ALAMO GROUP INC
Form 10-K
March 11, 2009
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-K

	[X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934	
		For the fiscal year ended December 31, 2008	
	[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934	

Commission file number 0-21220

ALAMO GROUP INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)		74-1621248 (I.R.S. Employer Identification Number)

1627 East Walnut, Seguin, Texas 78155

(Address of principal executive offices, including zip code)

830-379-1480

(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT**:**

Title of each class Common Stock, par value $.10 per share		Name of each exchange on which registered New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days.

Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10 K. [ ]

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2. of the Exchange Act

Large accelerated filer	[ ]	Accelerated filer	[X]
Non-accelerated filer	[ ]	Smaller reporting company	[ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

The aggregate market value of the voting stock (which consists solely of shares of common stock) held by non-affiliates of the registrant as of June 30, 2008 (based upon the last reported sale price of $20.59 per share) was approximately $133,764,912 on such date.

The number of shares of the registrant s common stock, par value $.10 per share, outstanding as of February 27, 2009 was 9,951,254 shares.

Documents incorporated by reference: Portions of the registrant s proxy statement relating to the 2009 Annual Meeting of Stockholders to be held on May 7, 2009, have been incorporated by reference herein in response to Part III.

ALAMO GROUP INC. AND CONSOLIDATED SUBSIDIARIES

FORM 10-K

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PART I

Item 1. Business

Unless the context otherwise requires, the terms the Company, we, our and us refer to Alamo Group Inc. and its subsidiaries on a consolidated basis.

General

The Company is a leader in the design, manufacture, distribution and service of high quality equipment for right-of-way maintenance and agriculture. The Company s products include tractor-mounted mowing and other vegetation maintenance equipment, street sweepers, excavators, vacuum trucks, snow removal equipment, pothole patchers, agricultural implements and related aftermarket parts and services. The Company emphasizes high quality, cost effective products for its customers and strives to develop and market innovative products while constantly monitoring and seeking to contain its manufacturing and overhead costs. The Company has a long-standing strategy of supplementing its internal growth through acquisitions of businesses or product lines that currently complement, command, or have the potential to achieve, a meaningful share of their niche markets. The Company has 2,460 employees and operates a total of seventeen plants in North America, Europe and Australia. The Company sells its products primarily through a network of independent dealers and distributors, governmental end-users, related independent contractors, as well as to the agricultural and commercial turf markets. The Company operates primarily in the United States, England, France, Canada and Australia.

The predecessor corporation to Alamo Group Inc. was incorporated in the State of Texas in 1969, as a successor to a business that began selling mowing equipment in 1955, and Alamo Group Inc. was reincorporated in the State of Delaware in 1987.

Acquisition History

Since its founding in 1969, the Company has focused on satisfying customer needs through geographic market expansion, product development and refinement, and selected acquisitions. The Company s first products were based on rotary cutting technology. Through acquisitions, the Company added flail cutting technology in 1983 and sickle-bar cutting technology in 1984. The Company added to its presence in the industrial and governmental vegetation markets with the acquisition of Tiger Corporation *(Tiger)* in late 1994.

The Company entered the agricultural mowing markets in 1986 with the acquisition of Rhino Products Inc. *(Rhino)*, a leading manufacturer in this field. With this acquisition, the Company embarked on a strategy to increase the *Rhino* dealer distribution network during a period of industry contraction. The addition of M&W Gear Company *(M&W)* in early 1995 allowed the Company to enter into the manufacturing and distribution of tillage equipment, which complements the *Rhino* distribution network. *M&W* has been integrated into the agricultural marketing group, utilizing the same sales force to cross sell *Rhino* and *M&W* products.

In 1991, the Company began its international expansion with the acquisition of McConnel Ltd. *(McConnel)*, a United Kingdom (U.K.) manufacturer of vegetation maintenance equipment, principally hydraulic boom-mounted hedge and grass cutters and related parts. Bomford-Turner Ltd. *(Bomford)*, also a U.K. company, was acquired in 1993. *Bomford* is a manufacturer of heavy-duty, tractor-mounted grass and hedge mowing equipment. *McConnel* and *Bomford* sell their products to dealers and distributors through their respective sales forces.

In 1994, the Company acquired Signalisation Moderne Autoroutiere S.A. *(SMA)* located in Orleans, France. *SMA* manufacturers and sells principally a line of heavy-duty, tractor-mounted grass and hedge mowing equipment and associated replacement parts primarily to departments of the French government. This acquisition, along with the acquisitions of Forges Gorce, a flail blade manufacturer in France, in 1996 and Rousseau Holdings, S.A. (*Rousseau*), a leading French manufacturer of hedge and verge mowers, in 2004, when combined with *McConnel* and *Bomford,* has made the Company one of the largest manufacturers in the European market for the kind of equipment sold by the Company.

In late 1995, the Company expanded its business in the agricultural market with the acquisition of Herschel Corporation *(Herschel)*, a leading manufacturer and distributor of aftermarket farm equipment replacement and wear parts.

In early 2000, the Company acquired Schwarze Industries, Inc. *(Schwarze). Schwarze* is a manufacturer of a broad range of street sweeping equipment which is sold to governmental agencies and contractors. The Company believes the *Schwarze* sweeper products fit the Company s strategy of identifying product offerings with brand recognition in the industrial markets the Company serves. In 2004, the Company purchased the pothole patcher from Wildcat Manufacturing, Inc. The product line was merged into the *Schwarze* operation and is complementary to its current product offerings.

In 2000, the Company purchased the product line and associated assets of Twose of Tiverton Ltd. *(Twose*) in the U.K. and incorporated its production into the existing facilities at *McConnel* and *Bomford* while maintaining its own sales force and dealer distribution network. *Twose* was a small regional manufacturer of power arm flail mowers and parts, as well as harrows and rollers, which strengthened the Company s market leadership position in the U.K.

In late 2000, the Company acquired Schulte Industries, Ltd. and its related entities *(Schulte). Schulte* is a Canadian manufacturer of mechanical rotary mowers, snow blowers, and rock removal equipment. *Schulte* strengthened the Company s Canadian presence in both marketing and manufacturing. It also expanded the Company s range of large, heavy-duty rotary mowers.

In 2001, the Company acquired all of the assets of SMC Corporation *(SMC). SMC* manufactures front-end loaders and backhoes principally for Original Equipment Manufacturer (OEM) customers and its own *SMC* brand. This acquisition expanded the product range of our agricultural division by branding a line of loaders for *Rhino*.

In early 2002, the Company purchased inventory, fixed assets and certain other assets of Valu-Bilt Tractor Parts (*Valu-Bilt*), a subsidiary of Quality Stores, Inc., located in Des Moines, Iowa. *Valu-Bilt* is a distributor of new, used and rebuilt tractor parts and other agricultural spare and wear parts sold directly to customers through its catalog and the internet and on a wholesale basis to dealers. Subsequent to the purchase, the operations of *Valu-Bilt* in Des Moines, Iowa, were consolidated into the Company s *Herschel* facility in Indianola, Iowa.

In late 2002, the Company purchased substantially all of the assets of Faucheux Industries S.A. (*Faucheux*), a leading French manufacturer of front-end loaders and attachments. The Company acquired *Faucheux* out of administration, a form of bankruptcy in France. This acquisition broadened the range of our agricultural implements in the French market which we have expanded in the U.K. as well.

On February 14, 2005, the Company, through its European subsidiary Alamo Group (EUR) Ltd., acquired 100% of the issued and outstanding stock of Spearhead Machinery Limited (*Spearhead*) and subsequently merged its manufacturing operations into *Bomford* s facility. *Spearhead* manufacturers a range of tractor-mounted vegetation maintenance equipment, including reach mowers, flail mowers and rotary cutters. This acquisition extends our product lines and market coverage in Europe.

On February 3, 2006, the Company purchased substantially all of the assets of the Gradall excavator business (*Gradall*) of JLG Industries, Inc. including their manufacturing plant in New Philadelphia, Ohio. *Gradall* is a leading manufacturer of both wheeled and crawler telescopic excavators in North America. This acquisition enhances our Industrial Division products which are sold to governmental buyers and related contractors for maintenance along right-of-ways.

On May 24, 2006, the Company purchased the vacuum truck and sweeper lines of Clean Earth Environmental Group, LLC and Clean Earth Kentucky, LLC (collectively referred to as *VacAll*). This includes the product lines, inventory and certain other assets that relate to this business. The production of the vacuum truck line was moved to the *Gradall* facility in New Philadelphia, Ohio, and the sweeper line was merged into the *Schwarze* product line in Huntsville, Alabama.

On July 14, 2006, the Company acquired 100% of the ownership interests in *Nite-Hawk* Sweepers LLC, (*Nite-Hawk*) a manufacturer of truck mounted sweeping equipment primarily for the contract sweeping market, which will expand its presence in that market and complement its *Schwarze* sweeper line.

On March 6, 2007 the Company purchased Henke Manufacturing Corporation, (*Henke*) a manufacturer of specialty snow removal attachments. *Henke* s products are mounted on both heavy industrial equipment and medium to heavy-duty trucks. The primary end-users are governmental agencies, related contractors and other industrial users.

On May 30, 2008 the Company acquired Rivard Developpement S.A.S. (*Rivard*), a leading French manufacturer of vacuum trucks, high pressure cleaning systems and trenchers. The acquisition broadens the Company s product offering to its customers in Europe and other markets we serve.

Marketing and Marketing Strategy

The Company believes that within the U.S. it is a leading supplier to governmental markets, a major supplier in the U.S. agricultural market, and one of the largest suppliers in the European market for its niche product offerings. The Company s products are sold through the Company s various marketing organizations, and extensive, world-wide dealer distribution networks under the *Alamo Industrial®, Tiger™, Gradall®, VacAll™, Schwarze®, Nite-Hawk™, Henke®, Rhino®, M&W®, Fuerst®, SMC™, Herschel™, Valu-Bilt®, Schulte®, McConnel®, Bomford®, Spearhead™, Twose™, SMA®, Forges Gorce™, Faucheux™, Rousseau™, Rivard®* trademarks as well as other trademarks and trade names.

Products and Distribution Channels

North American Industrial

Alamo Industrial equipment is principally sold to governmental end-users, related independent contractors and, to a lesser extent, utility and other right-of-way maintenance operators, and other applications. Governmental agencies and contractors that perform services for such agencies purchase primarily hydraulically-powered, tractor-mounted mowers, including boom-mounted mowers, other types of cutters and replacement parts for heavy-duty, intensive use applications, including maintenance around highway, airport, recreational and other public areas. A portion of *Alamo Industrial s* sales includes tractors, which are not manufactured by *Alamo Industrial.*

Tiger equipment includes heavy-duty, tractor and truck-mounted mowing and vegetation maintenance equipment and replacement parts. *Tiger* sells to state, county, local governmental entities and related contractors primarily through a network of independent dealers. *Tiger s* dealer distribution network is independent of *Alamo Industrial s* dealer distribution network. A portion of *Tiger s* sales includes tractors, which are not manufactured by *Tiger.*

Schwarze equipment includes air, mechanical broom, and regenerative air sweepers along with high-efficiency environmental sweepers, pothole patchers and replacement parts. *Schwarze* primarily sells its products to governmental agencies and independent contractors. A portion of Schwarze s sales include chassis which are not manufactured by *Schwarze*. The Company believes that *Schwarze* complements *Alamo Industrial* because the dealer and/or end-user for both products in many cases are the same.

Gradall produces a wide spectrum of models based on high-pressure hydraulics and telescoping booms which are sold through dealers primarily to governmental agencies, contractors and to a lesser extent the mining industry, steel mills and other specialty applications. Many of their products are designed for excavation, grading, shaping and similar tasks involved in land clearing, road building or maintenance. These are available mounted on various types of undercarriages: wheels for full-speed highway travel, wheels for on/off road use, and crawlers.

VacAll produces catch basin cleaners and roadway debris vacuum systems. These units are powerful and versatile with uses including, but not limited to, removal of wet and dry leaves, spill elimination and cleaning of sludge beds. *VacAll* also offers a line of sewer cleaners. *VacAll* products are sold through dealers to industrial and commercial contractors as well as governmental agencies. A portion of *VacAll s* sales include chassis which are not manufactured at the *Gradall* facility.

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Nite-Hawk has been producing parking lot sweepers with its unique and innovative hydraulic design. By eliminating the auxiliary engine, *Nite-Hawk* sweepers have proven to be fuel efficient, environmentally conscious, and cost effective to operate. *Nite-Hawk* mainly focuses on and sells direct to parking lot contractors. A portion of *Nite-Hawk s* sales are chassis which are not manufactured by *Nite-Hawk*.

Henke designs and manufactures snow plows and heavy-duty snow removal equipment, hitches and attachments for trucks, loaders and graders. *Henke s* primary end-users are governmental agencies, related contractors and other industrial users.

North American Agricultural

Rhino and *M&W* equipment is generally sold to farmers and ranchers to clear brush, maintain pastures and unused farmland, shred crops and till fields and for haymaking. It is also sold to other customers, such as mowing contractors and construction contractors, for non-agricultural purposes. *Rhino* equipment consists principally of a comprehensive line of tractor-powered equipment including rotary cutters, finishing mowers, flail mowers, disc mowers, front-end loaders, backhoes, posthole diggers, scraper blades and replacement parts. This equipment is primarily sold through farm equipment dealers, as well as OEMs and other Alamo Group Company distributors. A portion of the *Rhino* product line is also sold through *McConnel s* network of agricultural dealers in the U.K.

SMC equipment includes a broad line of front-end loaders and backhoes that fit many tractors on the market today. The majority of the products are sold to OEMs and to a lesser extent as *Rhino* branded equipment.

Herschel/Valu-Bilt aftermarket replacement parts are sold for many types of farm equipment and tractors and certain types of mowing and construction equipment. *Herschel* products include a wide range of cutting parts, plain and hard-faced replacement tillage tools, disc blades and fertilizer application components. *Herschel* replacement tools and parts are sold throughout the United States, Canada and Mexico to five major customer groups: farm equipment dealers; fleet stores; wholesale distributors; OEMs; and construction equipment dealers. *Valu-Bilt* complements the *Herschel* product lines while also expanding the Company s offering of aftermarket agricultural parts and added catalog and internet sales direct to end-users.

Schulte equipment includes heavy-duty mechanical rotary mowers, snow blowers, rock removal equipment and related replacement parts. *Schulte* serves both the agricultural and industrial markets primarily in Canada and the U.S. *Schulte* also sells some of the Company s other product lines in their markets and some of its products through *Twose* in the U.K. and independent distributors throughout the world.

European

McConnel equipment principally includes a broad line of hydraulic, boom-mounted hedge and grass cutters, as well as other tractor attachments and implements such as hydraulic backhoes, cultivators, subsoilers, buckets and other digger implements and related replacement parts. *McConnel* equipment is sold primarily in the U.K., Ireland and France and in other parts of Europe, Australia, and North America through independent dealers and distributors.

Bomford equipment includes hydraulic, boom-mounted hedge and hedgerow cutters, industrial grass mowers, agricultural seedbed preparation cultivators and related replacement parts. *Bomford* equipment is sold to governmental agencies, contractors and agricultural end-users in the U.K., Ireland and France and, to a lesser extent, other countries in Europe, North America, Australia and the Far East. *Bomford s* sales network is similar to that of *McConnel* in the U.K. *Rhino* sells some of *Bomford s* product line in the U.S.

SMA equipment includes hydraulic, boom-mounted hedge and hedgerow cutters and related replacement parts. *SMA s* principal customers are French local authorities. *SMA s* product offerings were expanded in 1994 to include certain quick-attach boom mowers manufactured by the Company in the U.K. to expand its presence in agricultural dealerships. *Forges Gorce* manufactures flail blades which are sold to some of the Company s subsidiaries as well as to other customers.

Twose equipment includes light-duty power arm mowers, agricultural implements and related replacement parts. *Twose* products are manufactured at the Company s U.K. facilities as well as outside vendors. These products are sold through *Twose s* own dealer distribution network in the U.K. and through *Faucheux* in France and other independent distributors in France.

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The addition of *Spearhead* expanded the Company s product lines, particularly rotary cutters, and market coverage in Europe and increased utilization of our U.K. manufacturing facilities.

Faucheux equipment includes front-end loaders, backhoes, attachments and related parts. Historically, the majority of *Faucheux* sales have been in France, but the Company has expanded market coverage to other countries, particularly the U.K., using the Company s existing dealer distribution network.

Rousseau sells hydraulic and mechanical boom mowers, primarily in France through its own sales force and dealer distribution network to mainly agricultural and governmental markets. Their products have also been introduced into other markets outside of France.

Rivard manufactures vacuum trucks, high pressure cleaning systems and trenchers. *Rivard s* equipment is primarily sold in France and certain other markets, mainly in Europe to governmental entities and related contractors. They also compliment our product offerings in North America.

In addition to the sales of *Herschel* replacement parts, the Company derives a significant portion of its revenues from sales of replacement parts for each of its wholegoods lines. Replacement parts represented approximately 27%, 24% and 23% of the Company s total sales for the years ended December 31, 2006, 2007 and 2008, respectively. The decrease in 2008 was mainly from changes in exchange rates in our European operations and lower sales of parts produced by *Gradall* for JLG Industries, the previous owner of *Gradall* as part of the post acquisition transaction. Proprietary replacement parts generally are more profitable and less cyclical than wholegoods.

While the Company believes that the end-users of its products evaluate their purchases on the basis of price, reputation and product quality, such purchases are also based on a dealer s service, support of and loyalty to the dealer based on previous purchase experiences, as well as other factors such as product and replacement part availability.

Product Development

The Company s ability to provide innovative responses to customer needs, to develop and manufacture new products, and to enhance existing product lines is important to its success. The Company continually conducts research and development activities in an effort to improve existing products and develop new products. As of December 31, 2008, the Company employed 133 people in its various engineering departments, 61 of whom are degreed engineers and the balance of whom are support staff. Amounts expended on research and development activities were approximately $5,443,000 in 2008, $5,185,000 in 2007 and $4,799,000 in 2006. As a percentage of sales, research and development was approximately 1.0% in 2008, 1.0% in 2007 and 1.1% in 2006, and is expected to continue at similar levels in 2009.

Seasonality

The Company s sales, both product and spare parts, are generally higher in the second and third quarters of the year because a substantial number of the Company s products are used for maintenance activities such as vegetation maintenance, highway right-of-ways, construction and street and parking lot sweeping. Usage of this equipment is lower in harsh weather. We believe the acquisitions made over the last three years have somewhat softened the seasonality factor we have experienced historically, which had a higher concentration of vegetation maintenance equipment representing a larger percentage of total sales. In order to enhance efficient utilization of manpower and facilities throughout the year, the Company estimates seasonal demand months in advance, and manufacturing capacity is scheduled in anticipation of such demand. The Company utilizes a rolling twelve-month sales forecast provided by the Company s marketing departments and order backlog in order to develop a production plan for its manufacturing facilities. Additionally, many of the Company s marketing departments attempt to equalize demand for its products throughout the calendar year by offering seasonal sales programs which may provide additional incentives, including discounts and extended payment terms, on equipment or parts that are ordered under these programs.

Competition

The Company s products are sold in highly competitive markets throughout the world. The principal competitive factors are price, quality, availability, service and reputation. The Company competes with several large national and international companies that offer a broad range of equipment and replacement parts, as well as numerous small, privately-held manufacturers and suppliers of a limited number of products, mainly on a regional basis. Some of the Company s competitors are significantly larger than the Company and have substantially greater financial and other resources at their disposal. The Company believes that it is able to compete successfully in its markets by effectively managing its manufacturing costs, offering high quality products, developing and designing innovative products and, to some extent, avoiding direct competition with significantly larger potential competitors. There can be no assurance that the Company s competitors will not substantially increase the resources devoted to the development and marketing of products competitive with the Company s products or that new competitors with greater resources will not enter the Company s markets.

Unfilled Orders

As of December 31, 2008, the Company had unfilled customer orders of $64,071,000 compared to $82,052,000 at December 31, 2007. The 22% decrease was primarily the result of soft market conditions due to the downturn in the global economy. Management expects that substantially all of the Company s backlog as of December 31, 2008 will be shipped during fiscal year 2009. The amount of unfilled orders at a particular time is affected by a number of factors, including manufacturing and shipping schedules which, in most instances, are dependent on the Company s seasonal sales programs and the requirements of its customers. Certain of the Company s orders are subject to cancellation at any time before shipment; therefore, a comparison of unfilled orders from period to period is not necessarily meaningful and may not be indicative of future actual shipments. No single customer is responsible for supplying more than 10% of the aggregate revenue of the Company.

Sources of Supply

The Company, through its subsidiaries, purchases tractors, truck chassis and engines as well as steel, gearboxes, drivelines, hydraulic components and other industrial parts and supplies. A number of the Company s products are mounted and shipped with a tractor or truck chassis. Tractors and truck chassis are generally available, but some delays in receiving tractors or truck chassis can occur throughout the year. In 2007, truck chassis and industrial engines used in the Company s products and manufactured after January 1, 2007, were required to meet Tier III federal guidelines for emission controls, which increased the cost of our units and our working capital requirements. No single supplier is responsible for supplying more than 10% of the principal raw materials used by the Company. The Company sources its purchased goods from international and domestic suppliers.

While the Company manufactures many of the parts for its products, a significant percentage of parts, including most drivelines, gear boxes, industrial engines, and hydraulic components, are purchased from outside suppliers which manufacture to the Company s specifications. During 2008 the Company was impacted by supplier issues relating to timely deliveries of hydraulic components and gearboxes. The Company continues to work with some of these vendors and has identified and is using other sources as well.

Patents and Trademarks

The Company owns various U.S. and international patents. While the Company considers its patents to be advantageous to its business, it is not dependent on any single patent or group of patents. The Company amortizes approximately $99,000 annually in patents and trademarks relating to the industrial segment. The net book value of the patents and trademarks was $3,982,000 and $4,081,000 as of December 31, 2008 and 2007, respectively.

Products manufactured by the Company are advertised and sold under numerous trademarks. *Alamo Industrial*®, *Gradall*®, *VacAll*™, *Henke*®, *Rhino*®, *M&W*®, *SMC*™, *Fuerst*®, *McConnel*®, *Bomford*®, *SMA*®, *Schwarze*®, *Nite-Hawk*™, *Tiger*™, *Schulte*®, *Forges Gorce*™, *Twose*™, *Faucheux*™, *Herschel*™, *Valu-Bilt*®, *Rivard*®, *Rousseau*™ and *Spearhead*™ trademarks are the primary marks for the Company s products. The Company also owns other trademarks which it uses to a lesser extent, such as *Terrain King*®, *Triumph*®, *Mott*®, *Turner*®, and *Dandl*®. Management believes that the Company s trademarks are well known in its markets and are valuable and that their value is increasing with the development of its business. The Company actively protects its trademarks against infringement and believes it has applied for or registered its trademarks in the appropriate jurisdictions.

Environmental and Other Governmental Regulations

Like other manufacturers, the Company is subject to a broad range of federal, state, local and foreign laws and requirements, including those concerning air emissions, discharges into waterways, and the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, as well as the remediation of contamination associated with releases of hazardous substances at the Company s facilities and offsite disposal locations, workplace safety and equal employment opportunities. These laws and regulations are constantly changing, and it is impossible to predict with accuracy the effect that changes to such laws and regulations may have on the Company in the future. Like other industrial concerns, the Company s manufacturing operations entail the risk of noncompliance, and there can be no assurance that the Company will not incur material costs or other liabilities as a result thereof.

The Company knows that its Indianola, Iowa property is contaminated with chromium which most likely resulted from chrome plating operations which were discontinued before the Company purchased the property. Chlorinated volatile organic compounds have also been detected in water samples on the property, though the source is unknown at this time. The Company voluntarily worked with an environmental consultant and the state of Iowa with respect to these issues and believes it completed its remediation program in June 2006. The work was accomplished within the Company s environmental liability reserve balance. We requested a no further action classification from the state. We received a conditional no further action letter in January of 2009. When we demonstrate stable or improving conditions below residential standards by future monitoring of existing wells, an unconditional no further action letter will be requested.

At December 31, 2008, the Company had an environmental reserve in the amount of $1,607,000 related to the acquisition of *Gradall s* facility in Ohio. Three specific remediation projects that were identified prior to the acquisition are in process of remediation with a remaining reserve balance of $143,000. The Company has a reserve of $276,000 concerning a potential asbestos issue that is expected to be abated over time. The balance of the reserve, $1,188,000, is mainly for potential ground water contamination/remediation that was identified before the acquisition and believed to have been generated by a third party company located near the *Gradall* facility. Certain other assets of the Company contain asbestos that may have to be remediated over time. Management has made its best estimate of the cost to remediate these environmental issues. However, such estimates are difficult to estimate including the timing of such costs. The Company believes that any subsequent change in the liability associated with the asbestos removal will not have a material adverse effect on the Company s consolidated financial position or results of operations.

The Company is subject to various other federal, state, and local laws affecting its business, as well as a variety of regulations relating to such matters as working conditions, equal employment opportunities, and product safety. A variety of state laws regulate the Company s contractual relationships with its dealers, some of which impose restrictive standards on the relationship between the Company and its dealers, including events of default, grounds for termination, non-renewal of dealer contracts and equipment repurchase requirements. The Company believes it is currently in material compliance with all such applicable laws and regulations.

Employees

As of December 31, 2008, the Company employed 2,460 full-time employees. In the U.S. the Company has collective bargaining agreements at the *Gradall* facility which cover 241 employees and will expire in March 2010 and at the *SMC* facility covering 65 employees which will expire in April 2009. The Company s European operations, *McConnel, Bomford*, *SMA*, *Forges Gorce, Faucheux, Rousseau and Rivard,* also have various collective bargaining agreements covering 918 employees. The Company considers its employee relations to be satisfactory.

Financial Information about Segments

See Note 15 of the accompanying consolidated financial statements.

International Operations and Geographic Information

See Note 16 of the accompanying consolidated financial statements.

Available Information

The Company files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the SEC). You may read and copy any document we file with the SEC at the SEC s Public Reference Room at 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for information on the operation of the Public Reference Room. The SEC maintains a website that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including the Company) file electronically with the SEC. The SEC s website is **http:// www.sec.gov**.

The Company s website is **www.alamo-group.com**. The Company makes available free of charge through its website, via a link to the SEC s website at **www.sec.gov**, its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The Company also makes available through its website, via a link to the SEC s website, statements of beneficial ownership of the Company s equity securities filed by its directors, officers, 10% or greater shareholders and others required under Section 16 of the Exchange Act.

The Company also makes available on its website its most recent annual report on Form 10-K, its quarterly reports on Form 10-Q for the current fiscal year, its most recent proxy statement and its most recent annual report to stockholders, although in some cases these documents are not available on our site as soon as they are available on the SEC s site. You will need to have on your computer the Adobe Acrobat Reader® software to view the documents, which are in PDF format. In addition, the Company posts on its website its Charters for its Audit Committee, Compensation Committee and Nominating/Corporate Governance Committee, as well as its Corporate Governance Policies and its Code of Conduct and Ethics for its directors, officers and employees. You can obtain a written copy of these documents, excluding exhibits, at no cost, by sending your request to the Corporate Secretary, Alamo Group Inc., 1627 E. Walnut Street, Seguin, Texas 78155, which is the principal corporate office of the Company. The telephone number is (830) 379-1480 ext. 1670. The information on the Company s website is not incorporated by reference into this report.

Forward-Looking Information

Part I of this Annual Report on Form 10 K and the Management s Discussion and Analysis of Financial Condition and Results of Operations included in Part II of this Annual Report contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, forward-looking statements may be made orally or in press releases, conferences, reports or otherwise, in the future by or on behalf of the Company.

The documents incorporated herein and therein by reference contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements that are not historical are forward-looking. When used by us or on our behalf, the words will, estimate, believe, intend, could, should, anticipate, project, forecast, plan, may and similar expressions genera forward-looking statements made by us or on our behalf. Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses operating in a global market, as well as matters specific to the Company and the markets we serve. Certain particular risks and uncertainties that continually face us include the following:

- budget constraints and revenue shortfalls which could affect the purchases of our type of equipment by governmental customers and related contractors;
- our ability to develop and manufacture new and existing products profitably;
- market acceptance of new and existing products;
- our ability to maintain good relations with our employees; and
- our ability to hire and retain quality employees.

In addition, we are subject to risks and uncertainties facing the industry in general, including the following:

- impact of tighter credit markets to the Company, its dealers and end users;
- changes in business and political conditions and the economy in general in both domestic and international markets;
- increase in unfunded pension plan liability due to financial market deterioration;
- price and availability of critical raw materials, particularly steel and steel products;
- changes in market conditions;
- increased competition;
- decreases in the prices of agricultural commodities, which could affect our customers income levels;
- adverse weather conditions such as droughts and floods which can affect the buying patterns of our customers and related contractors;
- increased costs of complying with new regulations such as Sarbanes-Oxley which affect public companies;
- the potential effects on the buying habits of our customers due to animal diseases outbreaks such as mad cow and epidemics;
- impairment in the carrying value of goodwill
- changes in market demand;
- financial market changes including increases in interest rates and fluctuations in foreign exchange rates;
- actions of competitors;
- the inability of our suppliers, customers, creditors, public utility providers and financial service organizations to deliver or provide their products or services to us;
- seasonal factors in our industry;
- unforeseen litigation;
- changes in domestic and foreign governmental policies and laws, including increased levels of government regulation and changes in agricultural policies;
- government actions including budget levels, regulations and legislation, relating to the environment, commerce, infrastructure spending, health and safety; and
- amount of farm subsidies and farm payments.

We wish to caution readers not to place undue reliance on any forward-looking statement and to recognize that the statements are not predictions of actual future results. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above and under Risk Factors in this prospectus, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning us and our businesses, including factors that could potentially materially affect our financial results, may emerge from time to time. It is not possible for management to predict all risk factors or to assess the impact of such risk factors on the Company s businesses.

Executive Officers of the Company

Certain information is set forth below concerning the executive officers of the Company, each of whom has been elected to serve until the 2009 annual meeting of directors or until his successor is duly elected and qualified.

Name	**Age**	Position
Ronald A. Robinson	56	President and Chief Executive Officer
Dan E. Malone	48	Executive Vice President and Chief Financial Officer
Robert H. George	62	Vice President, Secretary and Treasurer
Richard J. Wehrle	52	Vice President and Controller
Donald C. Duncan	57	Vice President and General Counsel
Geoffrey Davies	61	Vice President, Alamo Group Inc. and Managing Director, Alamo Group (EUR) Ltd.

Ronald A. Robinson was appointed President, Chief Executive Officer and a director of the Company on July 7, 1999. Mr. Robinson had previously been President of Svedala Industries, Inc., the U.S. subsidiary of Svedala Industries AB of Malmo, Sweden, a leading manufacturer of equipment and systems for the worldwide construction, mineral processing and materials handling industries. Mr. Robinson joined Svedala in 1992 when it acquired Denver Equipment Company of which he was Chairman and Chief Executive Officer.

Dan E. Malone was appointed Executive Vice President, Chief Financial Officer on January 15, 2007. Prior to joining the Company, Mr. Malone held the position of Executive Vice President, Chief Financial Officer & Corporate Secretary at Igloo Products Corporation, from 2002 to January 2007. Mr. Malone was Vice President and Chief Financial Officer of The York Group, Inc. from 2000 to 2002 and held various financial positions from 1987 to 2000 with Cooper Industries, Inc. and its various subsidiaries.

Robert H. George joined the Company in May 1987 as Vice President and Secretary/Treasurer and has served the Company in various executive capacities since that time. Prior to joining the Company, Mr. George was Senior Vice President of Frost National Bank from 1978 to 1987.

Richard J. Wehrle has been Vice President and Controller of the Company since May 2001. Prior to his appointment, Mr. Wehrle served in various accounting management capacities within the Company since 1988.

Donald C. Duncan has been General Counsel of the Company since January 2002 and was elected Vice President in February 2003. Prior to joining the Company, Mr. Duncan was counsel for various publicly held companies in Houston, Texas and most recently was Associate General Counsel for EGL, Inc. from 2000 to 2001 and Senior Counsel for Weatherford International Inc. from 1997 to 1999.

Geoffrey Davies has been Managing Director of Alamo Group (EUR) Ltd. since December 1993 and was elected

Vice President of the Company in February 2003. From 1988 to 1993, Mr. Davies served *McConnel* Ltd., a U.K. company acquired by Alamo Group in 1991, in various capacities including serving as its Marketing Director from February 1992 until December 1993.

Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to the Company s securities. If any of the following risks develop into actual events, the Company s business, financial condition or results from operations could be materially and adversely affected and you could lose all or part of your investment.

Risks related to our business

Deterioration of industry conditions could harm our business, results of operations and financial condition.

Our business depends to a large extent upon the prospects for the mowing, right-of-way maintenance and agricultural markets in general. Future prospects of the industry depend largely on factors outside of our control. Any of those factors could adversely impact demand for our products, which could adversely impact our business, results of operations and financial condition. These factors include the following:

- general economic conditions;
- the price and availability of raw materials, purchased components and energy;
- budget constraints and revenue shortfalls for our governmental customers;
- changes in domestic and foreign governmental policies and laws, including increased levels of governmental regulation;
- the levels of interest rates;
- the value of the U.S. dollar relative to the foreign currencies in countries where we sell our products and in which we don t have a manufacturing presence;
- impact of tighter credit markets to the Company, its dealers and end users;
- impairment in the carrying value of goodwill
- increase in unfunded pension plan liability due to financial market deterioration; and

In addition, our business is susceptible to a number of factors that specifically affect agricultural customer spending patterns, including the following:

- animal disease outbreaks, epidemics and crop pests;
- weather conditions, such as droughts and floods;
- changes in farm incomes;
- cattle and agricultural commodity prices;
- changes in governmental agricultural policies and subsidies, uncertainty surrounding the new U.S. Farm Bill passed in 2008, and changing governmental regulations concerning farm programs imposed by the European Union;
- the level of worldwide farm output and demand for farm products; and
- limits on agricultural imports.

A downturn in general economic conditions and outlook in the United States and around the world could adversely affect our net sales and earnings.

The strength and profitability of our business depends on the overall demand for our products and upon economic conditions and outlook, including but not limited to economic growth rates; consumer spending levels; financing availability, pricing and terms for our dealers and end-users; employment rates; interest rates; inflation; consumer confidence and general economic and political conditions and expectations in the United States and the foreign economies in which we conduct business. Slow or negative growth rates, inflationary pressures, higher commodity costs and fuel prices, reduced credit availability or unfavorable credit terms for our dealers, and end-user customers, increased unemployment rates, and continued recessionary economic conditions and outlook could cause consumers to continue to reduce spending, which may cause them to delay or forego purchases of our products and could have an adverse effect on our net sales and earnings.

We depend on governmental sales and a decrease in such sales could adversely affect us.

A substantial portion of our revenues is derived from sales to federal, state and local governmental entities. These sales depend primarily on the levels of budgeted and appropriated expenditures for highway, airport, roadside and parks maintenance by various governmental entities and are affected by changes in local and national economic conditions. In addition, from time to time governmental entities have used chemical control of vegetation, which if widely adopted would decrease governmental demand for our products, which could adversely affect our business, results of operations and financial condition.

Our dependence on, and the price and availability of, raw materials (such as steel and fuel) as well as purchased components may adversely affect our business, results of operations and financial condition.

We are subject to fluctuations in market prices for raw materials such as steel and energy. In recent years, the prices of various raw materials have increased significantly, and we have been unable to avoid exposure to global price fluctuations and supply limitations, such as have occurred with the cost and availability of steel, fuel and related products. Additionally, although most of the raw materials and purchase components we use are commercially available from a number of sources, we could experience disruptions in the availability of such materials. If we are unable to purchase materials we require or are unable to pass on price increases to our customers or otherwise reduce our cost of goods sold, our business, results of operations and financial condition may be adversely affected. In addition, higher energy costs may negatively affect spending by farmers, including their purchases of our products.

Impairment in the carrying value of goodwill could negatively impact our consolidated results of operations and net worth

Under Statement of Financial Accounting Standards No.142, Goodwill and Other Intangible Assets, goodwill is no longer amortized; however, it must be tested for impairment at least annually. In the fourth quarter of each year, or when events and circumstances warrant such a review, the Company reviews the goodwill of all of its reporting units for impairment. The fair value of the Company s businesses used in the determination of goodwill impairment is computed using the expected present value of associated future cash flows. This review requires the Company to make significant assumptions and estimates about the extent and timing of future cash flows, discount rates and growth rates. There are inherent uncertainties related to these factors and management s judgment in applying these factors. The cash flows are estimated over a significant future period of time, which makes those estimates and assumptions subject to an even higher degree of uncertainty. The Company also utilizes market valuation models and other financial ratios, which require the Company to make certain assumptions and estimates regarding the applicability of those models to its assets and businesses. There are inherent uncertainties related to these factors and management s judgment in applying these factors. However, different assumptions could materially affect the estimated fair value. The Company recognized goodwill impairment of $5,010,000 in the Agricultural segment in 2008. No goodwill impairment was recorded in 2007 or 2006. As of December 31, 2008, we had $48,107,000 of goodwill, which represents 13% of total assets.

We operate in a highly competitive industry, and some of our competitors and potential competitors have greater resources than we do.

Our products are sold in highly competitive markets throughout the world. We compete with several large national and international companies that offer a broad range of equipment and replacement parts that compete with our products, as well as numerous small, privately-held manufacturers and suppliers of a limited number of products mainly on a regional basis. Some of our competitors are significantly larger than we are and have substantially greater financial and other resources at their disposal. We believe that we are able to compete successfully in our markets by, to some extent, avoiding direct competition with significantly larger potential competitors. There can be no assurance that our competitors will not substantially increase the resources devoted to the development and marketing of products competitive with our products or that new competitors with greater resources will not enter our markets. Any failure to effectively compete could have an adverse effect on our business, results of operations and financial condition.

We operate and source internationally, which exposes us to the political, economic and other risks of doing business abroad.

We have operations in a number of countries outside of the United States. Our international operations are subject to the risks normally associated with conducting business in foreign countries, including the following:

- limitations on ownership and on repatriation of earnings;
- import and export restrictions, tariffs and quotas;
- additional expenses relating to the difficulties and costs of staffing and managing international operations;
- labor disputes and uncertain political and economic environments and the impact of foreign business cycles;
- changes in laws or policies;
- delays in obtaining or the inability to obtain necessary governmental permits;
- potentially adverse consequences resulting from the applicability of foreign tax laws;
- cultural differences;
- increased expenses due to inflation;
- weak economic conditions in foreign markets where our subsidiaries distribute their products; and
- changes in currency exchange rates.

Our foreign operations may also be adversely affected by laws and policies of the United States and the other countries in which we operate affecting foreign trade, investment and taxation.

In addition, political developments and governmental regulations and policies in the countries in which we operate directly affect the demand for our products. For example, decreases or delays in farm subsidies to our agricultural customers, or the implementation of green policies aimed at limiting mowing activities, could adversely affect our business, results of operations and financial condition.

Our acquisition strategy may not be successful, which may adversely affect our business, results of operations and financial condition.

We intend to grow internally and through the acquisition of businesses and assets that will complement our current businesses. To date, a material portion of our growth has come through acquisitions. We cannot be certain that we will be able to identify attractive acquisition targets, obtain financing for acquisitions on satisfactory terms or successfully acquire identified targets. Competition for acquisition opportunities may also increase our costs of making acquisitions or prevent us from making certain acquisitions. These and other acquisition-related factors may adversely impact our business, results of operations and financial condition.

We may be unable to complete or integrate existing or future acquisitions effectively, and businesses we have acquired, or may acquire in the future, may not perform as expected.

We may not be successful in integrating acquired businesses into our existing operations and achieving projected synergies. We could face many risks in integrating acquired businesses, including the following:

- we may incur substantial costs, delays or other operational or financial challenges in integrating acquired businesses, including integrating each company's accounting, information technology, human resource and other administrative systems to permit effective management;
- we may be unable to achieve expected cost reductions, to take advantage of cross-selling opportunities, or to eliminate redundant operations, facilities and systems;
- we may need to implement or improve controls, procedures and policies appropriate for a public company;
- acquisitions may divert our management s attention from the operation of our businesses;
- we may not be able to retain key personnel of acquired businesses;
- there may be cultural challenges associated with integrating management and employees from the acquired businesses into our organization; and
- we may encounter unanticipated events, circumstances or legal liabilities.

Our integration of acquired businesses requires significant efforts from the management of each entity, including coordinating existing business plans and research and development efforts. Integrating operations may distract management s attention from the day-to-day operation of the combined companies. Ultimately, our attempts to integrate the operations, technology and personnel of acquired businesses may not be successful. If we are unable to successfully integrate acquired businesses, our future results may be negatively impacted.

In addition, we may be adversely affected if businesses that we have acquired, or that we acquire in the future, do not perform as expected. An acquired business could perform below our expectations for a number of reasons, including legislative or regulatory changes that affect the areas in which the acquired business specializes, the loss of customers and dealers, general economic factors that directly affect the acquired business, and the cultural incompatibility of its management team. Any or all of these reasons could adversely affect our business, results of operation and financial condition.

The agricultural industry and the mowing and growth maintenance industry are seasonal and are affected by the weather, and seasonal fluctuations may cause our results of operations and working capital to fluctuate from quarter to quarter.

In general, agricultural and governmental end-users typically purchase new equipment during the first and second calendar quarters. Other products such as street sweepers, excavators, snow blowers, front-end loaders and pothole patchers have different seasonal patterns, as do replacement parts in general. In attempting to achieve efficient utilization of manpower and facilities throughout the year, we estimate seasonal demand months in advance and manufacturing capacity is scheduled in anticipation of such demand. We utilize a rolling twelve-month sales forecast provided by our marketing divisions and order backlog in order to develop a production plan for our manufacturing facilities. Additionally, many of our marketing departments attempt to equalize demand for their products throughout the calendar year by offering seasonal sales programs which may provide additional incentives, including discounts and extended payment terms, on equipment that is ordered during off-season periods. Because we spread our production and wholesale shipments throughout the year to take into account the factors described above, sales of agricultural and mowing and growth equipment products in any given period may not reflect the timing of dealer orders and retail demand.

Weather conditions and general economic conditions may affect the timing of purchases and actual industry conditions might differ from our forecasts. Consequently, we cannot assure you that sudden or significant declines in industry demand would not adversely affect our working capital or results of operations.

If we do not retain key personnel and attract and retain other highly skilled employees, our business will suffer.

Our continued success will depend on, among other things, the efforts and skills of our executive officers, including our president and chief executive officer, and our ability to attract and retain additional highly qualified managerial, technical, manufacturing and sales and marketing personnel. We do not maintain key man life insurance for any of our employees, and all of our senior management are employed at will. We cannot assure you that we will be able to attract and hire suitable replacements for any of our key employees. We believe the loss of a key executive officer or other key employee could have an adverse effect on our business, results of operations and financial condition.

We are subject on an ongoing basis to the risk of product liability claims and other litigation arising in the ordinary course of business.

Like other manufacturers, we are subject to various claims, including product liability claims, arising in the ordinary course of business, and we are a party to various legal proceedings that constitute routine litigation incidental to our business. We may be exposed to product liability claims in the event that the use of our products results, or is alleged to result, in bodily injury, property damage, or both. We cannot assure you that we will not experience any material product liability losses in the future or that we will not incur significant costs to defend such claims. While we currently have product liability insurance, we cannot assure you that our product liability insurance coverage will be adequate for any liabilities that may ultimately be incurred or that it will continue to be available on terms acceptable to us. A successful claim brought against us in excess of available insurance coverage or a requirement to participate in a product recall may have a materially adverse effect on our business.

We are subject to environmental, health and safety and employment laws and regulations and related compliance expenditures and liabilities.

Like other manufacturers, we are subject to a broad range of federal, state, local and foreign laws and requirements, including those concerning air emissions, discharges into waterways, and the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste materials, as well as the remediation of contamination associated with releases of hazardous substances at our facilities and offsite disposal locations, workplace safety and equal employment opportunities. These laws and regulations are constantly changing, and it is impossible to predict with accuracy the effect that changes to such laws and regulations may have on us in the future. Like other industrial concerns, our manufacturing operations entail the risk of noncompliance, and there can be no assurance that we will not incur material costs or other liabilities as a result thereof.

The Company knows that its Indianola, Iowa property is contaminated with chromium which most likely resulted from chrome plating operations which were discontinued before the Company purchased the property. Chlorinated volatile organic compounds have also been detected in water samples on the property, though the source is unknown at this time. The Company voluntarily worked with an environmental consultant and the state of Iowa with respect to these issues and believes it completed its remediation program in June 2006. The work was accomplished within the Company s environmental liability reserve balance. We requested a no further action classification from the state. We received a conditional no further action letter in January of 2009. When we demonstrate stable or improving conditions below residential standards by future monitoring of existing wells, an unconditional no further action letter will be requested.

At December 31, 2008, the Company had an environmental reserve in the amount of $1,607,000 related to the acquisition of *Gradall* s facility in Ohio. Three specific remediation projects that were identified prior to the acquisition are in process of remediation with a remaining reserve balance of $143,000. The Company has a reserve of $276,000 concerning a potential asbestos issue that is expected to be abated over time. The balance of the reserve, $1,188,000, is mainly for potential ground water contamination/remediation that was identified before the acquisition and believed to have been generated by a third party company located near the *Gradall* facility. Certain other assets of the Company contain asbestos that may have to be remediated over time. Management has made its best estimate of the cost to remediate these environmental issues. However, such estimates are difficult to estimate including the timing of such costs. The Company believes that any subsequent change in the liability associated with the asbestos removal will not have a material adverse effect on the Company s consolidated financial position or results of operations.

We have incurred and will continue to incur capital and other expenditures to comply with the laws and regulations applicable to our operations. In particular, if we fail to comply with any environmental regulations, then we could be subject to future liabilities, fines or penalties or the suspension of production at our manufacturing facilities. If unexpected obligations at these or other sites or more stringent environmental laws are imposed in the future, our business, results of operations and financial condition may be adversely affected.

Fluctuations in currency exchange rates may adversely affect our financial results.

Our earnings are affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies, predominately in European countries, Canada and Australia, as a result of the sale of our products in international markets. While we do hedge against the earnings effects of such fluctuations to an extent (primarily in the U.K. market), we cannot assure you that we will be able to effectively manage these risks. Significant long-term fluctuations in relative currency values, such as a devaluation of the Euro against the U.S. dollar, could have an adverse effect on our future results of operations or financial condition.

Risks related to investing in our common stock

Because the price of our common stock may fluctuate significantly and its trading volume has generally been low, it may be difficult for you to resell our common stock when desired or at attractive prices.

The trading price of our common stock has and may continue to fluctuate. The closing prices of our common stock on the NYSE during 2008 has ranged from $25.98 to $10.80 per share, and during 2007 ranged from $27.00 to $16.85 per share. Our stock price may fluctuate in response to the risk factors set forth herein and to a number of events and factors, such as quarterly variations in operating and financial results, litigation, changes in financial estimates and recommendations by securities analysts, the operating and stock performance of other companies that investors may deem comparable to us, news reports relating to us or trends in our industry or general economic conditions. Furthermore, the trading volume of our common stock has generally been low, which may increase the volatility of the market price for our stock. The stock price volatility and low trading volume may make it difficult for you to resell your shares of our common stock when desired or at attractive prices.

You may experience dilution of your ownership interests due to the future issuance of additional shares of our common stock.

We may issue shares of our previously authorized and unissued securities which will result in the dilution of the ownership interests of our present stockholders. We are currently authorized to issue 20,000,000 shares of common stock. At December 31, 2008, 9,921,929 shares of our common stock were issued and outstanding, and there were outstanding options to purchase an additional 479,980 shares of our common stock. We also have additional shares available for grant under our 2005 Incentive Stock Option Plan and our 1999 Non-Qualified Stock Option Plan. Additional stock option or other compensation plans or amendments to existing plans for employees and directors may be adopted. Issuance of these shares of common stock may dilute the ownership interests of our then existing stockholders. We may also issue additional shares of our common stock in connection with the hiring of personnel, future acquisitions, future private placements of our securities for capital raising purposes, or for other business purposes. This would further dilute the interests of our existing stockholders.

Future sales, or the possibility of future sales, of a substantial amount of our common stock may depress the price of the shares of our common stock.

Future sales, or the availability for sale in the public market, of substantial amounts of our common stock could adversely affect the prevailing market price of our common stock and could impair our ability to raise capital through future sales of equity securities. If we or our existing stockholders sell substantial amounts of our common stock in the public market or if there is a perception that these sales may occur, the market price of our common stock could decline.

There is no assurance that we will continue declaring dividends or have the available cash to make dividend payments.

Although we have paid a cash dividend of $0.06 per share in each quarter since the third quarter of 1999, there can be no assurance that we will continue to declare dividends or that funds will continue to be available for this purpose in the future. The declaration and payment of dividends are restricted by the terms of our amended and restated revolving credit agreement and are subject to the discretion of our Board of Directors, are not cumulative, and will depend upon our profitability, financial condition, capital needs, future prospects, and other factors deemed relevant by our Board of Directors.

Provisions of our corporate documents may have anti-takeover effects that could prevent a change in control.

Provisions of our charter, bylaws and Delaware law could make it more difficult for a third party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include supermajority voting requirements, prohibiting the stockholder from calling stockholders meetings, removal of directors for cause only and prohibiting shareholder actions by written consent. Our Certificate of Incorporation and By-laws state that any amendment to certain provisions, including those provisions regarding the removal of directors and limitations on action by written consent discussed above, be approved by the holders of at least two-thirds of our common stock. We are also afforded the protections of Section 203 of the Delaware General Corporation Law, which would prevent us from engaging in a business combination with a person who becomes a 15% or greater shareholder for a period of three years from the date such person acquired such status unless certain board or shareholder approvals were obtained. For more information, see Description of Capital Stock.

Certain stockholders own a significant amount of our common stock, and their interests may conflict with those of our other stockholders.

As of December 31, 2008, Capital Southwest Venture Corporation, a subsidiary of Capital Southwest Corporation, beneficially owned approximately 29% and four other investors beneficially own over 42%, of our outstanding common stock. As a result, either Capital Southwest or the other beneficially owned investors combined could be able to significantly influence the direction of the Company, the election of our Board of Directors and the outcome of any other matter requiring stockholder approval, including mergers, consolidations and the sale of all or substantially all of our assets, and together with other beneficially owned investors, to prevent or cause a change in control of the Company. In addition, the interests of Third Avenue Management and Capital Southwest may conflict with the interests of our other stockholders.

Item 1B. Unresolved Staff Comments

The Company has no unresolved staff comments to report pursuant to Item 1B.

Item 2. Properties

At December 31, 2008, the Company utilized eight principal manufacturing plants located in the United States, seven in Europe, one in Canada, and one in Australia. The facilities are listed below:

Facility	Square Footage		Principal Types of Products Manufactured And Assembled
New Philadelphia, Ohio	430,000	Owned	Telescopic Excavators for *Gradall* and Vacuum Trucks for *VacAll*
Gibson City, Illinois	275,000	Owned	Mechanical Mowers for *Rhino* and *M&W,* Mechanical Rotary Mowers, Blades and Post Hole Diggers for *Rhino*, and Deep Tillage Equipment
Seguin, Texas	230,000	Owned	Hydraulic and Mechanical Rotary and Flail Mowers, Sickle-Bar Mowers, and Boom-Mounted Equipment for *Alamo Industrial*
Indianola, Iowa	200,000	Owned	Distribution and Manufacturing of Aftermarket Farm Equipment Replacement and Wear Parts for *Herschel/Valu-Bilt*
Neuville, France	195,000	Leased	Hydraulic and Mechanical Boom-Mounted Hedge and Grass Cutters for *Rousseau*
Ludlow, England	160,000	Owned	Hydraulic Boom-Mounted Hedge and Grass Cutters and other Equipment for *McConnel and Twose*
Chartres, France	136,000	Owned	Front-end Loaders, Backhoes and Attachments for *Faucheux* and *McConnel*
Huntsville, Alabama	136,000	Owned	Air and Mechanical Sweeping Equipment for *Schwarze*
Salford Priors, England	106,000	Owned	Tractor-Mounted Power Arm Flails and other Equipment for *Bomford* and *Twose,* and *Spearhead*
Daumeray, France	100,000	Leased	Vacuum trucks, high pressure cleaning systems and trenchers for *Rivard*
Leavenworth, Kansas	70,000	Owned	Snow Plows and Heavy-duty Snow Removal Equipment for *Henke*
Sioux Falls, South Dakota	66,000	Owned	Hydraulic and Mechanical Mowing Equipment for *Tiger*
Sioux Falls, South Dakota	59,000	Owned	Front-end Loaders and Backhoes for OEMs, *SMC* and *Rhino*
Englefeld, Saskatchewan, Canada	64,000	Owned	

			Mechanical Rotary Mowers, Snow Blowers, and Rock Removal Equipment for *Schulte*
Kent, Washington	42,800	Leased	Truck Mounted Sweeping Equipment for the contractor market branded *Nite-Hawk*
Orleans, France	40,000	Owned	Heavy-Duty, Tractor-Mounted Grass and Hedge Mowing Equipment for *SMA*
Ipswich, Australia	15,000	Leased	Air and Mechanical Sweeping Equipment for *Schwarze*
Peschadoires, France	12,000	Owned	Replacement Parts for Blades, Knives and Shackles for *Forges Gorce*
Warehouses & Sales	58,000	Owned	Service Parts Distribution and Sales Office
Offices	10,400	Owned	Corporate Office
Offices	5,600	Leased	
Total	2,410,800		

Approximately 85% of the manufacturing, warehouse and office space is owned. During the fourth quarter of 2006, the Company sold the majority of land and buildings in its discontinued operations in Guymon, Oklahoma and completed the final sale of the property in the first quarter of 2007. Except as otherwise stated herein, the Company considers each of its facilities to be well maintained, in good operating condition and adequate for its present level of operations.

Item 3. Legal Proceedings

The Company is subject to various legal actions which have arisen in the ordinary course of its business. The most prevalent of such actions relate to product liability, which is generally covered by insurance after various self-insured retention amounts. While amounts claimed might be substantial and the ultimate liability with respect to such litigation cannot be determined at this time, the Company believes that the ultimate outcome of these matters will not have a material adverse effect on the Company s consolidated financial position or results of operations; however, the ultimate resolution cannot be determined at this time.

The Company knows that its Indianola, Iowa property is contaminated with chromium which most likely resulted from chrome plating operations which were discontinued before the Company purchased the property. Chlorinated volatile organic compounds have also been detected in water samples on the property, though the source is unknown at this time. The Company voluntarily worked with an environmental consultant and the state of Iowa with respect to these issues and believes it completed its remediation program in June 2006. The work was accomplished within the Company s environmental liability reserve balance. We requested a no further action classification from the state. We received a conditional no further action letter in January of 2009. When we demonstrate stable or improving conditions below residential standards by future monitoring of existing wells, an unconditional no further action letter will be requested.

At December 31, 2008, the Company had an environmental reserve in the amount of $1,607,000 related to the acquisition of *Gradall s* facility in Ohio. Three specific remediation projects that were identified prior to the acquisition are in process of remediation with a remaining reserve balance of $143,000. The Company has a reserve of $276,000 concerning a potential asbestos issue that is expected to be abated over time. The balance of the reserve, $1,188,000, is mainly for potential ground water contamination/remediation that was identified before the acquisition and believed to have been generated by a third party company located near the *Gradall* facility. Certain other assets of the Company contain asbestos that may have to be remediated over time. Management has made its best estimate of the cost to remediate these environmental issues. However, such estimates are difficult to estimate including the timing of such costs. The Company believes that any subsequent change in the liability associated with the asbestos removal will not have a material adverse effect on the Company s consolidated financial position or results of operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders of the Company during the fourth quarter of the fiscal year ended December 31, 2008.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company s common stock trades on the New York Stock Exchange under the symbol: ALG. On February 27, 2009, there were 9,951,254 shares of common stock outstanding, held by approximately 110 holders of record, but the total number of beneficial owners of the Company s common stock exceeds this number. On February 27, 2009, the closing price of the common stock on the New York Stock Exchange was $11.59 per share.

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The following table sets forth, for the period indicated, on a per share basis, the range of high and low sales prices for the Company s common stock as quoted by the New York Stock Exchange. These price quotations reflect inter-dealer prices, without adjustment for retail mark-ups, markdowns or commissions, and may not necessarily represent actual transactions.

2008				2007			
	Sales Price		Cash Dividends		Sales Price		Cash Dividends
Quarter Ended	High	Low	Declared	Quarter Ended	High	Low	Declared
March 31, 2008	$ 21.40	$ 17.34	$ .06	March 31, 2007	$ 25.84	$ 22.76	$ .06
June 30, 2008	26.46	19.27	.06	June 30, 2007	28.36	22.94	.06
September 30, 2008	23.46	15.84	.06	September 30, 2007	26.60	22.10	.06
December 31, 2008	17.22	10.69	.06	December 31, 2007	24.98	16.78	.06

On January 5, 2009, the Board of Directors of the Company declared a quarterly dividend of $.06 per share which was paid on February 3, 2009, to holders of record as of January 19, 2009. The Company expects to continue its policy of paying regular cash dividends, although there is no assurance as to future dividends as they depend on future earnings, capital requirements and financial condition. In addition, the payment of dividends is subject to restrictions under the Company s bank revolving credit agreement. See Management s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources in Item 7 of Part II of this Annual Report on Form 10 K for a further description of the bank revolving credit agreement.

The Company was authorized by its Board of Directors in 1997 to repurchase up to 1,000,000 shares of the Company s common stock to be funded through working capital and credit facility borrowings. There were no shares repurchased in 2007 or in 2008. The authorization to repurchase up to 1,000,000 shares remains available, less 42,600 shares previously purchased.

Information relating to compensation plans under which equity securities of the Company are authorized for issuance is set forth in Part III, Item 12 of this Annual Report on Form 10-K.

Stock Price Performance Graph

The information contained in this Stock Performance Graph section shall not be deemed to be soliciting material or filed with the SEC or subject to the liabilities of Section 18 of the Exchange Act except to the extent that Alamo Group Inc. specifically incorporates it by reference into a document filed under the Securities Act or the Exchange Act.

The following graph and table set forth the cumulative total return to the Company's stockholders of our Common Stock during a five-year period ended December 31, 2008, as well as the performance of an overall stock market index (the S&P 500 Index) and the Company's selected peer group index (the Russell 2000 Index).

The Company believes that there does not exist a representative industry peer group of companies with a similar business segment profile. The SEC has indicated that companies may use a base other than industry or line of business for determining its peer group index, such as an index of companies with similar market capitalization. Accordingly, the Company has selected the Russell 2000 Index, a widely used small market capitalization index, to use as a representative peer group.

	12/03	12/04	12/05	12/06	12/07	12/08
Alamo Group Inc.	**100.00**	**180.55**	**137.76**	**159.38**	**124.31**	**103.90**
S&P 500	**100.00**	**110.88**	**116.33**	**134.70**	**142.10**	**89.53**
Russell 2000	**100.00**	**118.33**	**123.72**	**146.44**	**144.15**	**95.44**

Item 6. Selected Financial Data

The following selected financial data is derived from the consolidated financial statements of Alamo Group Inc. and its subsidiaries. The data should be read in conjunction with the consolidated financial statements, related notes and other financial information included herein.

	Fiscal Year Ended December 31,[(1)]				
(in thousands, except per share amounts)	**2008**	**2007**	**2006**	**2005**	**2004**

Operations:					
Net sales	$ 557,135	$ 504,386	$ 456,494	$ 368,110	$ 342,171
Income before income taxes	17,226	18,035	16,975	16,739	20,582
Net income	10,999	12,365	11,488	11,291	13,396
Percent of sales	2.0%	2.5%	2.5%	3.1%	3.9%
Earnings per share					
Basic	1.12	1.26	1.18	1.16	1.38
Diluted	1.11	1.24	1.16	1.14	1.36
Dividends per share	0.24	0.24	0.24	0.24	0.24
Average common shares					
Basic	9,847	9,781	9,756	9,746	9,731
Diluted	9,950	9,953	9,925	9,908	9,864
Financial Position:					
Total assets	$ 384,354	$ 350,630	$ 326,634	$ 246,216	$ 231,730
Short-term debt and current maturities	4,186	3,368	3,339	2,997	2,961
Long-term debt, excluding current maturities	99,884	78,527	78,526	30,912	18,428
Stockholders equity	$ 184,312	$ 198,698	$ 181,734	$ 163,476	$ 160,832

(1) Includes the results of operations of companies acquired from the effective dates of acquisitions.

Item 7. Management s Discussion and Analysis of Financial Condition

And Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements of the Company and the notes thereto included elsewhere in this Annual Report on Form 10-K.

The following tables set forth, for the periods indicated, certain financial data:

	Fiscal Year Ended December 31,		
Net sales data in thousands:	**2008**	**2007**	**2006**
North American			
Industrial	$ 254,787	$ 253,203	$ 232,462
Agricultural	120,232	117,652	106,076
European	182,116	133,531	117,956
Total net sales	$ 557,135	$ 504,386	$ 456,494
Cost and profit margins, as percentages of net sales:			
Cost of sales	80.4%	80.6%	80.3%
Gross profit	19.6%	19.4%	19.7%
Selling, general and administrative expenses	14.9%	14.6%	14.6%
Income from operations	3.8%	4.7%	5.0%
Income before income taxes	3.1%	3.6%	3.7%
Net income	2.0%	2.5%	2.5%

Results of Operations

Fiscal 2008 compared to Fiscal 2007

The Company s net sales in the fiscal year ended December 31, 2008 (2008) were $557,135,000, an increase of $52,749,000 or 10.5% compared to $504,386,000 for the fiscal year ended December 31, 2007 (2007). The increase was primarily attributable to the acquisitions of *Rivard* and *Henke* in the amount of $41,615,000, and continued demand for our products in most of the Company s segments. The Company s sales during the last quarter of 2008 were negatively impacted by the decline in the worldwide economy.

North American Industrial sales (Net) were $254,787,000 in 2008 compared to 253,203,000 in 2007, a $1,584,000 or 0.6% increase. The increase came from the acquisition of *Henke* in the amount of $1,662,000. The Industrial segment did experience higher sales in the first half of 2008 from the excavator and vacuum truck business. Sweeper market sales were soft throughout the year due to the weak retail market and related cut back in parking lot sweeper activity. Also negatively impacting this segment were late deliveries of key components from suppliers.

North American Agricultural sales (Net) were $120,232,000 in 2008 compared to $117,652,000 in 2007, representing an increase of $2,580,000 or 2.2%. The increase was mainly due to steady market conditions, specifically mowing and front-end loader equipment. During the third quarter of 2008, this division experienced delays in deliveries of key components from suppliers which prevented us from delivering to our customers in a timely fashion. Drought conditions in the southern part of the U.S. also had a negative impact on sales during most of the year along with lower commodity prices in late 2008.

European sales (Net) increased $48,585,000 or 36.4% to $182,116,000 in 2008 compared to $133,531,000 in 2007. This increase was mainly from the acquisition of *Rivard* in the amount of $39,953,000, and to a lesser extent higher export sales outside our core markets, along with improved agricultural market conditions in the first half of 2008. Sales in local currency grew 14% without the *Rivard* acquisition. Negatively affected the European segment were changes in the international currency rates.

Gross Margins for 2008 were $109,414,000 (19.6% of net sales) compared to $97,711,000 (19.4% of net sales) in 2007, an increase of $11,703,000. The increase was due to the acquisitions of *Rivard* and *Henke* along with steady market conditions for the first nine months of 2008. Negatively affecting the Company s gross margin were higher steel, steel products and energy prices.

Selling, general and administrative expenses (SG&A) were $83,059,000 (14.9% of net sales) in 2008 compared to $73,874,000 (14.6% of net sales) in 2007. The increase of $9,185,000 in SG&A in 2008 primarily came from the addition of *Rivard* and *Henke,* in the amount of $5,525,000 along with increased sales commissions from higher sales.

Goodwill impairment for 2008 was $5,010,000 compared to zero in 2007. The Company wrote off the entire goodwill in its Agricultural Division after performing its required impairment test review. The severe decline in market values of the Company, along with uncertainty in the economy going forward was the cause for the write-down.

Interest expense for 2008 was $7,450,000 compared to $8,338,000 in 2007, an $888,000 or a 10.7% decrease. The decrease was due to lower interest rates in 2008.

Other Income (expense), net was $1,513,000 of income during 2008 versus income of $813,000 in 2007. The income in 2008 was entirely from changes in exchange rates. The income in 2007 was mainly from exchange rate gains of $703,000 and a gain of $150,000 relating to the sale of the Company s investment in a small business investment company along with a loss on the sale of the Guymon property held for sale.

Provision for Income Taxes was $6,227,000 (36.1% of income before income taxes) for 2008 compared to $5,670,000 (31.4% of income before income taxes) in 2007. The increase in the effective tax rate for 2008 was from increased state taxes in the United States and from the non deductable tax write off of goodwill.

Net Income for 2008 was $10,999,000 compared to $12,365,000 in 2007 due to the factors described above.

Fiscal 2007 compared to Fiscal 2006

The Company s net sales in the fiscal year ended December 31, 2007 (2007) were $504,386,000, an increase of $47,892,000 or 10.5% compared to $456,494,000 for the fiscal year ended December 31, 2006 (2006). The increase was primarily attributable to the acquisitions of *VacAll, Nite-Hawk, Henke* and one month of *Gradall* in the amount of $18,589,000, and continued market improvement in the Industrial division particularly street sweepers. The Company also experienced improved markets in both the Agricultural and European divisions, along with benefits in currency exchange rates in our European division.

North American Industrial sales (Net) were $253,203,000 in 2007 compared to $232,462,000 in 2006, a $20,741,000 or 8.9% increase. The majority of the increase came from the acquisitions of *VacAll, Nite-Hawk, Henke* and one month of *Gradall* along with higher sales of sweeper products. Increased demand for the Company s products in this division have continued to reflect steady growth from governmental customers. Negatively impacting the year were soft conditions in the North American wheeled excavator market along with late deliveries of key components.

North American Agricultural sales (Net) were $117,652,000 in 2007 compared to $106,076,000 in 2006, representing an increase of $11,576,000 or 10.9%. The increase was mainly due to improved market conditions, specifically mowing and front-end loader equipment, which had experienced softness during the first part of 2007 due in part to farm operating costs which negatively affected farmers spending. Drought conditions in the southeastern part of the U.S. had a negative impact on sales during most of 2007.

European sales (Net) increased $15,575,000 or 13.2% to $133,531,000 in 2007 compared to $117,956,000 in 2006. This increase was mainly from changes in the international currency rates. Sales grew 4% in local currency primarily due to export sales outside the Company s principal markets in Western Europe. European sales to a lesser extent were affected negatively by changing governmental regulations concerning farm programs in the U.K. and European Union.

Gross Margins for 2007 were $97,711,000 (19.4% of net sales) compared to $89,890,000 (19.7% of net sales) in 2006, an increase of $7,821,000. The increase was due to the acquisitions of *VacAll, Nite-Hawk, Henke* and one month of *Gradall* along with higher sales of sweeper products and improved efficiencies from the consolidation of the Company s Holton facility into its Gibson City, Illinois facility in 2006. Negatively affecting the Company s gross margin percent were continued higher energy prices along with inefficiencies in the manufacturing of the *VacAll* product line at the *Gradall* facility.

Selling, general and administrative expenses (SG&A) were $73,874,000 (14.6% of net sales) in 2007 compared to $66,858,000 (14.6% of net sales) in 2006. The increase of $7,016,000 in SG&A in 2007 primarily came from the addition of *VacAll, Nite-Hawk, Henke,* and one month of *Gradall* in the amount of $6,899,000.

Interest expense for 2007 was $8,338,000 compared to $6,912,000 in 2006, a $1,426,000 or a 20.6% increase. The increase was due to higher interest rates in the first part of 2007 along with increased borrowings to support the acquisitions of *VacAll*, *Nite-Hawk*, and *Henke* and higher levels of working capital.

Other Income (expense), net was $813,000 of income during 2007 versus income of $59,000 in 2006. The income in 2007 was mainly from exchange rate gains of $703,000 and a gain of $150,000 relating to the sale of the Company s investment in a small business investment company along with a loss in the sale of the Guymon property held for sale. The income in 2006 was from the gain on the sale of the Holton facility in the amount of $517,000 offset by the loss on the sale of machinery and equipment at Holton totaling $336,000 along with $11,000 of exchange rate losses from foreign contracts covering accounts receivable in our European operations. Also included in 2006, is a write-down of the Guymon property held for sale of $111,000 that was sold in February of 2007

Provision for Income Taxes was $5,670,000 (31.4% of income before income taxes) for 2007 compared to $5,487,000 (32.3% of income before income taxes) in 2006. The decrease in the effective tax rate for 2007 was from additional R&D tax credits received and a reduced corporate tax rate that affected our Canadian operations.

Net Income for 2007 was $12,365,000 compared to $11,488,000 in 2006 due to the factors described above.

Liquidity and Capital Resources

In addition to normal operating expenses, the Company has ongoing cash requirements which are necessary to conduct the Company s business, including inventory purchases and capital expenditures. The Company s inventory and accounts payable levels particularly in its North American Agricultural Division build in the first quarter and early spring and, to a lesser extent, in the fourth quarter in anticipation of the spring and fall selling seasons. Accounts receivable historically build in the first and fourth quarters of each year as a result of preseason sales. These sales help balance the Company s production during the first and fourth quarters. Some of the Company s most recent acquisitions which are not involved in vegetation maintenance have helped to soften this seasonality pattern.

As of December 31, 2008, the Company had working capital of $180,341,000, which represents an increase of $10,950,000 from working capital of $169,391,000 as of December 31, 2007. The increase in working capital was primarily from higher accounts receivable due to the acquisition of *Rivard* and seasonality.

Capital expenditures were $6,553,000 for 2008, compared to $10,765,000 for 2007. For 2009, capital expenditures are expected to be similar levels compared with 2008. The Company expects to fund capital expenditures from operating cash flows or through its revolving credit facility, described below.

The Company was authorized by its Board of Directors in 1997 to repurchase up to 1,000,000 shares of the Company s common stock to be funded through working capital and credit facility borrowings. There were no shares repurchased in 2007 or in 2008. The authorization to repurchase up to 1,000,000 shares remains available less 42,600 shares previously purchased.

Net cash provided by operating activities was $8,724,000 for 2008, compared to $19,192,000 for 2007. The decrease of cash from operating activities resulted primarily from the acquisition of *Rivard*.

Net cash provided by financing activities was $19,550,000 for 2008, compared to net cash used of $3,101,000 for 2007. The difference was mainly from increased borrowings under the Company s revolving line of credit due to the Rivard acquisition.

On August 25, 2004, the Company entered into a five-year $70 million Amended and Restated Revolving Credit Agreement with its lenders, Bank of America, JPMorgan Chase Bank, and Guaranty Bank. This contractually committed, unsecured facility allows the Company to borrow and repay amounts drawn at floating or fixed interest rates based upon Prime or LIBOR rates. Proceeds may be used for general corporate purposes or, subject to certain limitations, acquisitions. The loan agreement contains among other things the following financial covenants: Minimum Fixed Charge Coverage Ratios, Minimum Consolidated Tangible Net Worth, Consolidated Funded Debt to EBITDA Ratio and Minimum Asset Coverage Ratio, along with limitations on dividends, other indebtedness, liens, investments and capital expenditures.

On February 3, 2006, the Company amended and restated the credit agreement to increase the Company s existing credit facility from $70 million to $125 million. Pursuant to the terms of the Amended and Restated Revolving Credit Agreement, the Company has the ability to request an increase in commitments by $25 million. In addition, the existing credit facility was modified in other respects, including reducing the asset coverage ratio and lowering the interest margins.

On March 30, 2006 the Company entered into the Fourth Amendment of the Amended and Restated Revolving Credit Agreement, dated March 30, 2006 (the Amended and Restated Revolving Credit Agreement), between the Company and Bank of America, N.A., JPMorgan Chase Bank and Guaranty Bank, as its lenders. Pursuant to the terms of the Amended and Restated Revolving Credit Agreement, the Company added *Gradall* Industries, Inc., formerly Alamo Group (OH) Inc., and N.P. Real Estate Inc. as members of the Obligated Group. The Amendment also allows for capital expenditures not to exceed $14 million for the fiscal year ending 2006 and $10 million in the aggregate during each fiscal year thereafter.

On May 7, 2007, the Company entered into the Fifth Amended and Restated Revolving Credit Agreement with Bank of America, N.A., JPMorgan Chase Bank, Guaranty Bank and Rabobank, as its lenders. The Amended and Restated Revolving Credit Agreement provides for a $125 million unsecured revolving line of credit for five years with the ability to expand the facility to $175 million, subject to bank approval. In addition to the extended term of the loan to 2012, other major changes were improvements in the leverage ratio, minimum asset coverage ratio and increase in annual allowable capital expenditures up to $17.5 million. The banks agreed to eliminate the fixed charge coverage ratio and minimum net worth requirement along with a reduction in the applicable interest rate margin. The applicable interest margin fluctuates quarterly either up or down based upon the Company s leverage ratio.

On October 14, 2008, the Company entered into the Sixth Amendment and Waiver under the Amended and Restated Revolving Credit Agreement. The purpose of the amendment and waiver was to clarify company names within the obligated group after merging or dissolving some subsidiaries, to define operating cash flow and defining quarterly operating cash flow for Rivard through March 31, 2009. Beginning June 30, 2009, Rivard s actual operating cash flow will be used in the calculation of consolidated operating flow.

As of December 31, 2008, there was $95,000,000 borrowed under the revolving credit facility. At December 31, 2008, $780,000 of the revolver capacity was committed to irrevocable standby letters of credit issued in the ordinary course of business as required by vendors contracts resulting in approximately $29,000,000 in available borrowings.

On May 13, 2008, Alamo Group Europe Limited expanded its overdraft facility with Lloyd s TSB Bank plc from £ 1.0 million to £ 5.5 million. The facility was renewed on November 10, 2008 and outstandings currently bear interest at Lloyd s Base Rate plus 1.1% per annum. The facility is unsecured but guaranteed by the U.K. subsidiaries of Alamo Group Europe Limited. As of December 31, 2008, there were no outstanding balances in British pounds borrowed against the U.K. overdraft facility.

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There are additional lines of credit, for the Company s French operations in the amount of 9,300,000 Euros, which includes the Rivard credit facilities, for our Canadian operation in the amount of 3,500,000 Canadian dollars, and for our Australian operation in the amount of 800,000 Australian dollars. As of December 31, 2008, 1,315,000 Euros were borrowed against the French line of credit, 1,519,000 Canadian dollars were outstanding on the Canadian line of credit and 400,000 Australian dollars were outstanding under its facility. The Canadian and Australian revolving credit facilities are guaranteed by the Company.

As of December 31, 2008, the Company is in compliance with the terms and conditions of its credit facilities.

On July 27, 2006, the Company filed a shelf registration statement on Form S-3 with the SEC to register 2,300,000 shares of common stock for offer and sale by the Company from time to time in accordance with the Securities Exchange Act. This filing had a two year life and was withdrawn on May 30, 2008, prior to its cancellation and can be reinstated if deemed appropriate by management.

Management believes the bank credit facilities and the Company s ability to internally generate funds from operations should be sufficient to meet the Company s cash requirements for the foreseeable future. However, the challenges affecting the banking industry and credit markets in general can potentially cause changes to credit availability which creates a level of uncertainty.

Inflation

The Company believes that inflation generally has not had a material impact on its operations or liquidity. The Company is exposed to the risk that the price of steel and fuel may increase and the Company may not be able to increase the price of its products correspondingly. If this occurs, the Company s results of operations would be adversely impacted.

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 141, "Business Combinations (Revised 2007)." Statement 141(R)) 141R replaces Statement of Financial Accounting Standards No. 141, "Business Combinations," (Statement 141) and applies to all transactions and other events in which one entity obtains control over one or more other businesses. Statement 141(R) requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under Statement 141 whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. Statement 141R requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under Statement 141. Under Statement 141(R), the requirements of Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," would have to be met by the target in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies." Statement 141(R) is expected to have a significant impact on the Company's accounting for business combinations closing on or after January 1, 2009.

Statement of Financial Accounting Standards No. 160, "Non-controlling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 51." (Statement 160) amends Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Statement 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, Statement 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. Statement 160 is effective for the Corporation on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

Statement of Financial Accounting Standards No. 161, "Disclosures About Derivative Instruments and Hedging Activities, an Amendment of FASB Statement No. 133." (Statement 161) amends Statement of Financial Accounting No. 133, "Accounting for Derivative Instruments and Hedging Activities," (Statement 133)to amend and expand the disclosure requirements of Statement 133 to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under Statement 133 and its related interpretations, and (iii) how derivative instruments and related hedged items affect an entity's financial position, results of operations and cash flows. To meet those objectives, Statement 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. Statement 161 is effective for the Company on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

Off-Balance Sheet Arrangements

The Company does not have any obligation under any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the Company is a party, that has or is reasonably likely to have a material effect on the Company s financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Contractual and Other Obligations

The following table shows the Company s approximate obligations and commitments to make future payments under contractual obligations as of December 31, 2008:

	Payment due by period			
Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5