



ALAMO GROUP INC.
2007
ANNUAL REPORT

FINANCIAL HIGHLIGHTS

IN THOUSANDS, EXCEPT PER SHARE DATA

	2007	2006	2005	2004	2003
Net Sales	\$ 504,386	\$456,494	\$ 368,110	\$ 342,171	\$ 279,078
Gross Margins	\$ 97,711	\$ 89,890	\$ 78,757	\$ 75,176	\$ 59,762
Operating Expenses	\$ 73,874	\$ 66,858	\$ 60,357	\$ 52,478	\$ 45,775
Income From Operations	\$ 23,837	\$ 23,032	\$ 18,400	\$ 22,698	\$ 13,987
Net Income	\$ 12,365	\$ 11,488	\$ 11,291	\$ 13,396	\$ 8,038
Earnings Per Share (Diluted)	\$ 1.24	\$ 1.16	\$ 1.14	\$ 1.36	\$ 0.82
Depreciation & Amortization	\$ 9,018	\$ 9,198	\$ 6,456	\$ 6,297	\$ 5,890
Capital Expenditures	\$ 10,765	\$ 12,065	\$ 8,705	\$ 6,067	\$ 4,966
Dividends Paid	\$ 2,346	\$ 2,342	\$ 2,339	\$ 2,336	\$ 2,333
Working Capital	\$ 169,391	\$ 160,968	\$ 125,151	\$ 113,183	\$ 102,267
Cash Flow From Operations ⁽¹⁾	\$ 23,212	\$ 22,265	\$ 17,896	\$ 22,342	\$ 14,223
Long Term Debt ⁽²⁾	\$ 78,527	\$ 78,526	\$ 30,912	\$ 18,428	\$ 14,379
Shareholder Equity	\$ 198,698	\$ 181,734	\$ 163,476	\$160,832	\$144,067
Average Shares Outstanding	\$ 9,953	\$ 9,925	\$ 9,908	\$ 9,864	\$ 9,789
Book Value Per Share	\$ 19.96	\$ 18.31	\$ 16.50	\$ 16.30	\$ 14.72

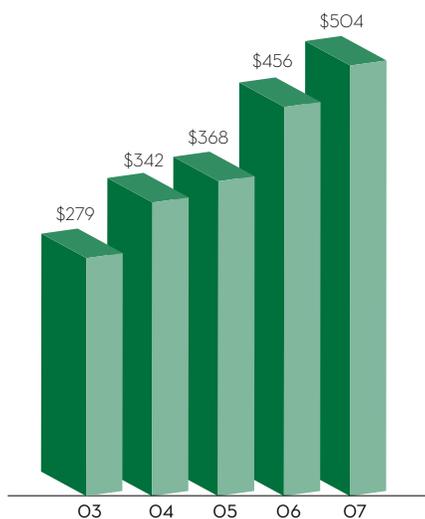
⁽¹⁾ Excludes Changes in Working Capital

⁽²⁾ Excludes Current Portion

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 2007 attached hereto.

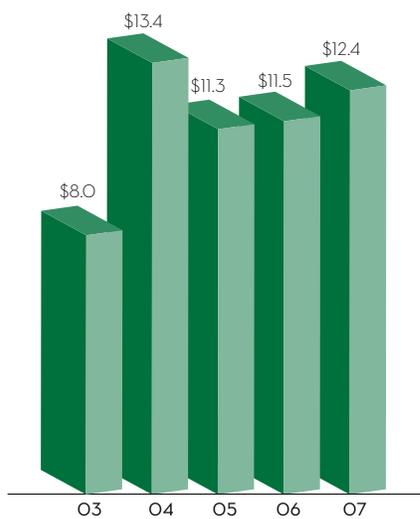
NET SALES

In Millions



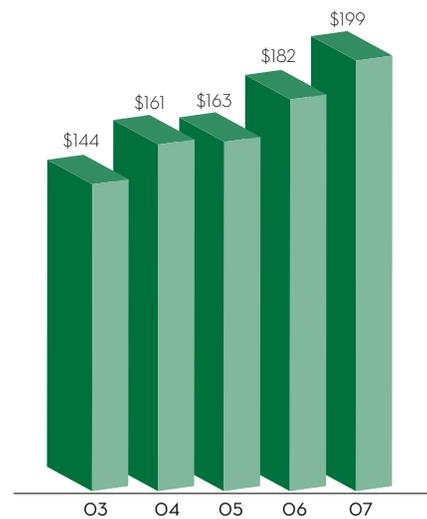
NET INCOME

In Millions



SHAREHOLDER EQUITY

In Millions



LETTER TO OUR SHAREHOLDERS

In 2007, we dedicated ourselves to internal improvements and margin growth. This was appropriate, particularly coming after 2006, when we undertook a number of initiatives including three acquisitions and two major plant consolidations. These developments were important to the growth, diversification and strengthening of our Company for the long term, and we needed to focus our efforts in 2007 on completing the integration of these initiatives and getting earnings back in line with the top line growth. We made progress on these goals over the course of the year, and we are pleased to report that the second half of 2007 started to exhibit the kind of results we know we are capable of delivering. We believe 2008 will continue along this same path.

It is particularly gratifying to see the improved results at some of our units that struggled the most in 2006 and early 2007. Our Agricultural Division was affected by the consolidation of our two main U.S. plants, which caused delays, inefficiencies and cost overruns. While we are still not operating at our target level, we've seen dramatic improvements as we ended the year and these should continue in 2008.

Our Gradall business also suffered from a decline in sales of core products as our dealers worked to reduce inventory due to concerns about the economy. We see sales returning to more normal levels as our order backlog has increased and, with lower dealer inventories, the pass-through effect from end user demand should be more immediate.

The VacAll product line, which has been our biggest challenge, is also starting to show better results. We bought VacAll out of bankruptcy in mid-2006 and subsequently relocated their operations to our Gradall facility. With the consolidation efforts behind us, we continue to work on margin improvements. While they were a drag on our results in 2007, we feel they should start contributing in 2008 and exhibit strong growth in both sales and earnings for the next several years.

Most of our other businesses in both our Industrial Division and European operations produced solid, growing results in 2007, which should continue in 2008. Our units that build mowing equipment and street sweepers in particular have been strong and our European business continues to benefit from steady conditions in core markets and increased opportunities in Eastern Europe.

While we are certainly concerned about the state of the overall economy in the U.S. and the global markets in which we participate, we are generally optimistic about the prospects for our business and expect to see steady improvement in 2008. The agricultural markets in North America and Europe seem to be benefiting from favorable commodity prices, which should keep farm incomes at comfortable levels despite high costs for energy, fertilizer and other operating expenses. And while some areas, such as the southeast section of the U.S., continue to be affected by drought, there have generally been favorable conditions for farmers and ranchers on a broader basis.

Our industrial business, which primarily consists of products sold to governmental entities and related contractors for right-of-way maintenance, is also showing moderate growth and should remain steady throughout 2008. Though we are concerned that an economic slowdown could cause some belt tightening in state, county and local governmental budgets, we feel any such developments probably would not become apparent until 2009 if at all. As a result, we feel optimistic about our 2008 prospects in this business, as we entered the year with backlog levels 37% above the previous year and with continued momentum from our efficiency improvement efforts that should produce solid earnings growth in 2008 and beyond.

We would like to take this opportunity to thank our many employees who have worked hard on the transitions we have undertaken in 2006 and 2007. And we would also like to thank our shareholders for their continued support of Alamo Group, which we remain committed to justifying.

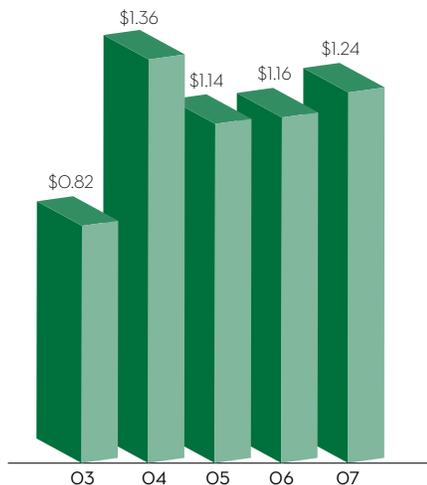


DONALD J. DOUGLASS
Chairman of the Board

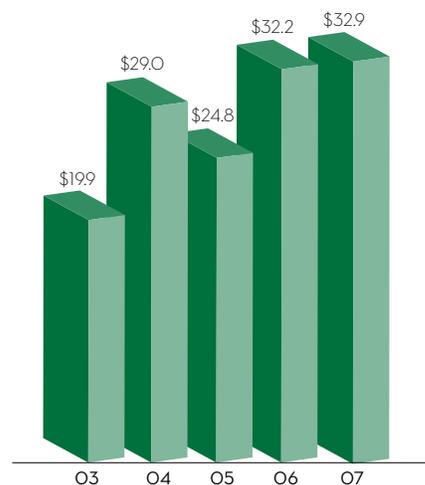


R. A. ROBINSON
President & CEO

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.

ALAMO GROUP OPERATING DIVISIONS

Alamo Group is a leader in the design, manufacture, distribution and service of high quality equipment for right-of-way maintenance and agriculture. The Company, founded in 1969, has over 2,340 employees and operates sixteen plants in North America, Europe and Australia as of December 31, 2007. 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

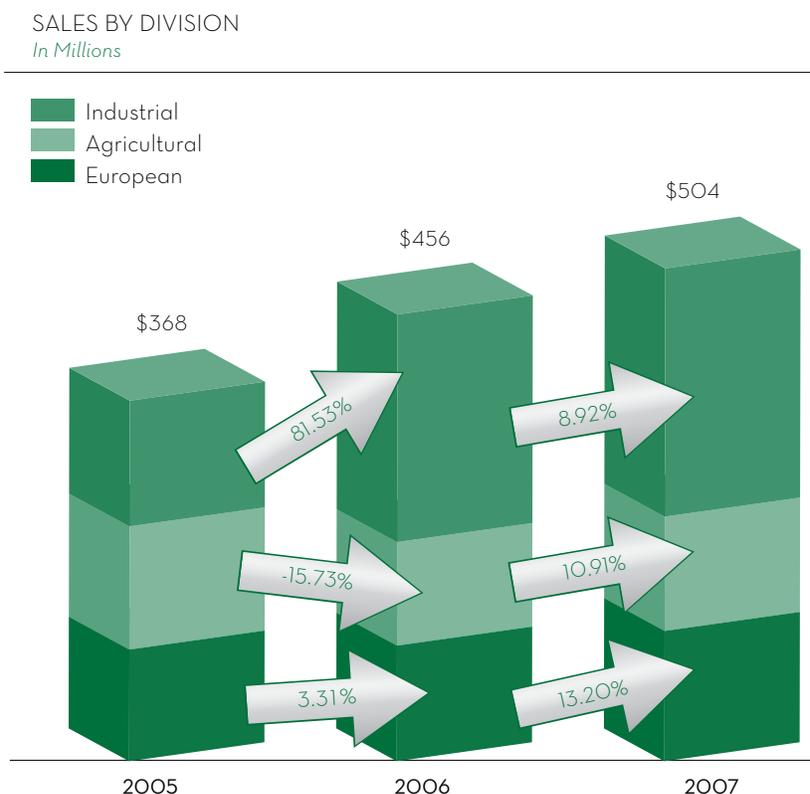
The North American Industrial Division produces a wide range of equipment focused on maintenance along highways, airports and other right-of-ways. The main products include mowing equipment, street sweepers, grading/excavating equipment, vacuum trucks, snow removal equipment and related aftermarket parts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

NORTH AMERICAN AGRICULTURAL DIVISION

Alamo's North American Agricultural Division makes a variety of implements for use by farms and ranches and, to a lesser extent, contractors, landscapers and various other end users. Our products include mowing equipment, front-end loaders, backhoes, tillage equipment, box blades, augers, rock removal equipment and hay 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 Rhino, SMC, Schulte, Herschel, Valu-Bilt and M&W.

EUROPEAN DIVISION

Alamo's European Division services both the agricultural and right-of-way maintenance markets. This Division sells a broad range of boom arm mounted cutters for verge and hedge maintenance, rotary mowers, front-end loaders, backhoes and other agricultural implements and replacement parts. Sales are primarily through a network of independent dealers and distributors to farms, governmental entities, contractors and various other end users. Our brands in this segment include Bomford, McConnel, Twose, Rousseau, Faucheux, SMA, Spearhead and Forge Gorce.



FORM 10-K

ALAMO GROUP INC.

BOARD OF DIRECTORS

DONALD J. DOUGLASS
Chairman of the Board
Director since 1969

JERRY E. GOLDRRESS (1) (2) (3)
*Chairman of the Board and
Chief Executive Officer of Grisanti,
Galef and Goldress*
Director since 2000

DAVID W. GRZELAK (1) (2) (3)
*Chairman and Chief Executive Officer
Komatsu America Corp.*
Director since 2006

GARY L. MARTIN (1) (3)
*President and Chief Executive Officer
Capital Southwest Corporation*
Director since 2007

DAVID H. MORRIS (2) (3)
Retired
Director since 1996

RONALD A. ROBINSON
Chief Executive Officer and President
Director since 1999

JAMES B. SKAGGS (1) (2)
Retired
Director since 1996

- (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

GEOFFREY DAVIES
*Vice President, Alamo Group Inc.,
Managing Director, Alamo Group Europe Limited*

IAN BURDEN
*Executive Vice President, Alamo Group (USA) Inc.,
North American Industrial Division*

RICHARD D. PUMMELL
*Executive Vice President, Alamo Group (USA) Inc.,
North American Agricultural Division*

CORPORATE OFFICE

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STOCK SYMBOL: ALG
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New York, NY 10038
(800) 937-5449
www.amstock.com

ANNUAL STOCKHOLDERS' MEETING

Date: May 7, 2008, 9:00 am local time
Westin Riverwalk Hotel
420 West Market Street
San Antonio, Texas 78205

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