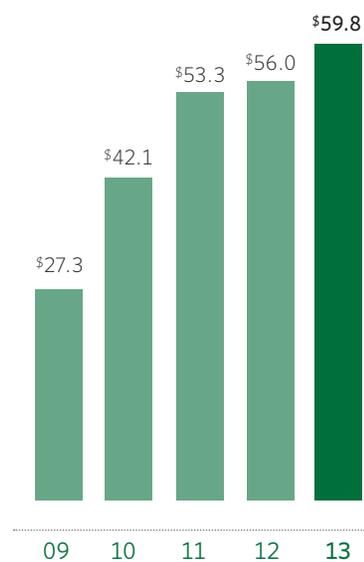

James B. Skaggs
Chairman of the Board


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 2,550 employees and operates eighteen plants in North America, Europe and Australia as of December 31, 2013. 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. Sales are primarily through independent dealers who sell to governmental entities and related contractors. Brands in this sector include Alamo Industrial®, Terrain King®, Tiger™, Schwarze®, Nite-Hawk™, Tenco®, Gradall®, VacAll® and Henke®.

NORTH AMERICAN AGRICULTURAL DIVISION

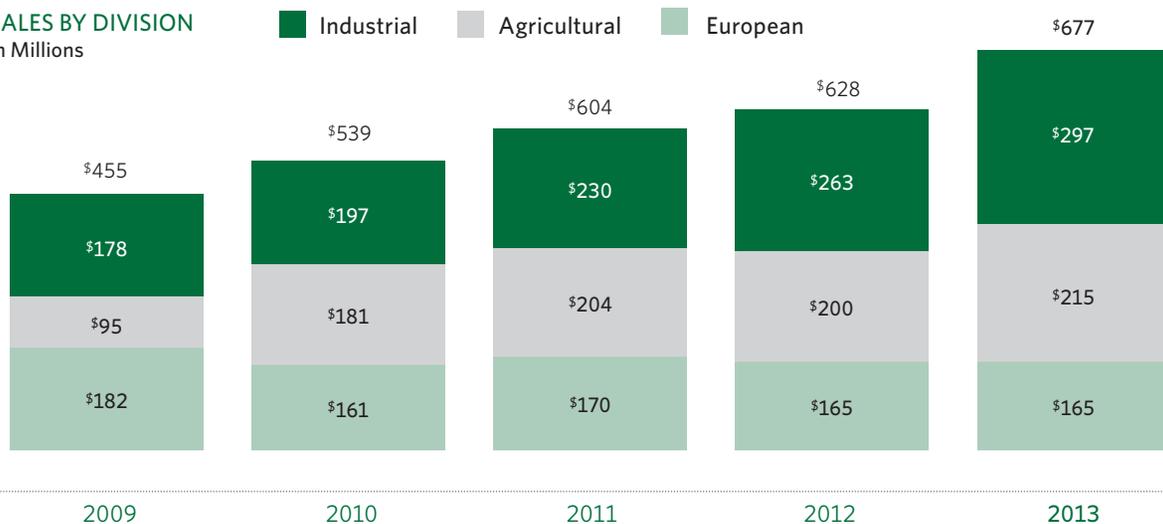
Alamo's North American Agricultural Division manufactures a variety of implements for use by farmers and ranchers and, to a lesser extent, contractors, landscapers and various other end-users. Products in this division include mowing equipment, front-end loaders, backhoes, specialty tillage equipment, 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 primarily through a large network of independent agricultural dealers and distributors. Brands in this division include Bush Hog®, Rhino®, Schulte®, Herschel®, Valu-Bilt®, Earthmaster® and Superior®.

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 ⁽²⁾ ⁽³⁾

Retired — Director since 2011

Helen W. Cornell ⁽¹⁾ ⁽²⁾

Retired — Director since 2011

Jerry E. Goldress ⁽¹⁾ ⁽²⁾ ⁽³⁾

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

David W. Grzelak ⁽¹⁾ ⁽²⁾ ⁽³⁾

Retired — Director since 2006

Gary L. Martin ⁽¹⁾ ⁽³⁾

Retired — 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

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STOCK SYMBOL: ALG

Stock traded on NYSE

CUSIP Number: 011311107

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Annual Stockholders' Meeting

Date: May 7, 2014, 9:00 am (local time)
Hotel Contessa
306 W. Market St. | San Antonio, TX 78205

Independent Auditors

KPMG LLP
17802 IH 10, Suite 101 Promenade Two
San Antonio, TX 78257

Counsel

Strasburger & Price, LLP
The Bakery Building
2301 Broadway Street | San Antonio, TX 78215



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