ASTEC INDUSTRIES, INC.

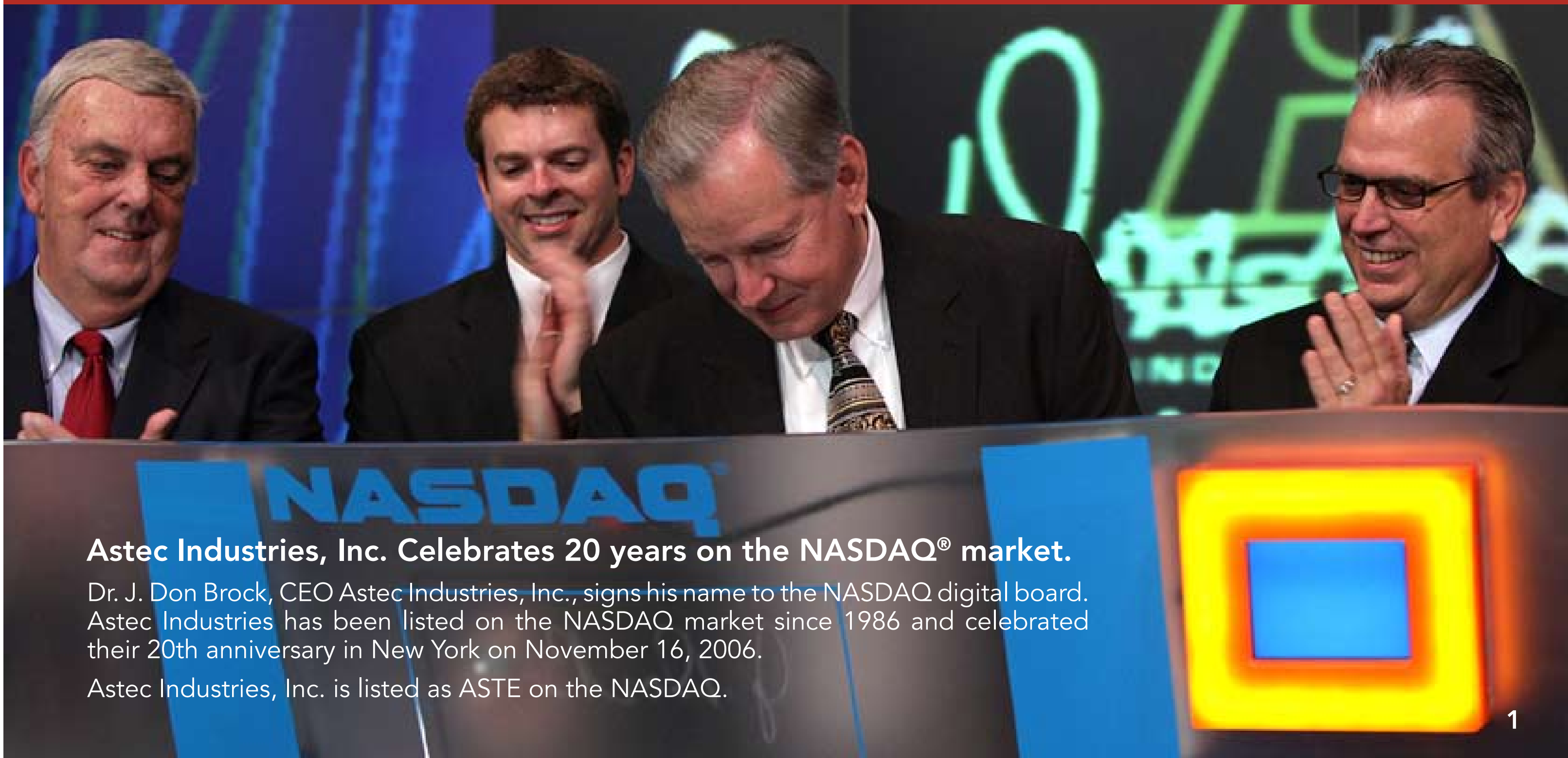
TAKING STRIDES TOWARDS ENERGY INDEPENDENCE

2006 ANNUAL REPORT

Table of Contents:

Financial Overview

	2006	2005	2004	2003	2002
Operating Results (In thousands, except noted*)					
Net Sales	$710,607	$616,068	$505,554	$402,066	$458,428
Net Income	39,588	28,094	19,053	(28,964)	(4,706)
Financial Position					
Total Assets	$421,863	$346,583	$324,818	$319,973	$416,503
Working Capital	178,148	137,981	106,489	81,001	173,224
Long-term debt, less current maturities	-	-	25,857	38,696	130,645
Shareholder's equity	296,166	242,742	191,256	167,517	192,647
Per Common Share*					
Net Income (loss)					
Basic	$1.85	$1.38	$0.96	($1.47)	($0.24)
Diluted	1.81	1.34	0.95	(1.47)	(0.24)
Book value per common share at year end	13.51	11.57	9.52	8.49	9.79
Other Data					
Weighted average number of common shares outstanding					
Basic	21,429	20,334	19,741	19,672	19,638
Diluted	21,917	20,977	20,079	19,672	19,638
Associates*	3,241	2,946	2,657	2,547	2,772



Astec Industries, Inc. Celebrates 20 years on the NASDAQ® market.

Dr. J. Don Brock, CEO Astec Industries, Inc., signs his name to the NASDAQ digital board. Astec Industries has been listed on the NASDAQ market since 1986 and celebrated their 20th anniversary in New York on November 16, 2006.

Astec Industries, Inc. is listed as ASTE on the NASDAQ.

ASTEC INDUSTRIES, INC.

Offering more than 170 products, Astec Industries, Inc. is America's leading manufacturer of equipment for aggregate processing, asphalt production, roadbuilding, and pipeline and utility trenching.

Our Company's Core Values:

- Continuous devotion to meeting the needs of our customers.
- Honesty and integrity in all aspects of business.
- Respect for all individuals.
- Preserving entrepreneurial spirit, innovation, and focus through decentralization.
- Safety, profit and growth as means to ensure success of the company.

Letter to Shareholders

Dear Fellow Shareholders:

We are pleased with the performance of our Company during 2006. Revenues for 2006 were $710.6 million, an historical high for our Company, compared to revenues of $616.1 million in 2005. Net income for the year was $39.6 million compared to net income of $28.1 million in 2005, also an historical high for our Company. Net income per diluted share in 2006 was $1.81 compared to $1.34 in 2005. We produced a 210 basis point improvement in our gross margins through focus groups, lean manufacturing and more effective purchasing. This improvement was achieved during a time of continued inflation and increases in component prices.

During the year we encountered continued volatility in the markets we serve. Substantial increases in oil prices resulted in higher asphalt prices, higher fuel prices and increased cost of materials for our customers. In 2006 we initiated education programs to encourage our customers to increase the amount of recycling, reduce their fuel cost by using pulverized coal burners to generate more recycled asphalt pavement, increase use of milling machines and process and screen the recycled material to allow higher percentages to be used. We believe these initiatives helped our customers recognize the cost savings and benefits of recycling pavement. Key personnel in our Company spoke at over twenty industry meetings in 2006, educating the industry on how to achieve quality pavements with higher percentages of recycled materials.

We continue to see increased awareness of the need for improving and expanding our road system. Gridlock is rampant in most major cities. During the November elections, 33 different initiatives to add more funding for roads through increased gas taxes and bond issues were proposed with over 70% of those being approved. In California alone, a $20 billion statewide bond issue was approved. In addition, separate $17 billion and $14 billion bond issues were approved in two California counties. These funds will be spent over a 10-year period which should result in substantial increases in road construction in California. Other states, such as Indiana, have sold their toll roads and used the proceeds to increase the amount of funding for rebuilding, repairing and expanding other roads in the state. This increasing awareness coupled with the initiatives mentioned give us encouragement and confidence that we will see a continuing increase in demand for our products.

In the Underground segment of our business we see continued growth of international and domestic pipeline construction for transporting oil and natural gas. We see a substantial increase in domestic drilling projects, particularly for wells exceeding 10,000 feet in depth. Our American Augers operation has converted a horizontal drill rig to a vertical oil drilling rig utilizing many of the technologies that we have developed over the last decade. Directional drilling has evolved over the last 15 years while the development of new oil drilling rigs has been somewhat dormant due to the low price of crude oil. With the increased price of crude oil and more drilling activity, a shortage of oil drilling rigs has developed. We believe that our technology will allow us to offer numerous advances in this area. The ability to drill down and turn horizontal for substantial distances increases the flow from the wells, reduces the number of wells that need to be drilled and reaches pockets of oil previously untapped.

We have completed new additions to four of our facilities and all of these additions are operational. During 2007, we anticipate that the majority of our capital expenditures will be used to add higher production, labor-saving machine tools to these new additions as well as our existing facilities. We continue to develop a streamlined, continuous flow through our plants to reduce cycle time, increase flexibility and reduce work-in-process.

As seen on our balance sheet, although we have experienced significant growth we have been able to accumulate cash and remain debt-free. We have had many in-depth discussions with our Board of Directors concerning the utilization of this cash. After considerable debate, it was the consensus of the

Board of Directors that we should first utilize our cash to make acquisitions of companies in our industries or similar industries that could be acquired at a fair price with synergies to our existing subsidiaries. We have in 2006 and will continue in 2007 to look at several potential acquisitions that will fit well with our Company. We find that the best model for us in acquisitions is to acquire companies that are generally privately-owned, having been started by entrepreneurs who would like to see the business grow, remain autonomous, stay in the same city and offer opportunities for the growth of their existing employees. We look for companies that have the same culture for service through taking care of their customers and that buy components that are similar to those that we purchase, such as engines, hydraulics and electronics, to increase our buying power and offer synergistic savings. We also look for companies where we can apply our lean manufacturing continuous flow and focus group initiatives to carve out additional savings after the acquisition. Our Board of Directors believes that we can give the highest return to our shareholders by continuing a program of selective acquisitions, product development and organic growth.

J. Neal Ferry was promoted to Chief Operating Officer effective January 1, 2007. Effective November 1, 2006, Ben Brock was promoted to President of Astec, Inc. Effective January 1, 2007, James Pfeiffer was promoted to President of American Augers, Inc. and Marty Winters was promoted to President of Carlson Paving Products, Inc. We are excited by the growth and development of these subsidiaries with the strong leadership capabilities of these men. Also, Albert E. Guth announced his retirement from the Company. Al was one of the founders of the Company. He served in earlier years as our Chief Financial Officer and most recently served as Corporate Secretary. He was replaced as Corporate Secretary by Stephen C. Anderson effective January 1, 2007. We appreciate all of the efforts and contributions that Al made over the years. He was my right arm in guiding the early growth of the business and has been instrumental in its success. Also during 2006, Bob Stafford, who has served for ten years as Group Vice President of the Aggregate Group, stepped down from this position and began his plan for retirement. Effective June 1, 2006, Bob was appointed Corporate Vice President of Research and Development and is working part-time heading a Corporate R&D Group to accelerate the product development for several projects. Bob's leadership in building the Aggregate Group and guiding them over the last few years has been invaluable and we sincerely appreciate what he has done for our Company and look forward to continuing to work with him on these projects. Until a permanent replacement is named, Neal Ferry will serve as Aggregate Group Vice President.

We enter 2007 with an historically high backlog which gives us confidence in a strong first and second quarter, but seeing beyond that is quite difficult. However, with increasing awareness of the need for more roads, improvements to existing roads and upgrades to the underground infrastructure, we believe that the long range potential for our Company is excellent. We appreciate the support of our employees, our customers and most of all, our shareholders.

Yours very truly,

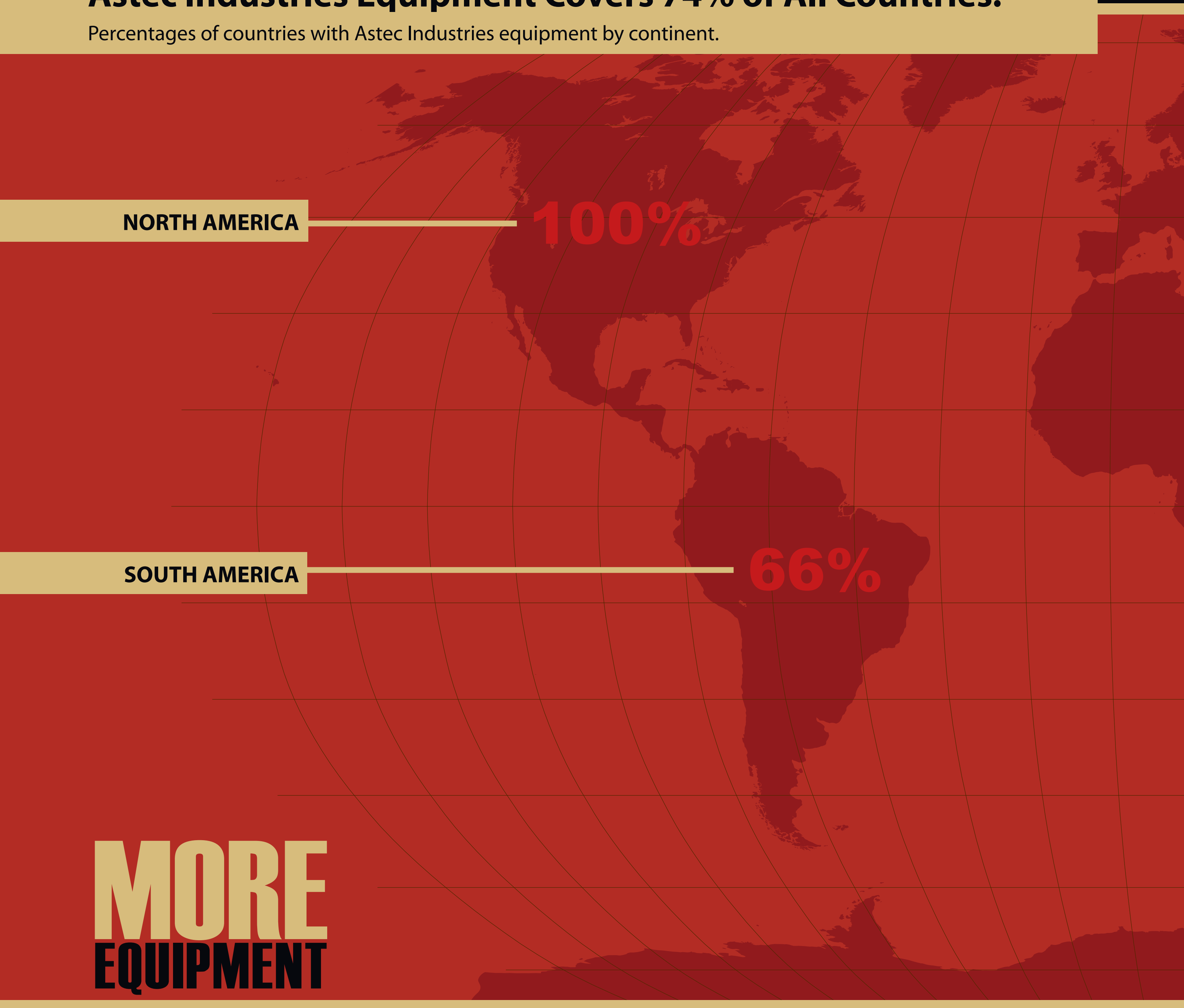
J. Don Brock

J. Don Brock, Ph.D.
Chairman, President & CEO
Astec Industries, Inc.

ASTEC INDUSTRIES, INC.

Astec Industries Equipment Covers 74% of All Countries.

Percentages of countries with Astec Industries equipment by continent.




60%
EUROPE
57%
ASIA
61%
AFRICA
100%
AUSTRALIA
MORE
INDUSTRIES

ASTEC INDUSTRIES, INC. TAKES THE INITIATIVE

Over the past two decades, America has become more dependent on foreign sources of oil. Poor decisions made in the late '70's on nuclear plants have caused us to rely more on hydrocarbon fuels to generate our growing need for electricity. The competition for petroleum-based fuels around the world has increased the price of oil from a low of $10 per barrel in the mid '80's to highs that exceeded $75 per barrel in 2006. The United States imports 12 million barrels of oil per day, sucking $750 million per day out of our economy.

We believe, for the future of our country, that we must become more energy independent through a combination of domestic exploration and conservation of our resources. That's why the Astec family of companies has directed its' resources and product development initiatives to help our customers reduce their energy cost and to help conserve our natural resources. The following are initiatives that we have undertaken:

- Increasing the amount of recycle – Astec Industries has taken a leadership position in developing ways to increase the amount of recycled asphalt used in the United States and around the world by doing it in a method and manner to produce a final product that is equal to or better than an all-virgin mix.
- The four models of milling machines we manufacture at Roadtec are able to mill as little as one quarter of an inch to as much as 12 inches of asphalt pavement in one single pass. This material can be screened then crushed and separated back to its original sizes. By properly re-engineering and combining the recycle with new virgin material, excellent pavements for roads can be made while utilizing as much as 50% recycled asphalt.
- The Double Barrel® Drum Mixer is the only plant in the world that will produce 50% recycled hot mix without consuming any more fuel. The finished product of the recycled material can be placed through a Roadtec Shuttle Buggy® and pavers to make a new, long-lasting and smooth pavement.

In 2006, approximately 700 million tons of hot mix asphalt were produced in America. The average percent of recycle was approximately 15%, equal to 105 million tons. Hot Mix Asphalt is the most recycled product in the United States today. By increasing this amount from 15% to 45%, an additional 210 million tons would be recycled. This would conserve approximately 200 million tons of aggregate and eliminate 65 million barrels of imported oil per year. Approximately 5½ days of imported oil.

As we install new Hot Mix Asphalt plants, we encourage our customers to pave and slope their stockpiles to drain moisture from the aggregate. By doing this, as well as insulating all lines on the plant, an additional 13 million barrels of oil could be eliminated each

The United States imports 12 million barrels of oil a day,





Milling machines remove up to 12 inches of asphalt pavement.

The milled pavement is screened, crushed, and separated back to its original size.

The recycle is then mixed in with the virgin aggregate, up to 50% of recycle can be added to the mix.

The recycle and virgin aggregate mix is turned into hot mix asphalt without consuming additional fuel.

Coal burners burn on pulverized coal, thus reducing fuel cost and dependency on oil.

The combination of these Astec products could save the

TO BECOME **MORE ENERGY INDEPENDENT.**

year or slightly over one additional day of imported oil. By converting the existing coal burners on plants to pulverized coal burners, approximately 25 million barrels of imported could be eliminated, or slightly over two days of imported oil.

Maintaining and keeping our roads in smoother condition can achieve the greatest possible oil savings. Tests have shown that having a smooth asphalt road versus having a rough road can save as much as 7% in motor vehicle fuel. This savings alone could amount to approximately 300 million barrels of oil per year or 25 days of imported oil. The Roadtec Shuttle Buggy® transfer vehicle has allowed us to build smoother pavements than before by remixing the material directly before it is placed in the pavers. In addition to the savings in oil, smoother roads reduce maintenance costs, tire wear, and reduce driver fatigue, which in turn saves lives. The combination of all of these savings, as shown in the graphic below, can amount to over 400 million barrels of imported oil per year or the equivalent of approximately 33 days of imported oil. We believe that it is our corporate responsibility to encourage our customers to take advantage and incorporate many of these initiatives in their operations. Many states are requiring the use of the transfer vehicle which automatically results in smoother pavements and they are beginning to reap these fuel savings benefits. Contractors who install new plants are paving under their stockpiles and a number of our customers are switching to pulverized coal burners.

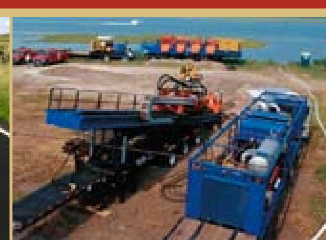
On the exploration side of the business, our American Augers division is utilizing the technology that has developed over the last 15 years to become the leader in horizontal drilling and applied it to the oil drilling industry. We are now producing drill rigs that will drill vertically and turn horizontally for shallow wells, reaching both oil and gas that were previously not obtainable. This drilling can be used to increase the flow in many existing fields. Our Heatec large hot oil heaters are being used in the tar sands to aid in the process of extracting oil from the sandy soil.

The combination of new exploration, extracting oil from the tar sand and conserving and reusing our energy resources can contribute to our energy independence while producing more jobs in America and improving our balance of trade. We are happy that our company can participate in these initiatives.

- J. Don Brock, Ph.D.

depleting **$750 million** a day out of our national economy.




Hot mix asphalt is transferred to the asphalt paver without job interruption.

Smooth asphalt roads have proven to save as much as 7% in motor vehicle fuel.

Hot oil heaters are being used to aid in the process of extracting oil from sandy soil.

Roadtec pavers create smooth, efficient, long lasting roads.

New horizontal directional drills can reach oil and gas previously not obtainable.

United States **400 million** barrels of imported oil a year.

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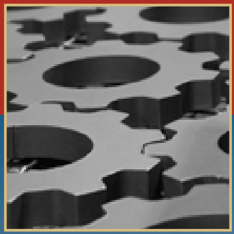
ASPHALT PRODUCTION EQUIPMENT

ASTEC, INC.
Chattanooga, Tennessee

HEATEC, INC.
Chattanooga, Tennessee

CEI ENTERPRISES, INC
Albuquerque, New Mexico



ASTEC, INC.

Astec designs, manufactures, sells and services Hot Mix Asphalt (HMA) facilities, components and controls. Astec also has a broad line of industrial products including soil remediation facilities. Astec, Inc. has grown to become the hot-mix asphalt plant market leader by being a customer-driven company. Through listening to customers and understanding every aspect of the business, Astec is able to provide new products that solve problems and increase profitability. To date, Astec, Inc. holds approximately 53 U.S. and 20 foreign patents. Astec, Inc. occupies over 440,000 square feet of modern manufacturing and office space in Chattanooga, Tennessee, USA.

Along with technologically advanced, top-of-the line product, Astec focuses on providing excellent service. The company dispatches its service personnel all over the globe to help set-up facilities and train operators. Six technicians staff the call-in service department and offer technical assistance and troubleshooting for any type or brand of hot mix plant. Additionally, Astec, Inc. maintains a large replacement parts inventory for Astec and other brands and fills part orders quickly and efficiently.

In 2006, Astec expanded the burner line with the addition of two new Phoenix™ burners. Astec developed the Phoenix Coal™ burner in response to volatile energy prices. With the Phoenix Coal burner, operators can take advantage of one of the lowest priced fuels available. The new ultra low emission Phoenix Phantom™ burner fills a need in those areas designated as non-attainment. Astec also completed work on a new burner facility in 2006. The new, state-of-the-art facility will allow Astec to double burner production.

Astec also debuted the new TCII™ control system. This state-of-the-art system is the most powerful ever designed to control hot mix asphalt facilities.

Stationary Hot Mix Asphalt Facilities • Portable Hot Mix Asphalt Facilities • Relocatable Hot Mix Asphalt Facilities Control Systems • Aggregate Drying Burners

Chattanooga, Tennessee

MORE EQUIPMENT

www.astecinc.com

HEATEC, INC.

Heatec designs, manufactures and markets heating and storage equipment for the Hot Mix Asphalt (HMA) industry, as well as heaters and heat transfer equipment for other industries.

The company's core products for the HMA industry include hot oil heaters, asphalt storage tanks, asphalt metering systems, fuel storage tanks and heavy fuel preheating systems.

In 2006 Heatec developed a new water heater, called FIRESTORM™, for the ready-mix concrete industry. Using heated water to make concrete enables ready-mix plants to extend their working season, which would otherwise be limited by cold weather. The new heater heats water on demand as it is used to mix concrete. This eliminates the need to store large quantities of heated water at concrete plants, which in turn lowers operating costs. The FIRESTORM water heater also features extremely high thermal efficiency: up to 99%.

Sales of Heatec asphalt tanks were strong in 2006. Concerns about shortages of liquid asphalt in some markets helped to boost sales as HMA producers purchased additional tanks for holding reserves of asphalt.

Heatec also implemented new design changes to improve its Thermo-Guard® vertical asphalt tanks in 2006. The changes improve manufacturing efficiency while maintaining Thermo-Guard tanks as superior products over competition.

Heatec also enjoyed strong sales of its industrial products in 2006. The company provided several heaters to gas processing facilities in western states. Sales of thermal fluid heating systems into the roofing industry were also robust in 2006.

**Helical Coil Heaters • Asphalt Cement Tanks • Fuel Storage Tanks • Vertical Serpentine Heaters and Vaporizers
Vertical Mixing Tanks • Waste Heat Recovery Units • Terminal Heaters • Polymer Blending Systems**

Chattanooga, Tennessee

MORE EQUIPMENT

www.heatec.com

CEI ENTERPRISES, INC.

CEI designs, manufactures and markets heating, mixing, and storage products for the asphalt industry, as well as the Nomad™ and Rap King™ lines of Hot Mix Asphalt (HMA) plants. CEI's jacketed firebox heaters have been proven to be a dependable, long lasting, and efficient heat source for the asphalt industry.

CEI continues to lead the industry with its rubberized asphalt blending systems. The computerized blending process utilizes ground tire rubber that is blended and reacted with liquid asphalt. This process provides increased pavement flexibility and superior road noise reduction.

In 2006 CEI adapted the jacketed firebox heater to burn methane that was recycled from a landfill for a customer located at the site of a closed landfill with a supply of landfill gas available for use. This 2.1 million BTU heater was equipped to run on methane, yet it could automatically switch over to natural gas if the methane pressure dropped below a level that would support efficient combustion.

Also in 2006, CEI designed a special tank vent condenser to meet strict EPA regulations in California that reduces blue smoke emissions from liquid asphalt storage tanks. This design uses a finned tube heat exchanger in a triple pass configuration. The unit incorporates a refrigeration unit to maintain a maximum exhaust fume temperature of 120˚ F.

In addition to HMA industry products, CEI has designed a new, unique design self–erecting water tank for the construction industry. These utilize a gasoline driven hydraulic pump to raise the tank overhead to allow gravity filling of tankers at approximately 2000 gallons per minute.

Asphalt Cement Tanks • Jacketed Firebox Heaters • Nomad™ and RAP King™ Hot Mix Asphalt Plants • Asphalt Rubber Blending Systems • Reaction Tanks • Fuel Tanks • Fuel Preheaters • Asphalt Metering Systems

Albuquerque, New Mexico

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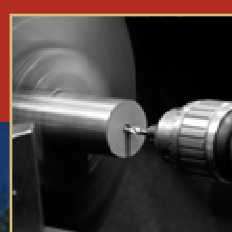
MOBILE ASPHALT PAVING EQUIPMENT



ROADTEC, INC.

Chattanooga, Tennessee

CARLSON PAVING PRODUCTS, INC.

Tacoma, Washington

ROADTEC, INC.

Roadtec builds roadbuilding equipment. Its four core product lines are cold planers, pavers, material transfer vehicles, and reclaimers/stabilizers. Roadtec enjoyed healthy growth in 2006 in its U.S. and international new product sales as well as in parts and rebuild sales.

In 2006 Roadtec introduced its SX-7 soil stabilizer/reclaimer, a brand new product for the company, which is filling an underserved niche for high horsepower U.S.-made soil stabilizers and has enjoyed a favorable reception in the market place.

Also in 2006 a fourth cold planer was added to the three existing models in that line. The new, compact RX-400 cold planer mills widths up to four feet wide (122 cm) and is ideal for parking lots, road shoulders, and space-restricted urban environments. Roadtec cold planers are found working all over the western hemisphere, and in 2006 strengthened their foothold in Europe and Asia.

Roadtec's line of asphalt pavers includes track and rubber-tired models as well as the SP-200 spray paver which is capable of spraying the bonding agent and placing asphalt in one step, and which is the only U.S.-made paver capable of doing so. Engineering development of Roadtec's radically different, high-density asphalt paver screed continues. This technology will help the company fulfill global demand for pavers.

The patented Shuttle Buggy® material transfer vehicle keeps setting the industry standard. The ability of this machine to create smoother, longer-lasting pavements has many government agencies specifying it for public road construction. In 2006 the Shuttle Buggy MTV continued to make inroads into the European market.

Roadtec's "360° Support" approach includes immediate, personal response to customer service, parts, financing, trade-in, training issues, and is recognized in the industry as one of the company's competitive advantages.

Cold Planers • Cold-In-Place Recycling Machines • Sidecutter Attachments • Rubber-Tired and Track-Driven Asphalt Pavers • Shuttle Buggy® Material Transfer Vehicle • Road Widener Attachments

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Chattanooga, Tennessee

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www.roadtec.com

CARLSON PAVING PRODUCTS, INC.

Carlson Paving Products has been manufacturing asphalt screeds for more than 20 years. Initially started and still located in the Pacific Northwest, Carlson Paving Products, Inc. has continued to develop new and innovative products. Manufacturing asphalt screeds for all types and sizes of highway class pavers, Carlson continues to maintain a dominant presence in screeds in the paving industry.

Acquired by Astec Industries in 2000, Carlson has since expanded its product line to include a windrow pick-up machine with a removable highway towing package available.

Carlson Paving Products will continue to strive to design and develop products for the asphalt industry that are innovative, user friendly, and functionally superior to any other equipment on the market. These products are designed with the owner, operator, and mechanic in mind. Carlson's equipment line is available through an extensive network of distributors.

Screeds for Highway and Commercial Asphalt Pavers • Windrow Pick-Up Machines

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Tacoma, Washington

www.carlsonpavingproducts.com

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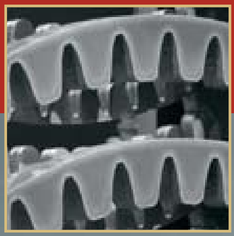
AGGREGATE AND MINING EQUIPMENT

KOLBERG-PIONEER, INC.
Yankton, South Dakota

JOHNSON CRUSHERS INTERNATIONAL, INC.
Eugene, Oregon

ASTEC MOBILE SCREENS, INC.
Sterling, Illinois

TELSMITH, INC.
Mequon, Wisconsin

BREAKER TECHNOLOGY, INC.
Thornbury, Ontario, Canada

OSBORN ENGINEERED PRODUCTS, SA (PTY) LTD.
Johannesburg, South Africa

KOLBERG-PIONEER, INC.

Kolberg-Pioneer designs, manufactures and markets full lines of washing, conveying, crushing, screening, classifying, portable and mobile plant equipment under the KPI-JCI brand throughout the world. For more than 75 years, Kolberg-Pioneer and its dedicated KPI-JCI dealer organization have been recognized within the aggregate and recycling industries as the only true "One Source" supplier of dependable equipment and experienced application-oriented support.

The Kolberg-Pioneer Fast Trax® series of mobile processing plants continues to lead the industry in design and capability with several innovative models to choose from. These units combine easily with other mobile cone crushing and horizontal screen plants to offer the expanding aggregate and recycling markets a highly profitable "System-Oriented" solution.

Kolberg-Pioneer continues this tradition of excellence by introducing the model 1830 PHB to the washing and classifying line of portable plants. With a maximum production capacity of 500 TPH, this highly portable blade mill / washing plant increases the end user's profitability by decreasing the transportation and set-up costs associated with the two or three units it replaces.

The KPI-JCI line of extendable stackers along with the Wizard Touch® automated control system, continue to prove themselves as the only practical solution for stockpiling today's stringent non-segregated aggregate needs. Available in lengths from 130 ft. to 150 ft, these highly portable stackers produce stockpiles up to 35% larger than those produced by more conventional non-extendable stackers as well as a multitude of new applications such as precision bin loading, barge loading and unique stockpiling configurations.

Track Mounted Jaw Crusher Plants • Track Mounted Horizontal Shaft Impact Plants • Portable Jaw Plants • Portable Horizontal Shaft Impact Plants • Portable Control Trailers • Portable Conveyors • Jaw Crushers • Horizontal Shaft Impact Crushers Washing and Classifying Equipment • Conveying and Material Handling Equipment • Screens and Portable Screening Plants

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Yankton, South Dakota

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KPI-JCI
ASTEC COMPANIES

JOHNSON CRUSHERS INTERNATIONAL, INC.

Johnson Crushers International designs, manufactures and markets a complete line of cone crushers and screens marketed under the KPI-JCI brand. Among them, an innovative line of roller bearing cone crushers which features a robust mine duty design and offers unmatched reliability and production capabilities and a full line of horizontal and multi-angle screens that have redefined what productivity, reliability and profitability mean. The JCI Fast Trax® series of mobile processing plants continues to lead the industry in design and capability with production rates up to 800 TPH.

In 2006, JCI introduced a new design of the existing track mounted mobile screening plant, the Fast Trax® model, FT6203. Incorporated within the redesign was the addition of a new transportation option that eliminates the need for a lowboy trailer and simplifies the process by utilizing a dedicated dolly axle assembly instead. The FT6203 combined with the existing mobile cone, jaw crusher and horizontal impact plants offer the expanding aggregate and recycling markets a highly profitable "System-Oriented" solution. JCI also launched the Kodiak K200 cone crusher as well as track mounted and portable carriers for this new addition to the Kodiak family of cone crushers.

The Fast Pack® Rapid-Deployment Production System continues to redefine industry standards for productivity and profitability. With production capabilities up to 500 TPH, the Fast Pack System can replace several under-utilized portable or stationary production facilities, converting days of costly downtime into highly profitable production time.

Track Mounted Horizontal Screen Plants • Track Mounted Cone Crusher Plants • Portable Screen Plants • Portable Cone Crusher Plants • Roller Bearing Cone Crushers • Multi-Angle Screens • Horizontal Screens • Incline Screens

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Eugene, Oregon

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www.kpijci.com

ASTEC MOBILE SCREENS, INC.

Founded in 1976, Astec Mobile Screens, Inc., has developed into one of the world's premier suppliers of innovative screening solutions. Our full line of products include mobile screening plants, portable and stationary screen structures and PEP high frequency vibrating screens for the quarry, recycle, sand & gravel, mining and other material processing industries. In 2006, Astec Mobile Screens continued its advancement and broadening of screening solutions for just about every application.

The PEP line of high frequency screening plants includes the Vari-Vibe® and Duo-Vibe® high frequency screens. These high frequency screens have become industry standards for material producers in dry processing operations when removing fines, sizing chips, resizing recycle asphalt pavement (RAP) and more. There are many advantages a PEP High Frequency Screen provides the material producer from higher production capabilities to more efficient sizing as compared to conventional screens. High frequency screens are available in portable and stationary configurations for in-line processing needs, while track and mobile screening plants provide the stand-alone solution.

For more traditional material processing applications, the Kolberg® - style screening plants are available in both track and wheel models. These robust machines are easy to operate and highly reliable in processing sand and gravel, topsoil, coal, crushed stone and recycled materials. In 2006, the popular Fold 'n Go® family was expanded by introducing the Fold 'n Go 2516KT track screening plant for high volume production. Designed for construction and recycling contractors, the direct feed KDS 710T track screening plant was also introduced this past year.

Portable Screening Plants • Stationary Screening Plants • High Frequency and Conventional Vibrating Screens

Sterling, Illinois

MORE EQUIPMENT

www.astecmobilescreens.com

TELSMITH, INC.

Telsmith, Inc. was founded over one hundred years ago to manufacture a new type of rock crusher for the aggregate industry. Today, Telsmith is still connected with its heritage, delivering new crushing and screening solutions to help meet the growing demand for aggregates around the world.

As one of the Astec companies, Telsmith designs, manufacturers, markets and services a full line of stone processing equipment. Included are jaw crushers, cone crushers, impact crushers, screens and feeders. Brand names such as Iron Giant, Gyrasphere and Vibro-King have gained worldwide recognition for quality and performance.

As a solution-based company, Telsmith has also developed modular plant systems to deliver turnkey processing plants. Combining consulting services and innovative modular plant designs, Telsmith has consistently succeeded in delivering on-time startup of new plant installations.

Superior customer support is a key element to Telsmith success. Extensive parts inventories are maintained at the factory and at distributor locations for a quick turn-around when the need arises. Experienced service technicians are available on the phone, the internet or at the job site to be sure the job is done right the first time.

New product development is as much a part of the Telsmith culture as it was 100 years ago. Recent developments include the PA6060; a low maintenance-high inertia impact crusher designed to meet the challenges of the quarried stone and concrete recycle industries. The 3258 jaw crusher is uniquely sized for high production quarries and incorporates a revolutionary hydraulic adjustment and relief system. Both products include unique features that reduce maintenance and deliver industry leading uptime availability.

Jaw Crushers • Cone Crushers • Impact Crushers • Vibrating Feeders • Vibrating Screens
Portable Plant Systems • Modular Plant Systems

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Mequon, Wisconsin

MORE EQUIPMENT

www.telsmith.com

BREAKER TECHNOLOGY, INC.

an Astec company

BREAKER TECHNOLOGY, INC.

Breaker Technology (BTI) is a manufacturer and distributor of a wide range of mining, quarry, construction, demolition and recycling equipment.

A full line of performance proven hydraulic attachments is offered, including breakers, compactors, pulverizers, shears and multi-processors. Refinement of these product lines is constantly underway in order to enhance results in the field. Improvements to both of the hydraulic hammer lines were introduced to distributors in late 2006.

The company specializes in stationary rock breaker systems for breaking oversize at primary crushers, grizzlies, drawpoints and stopes. The low profile portable boom system is designed to remain affixed to portable and mobile crushing applications allowing for road transportation, while offering safety and productivity enhancements. Development of a new mid-sized stationary rock breaker system was completed in 2006, incorporating benefits of fewer parts and improved componentry and maintainability.

BTI also produces a full line of rugged, low profile, underground utility vehicles including mobile scalers, mobile rock breakers, scissors lifts, crane trucks, fuel/lube trucks, ANFO loaders, shotcrete mixers and placers, personnel vehicles and cassette systems, engineered for long life, low maintenance and ease of service without sacrificing full functionality. The recent introduction of their QS45 Scaler with its revolutionary vibratory pick scaling head, has met with great enthusiasm from the industry and has proven to increase production up to 50% while reducing maintenance costs in a very demanding application.

BTI offers unparalleled experience and product support through its extensive network of strategically located distribution and service outlets.

Hydraulic Breakers • Hydraulic and Mechanical Demolition Attachments • Vibratory Compactors • Stationary and Portable Rock Breaker Systems • Mobile Rock Breakers • Underground Mine and Quarry Utility Vehicles

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Thornbury, Ontario, Canada

MORE EQUIPMENT

www.rockbreaker.com

OSBORN ENGINEERED PRODUCTS, SA (PTY) LTD.

With an entrenched reputation in the market, Osborn continues to offer process equipment to the mining and aggregate industry, including new machines, factory warranted rebuilds, replacement parts, conveyor idlers and project management.

The South African domestic economy has shown considerable growth in 2006 with both mining and construction demand for new and replacement machinery creating a backlog of orders never before seen in the 87 year history of the company.

The increase in demand for our equipment necessitated the expansion of the Osborn factory. Osborn added approximately 30% to existing covered floor space. In addition, this growth has brought to light a need to increase training for additional personnel to maintain acceptable lead times of our products to market.

The past year saw the launch of Osborn's first track mounted secondary cone crusher the OT 38 ST, to compliment the existing OT 3042 track mounted jaw crusher in the mobile equipment line. Osborn also began the planning of a production line to continuously build this range of equipment in the future.

Osborn remains proud of its continued accreditation as an integrated ISO 9001 – 2000, 14001 and 18000 manufacturer and supplier.

Jaw Crushers • Cone Crushers • Double Roll Crushers • Rotary Beakers • Processing and Conveyor Systems Conveyor Idlers • Apron Feeders • Vibrating Screens and Feeders

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Johannesburg, South Africa

MORE EQUIPMENT

www.osborn.co.za

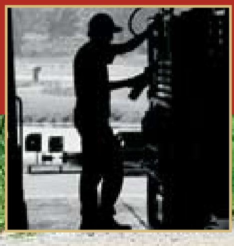
MORE
UNDERGROUND EQUIPMENT

ASTEC UNDERGROUND, INC.

Loudon, Tennessee

AMERICAN AUGERS, INC.

West Salem, Ohio



ASTEC UNDERGROUND

ASTEC UNDERGROUND, INC.

Astec Underground combines the Astec line of walk-behind and utility trenchers and compact horizontal directional drills with the Trencor brand of high performance rock trenchers, surface miners, and road miners to offer customers breakthrough solutions for their underground construction needs.

Both the Astec and Trencor products are manufactured at the company's 360,000 square-foot facility in Loudon, Tennessee.

The forerunners of the Astec machines were developed by Charles Davis in 1959. Recognized as an industry leader, Davis trenchers were renowned for their innovative designs and rugged reliability. The line was purchased by Case in 1969, and the machines carried the Case-Davis label until the mid 1970s when the Davis name was dropped. Case nurtured the line until 2002 when it was sold to Astec Underground and the machines received the Astec brand.

Astec Underground continues to enhance the line's reputation for performance and durability. In 2006 considerable time and effort went into re-engineering the utility trencher lineup. This effort produced more productive utility trenchers that also offer enhanced features for operator comfort. The Astec compact horizontal directional drills complement the trencher lineup to meet customers' underground construction needs. These units utilize technology and engineering derived from the maxi drills produced by Astec Underground's sister company, American Augers.

The Trencor brand has been a fixture for more than 60 years in the highly specialized trenching industry, serving construction and oil and gas markets. The Trencor lineup includes six different trencher models that can be configured to meet custom applications. Two of these are new models that were introduced in 2006 — the T1060 and the T1360 high performance mechanical chain trenchers.

**Rubber-Tired and Track-Mounted Utility Trenchers and Plows • Vibratory Plows • Horizontal Directional Drills (HDD)
Mud Cleaning Systems • High Performance Mechanical Chain Trenchers • Roadminers**

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

Loudon, Tennessee

MORE EQUIPMENT

www.astecunderground.com

AMERICAN AUGERS, INC.

American Augers Incorporated, located in West Salem Ohio has the distinction of being the longest running manufacturer of Auger Boring Machines in the country. American Augers is also the industry leader in larger directional drills, and mud cleaning systems in the underground technology industry.

The "Augers Advantage" is American Auger's 35 years in auger boring & directional drill experience, which continues to lead the way in mechanical, technological, and customer-based design improvements for the horizontal earth boring and directional drill market.

The overall growth of the American Augers brand has seen its equipment being utilized on all populated continents around the globe. The brand has enjoyed steady growth over the years, and the company remains committed to meeting the needs of a diverse and expanding customer base in a wide range of environments. That customer base has come to recognize that American Augers truly does believe in its products, as all machines are directly supported from the factory, and that the customer success is the number one priority in maintaining a reliable product line.

That commitment has lead to the development of such technological advances like the patented rack and pinion system known as "Quik Tran", which is present in all American Augers manufactured Next Generation Boring Machines. This along with American Augers venture into the vertical drilling arena, are signs that American Augers will continue to move forward by never loosing sight of its own core business and a focus on the company slogan "Drilling the World with Success"!

Horizontal Directional Drills (HDD) • Horizontal Auger Boring Machines • Mud Cleaning and Pumping Systems Tooling and Accessories

AGGREGATE AND MINING GROUP
ASPHALT GROUP
MOBILE ASPHALT PAVING GROUP
UNDERGROUND GROUP

West Salem, Ohio

MORE EQUIPMENT

www.americanaugers.com

FINANCIAL INFORMATION

SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands, except as noted*)

	2006	2005	2004	2003	2002
Consolidated Income Statement Data					
Net sales	$710,607	$616,068	$504,554	$402,066	$458,428
Selling, general and administrative expenses	93,999	81,839	69,777	63,890	68,702
Goodwill impairment	--	--	--	16,261	--
Gain on sale of real estate, net of real estate impairment charge	--	6,531	--	--	--
Relocation and start-up expenses	--	--	--	--	3,277
Research and development	13,561	11,319	8,580	7,669	7,116
Income (loss) from operations	60,343	46,303	24,382	(23,006)	(1,588)
Interest expense	1,672	4,209	5,033	9,095	11,074
Senior note termination expense	--	--	--	3,837	--
Income (loss) from continuing operations	39,588	28,094	12,483	(30,712)	(6,638)
Income from discontinued operations, net of tax	--	--	1,164	1,748	1,932
Gain on disposal of discontinued operations, net of tax of $5,071	--	--	5,406	--	--
Net income (loss)	39,588	28,094	19,053	(28,964)	(4,706)
Earnings (loss) per common share*					
Income (loss) from continuing operations:					
Basic	1.85	1.38	0.63	(1.56)	(0.34)
Diluted	1.81	1.34	0.62	(1.56)	(0.34)
Income from discontinued operations:					
Basic	--	--	0.33	0.09	0.10
Diluted	--	--	0.33	0.09	0.10
Net income (loss):					
Basic	1.85	1.38	0.96	(1.47)	(0.24)
Diluted	1.81	1.34	0.95	(1.47)	(0.24)
Consolidated Balance Sheet Data					
Working capital	$178,148	$137,981	$ 106,489	$ 81,001	$173,224
Total assets	421,863	346,583	324,818	319,973	416,979
Total short-term debt	--	--	11,827	36,685	3,220
Long-term debt, less current maturities	--	--	25,857	38,696	130,645
Shareholders' equity	296,166	242,742	191,256	167,517	192,647
Book value per diluted common share at year-end*	13.51	11.57	9.52	8.49	9.79

SELECTED CONSOLIDATED FINANCIAL DATA (CONTINUED)
(in thousands, except as noted*)

Quarterly Financial Highlights (Unaudited)		**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**
2006	Net sales	$185,724	$191,262	$171,470	$162,151
	Gross profit	45,152	47,427	41,042	34,666
	Net income	10,897	12,365	10,026	6,299
	Earnings per common share*				
	Net income:				
	Basic	0.51	0.58	0.47	0.29
	Diluted	0.50	0.56	0.46	0.29
2005	Net sales	$161,634	$170,814	$149,103	$134,516
	Gross profit	35,017	39,268	33,165	25,768
	Net income	6,792	10,221	10,059	1,022
	Earnings per common share*				
	Net income:				
	Basic	0.34	0.51	0.49	0.05
	Diluted	0.33	0.49	0.47	0.05

Common Stock Price *

2006 High	39.61	42.25	34.76	35.98
2006 Low	29.31	27.68	19.95	24.10
2005 High	$22.39	$25.45	$35.56	$34.16
2005 Low	16.01	19.41	21.12	23.72

The Company's common stock is traded on the National Association of Securities Dealers Automated Quotation (NASDAQ) National Market under the symbol ASTE. Prices shown are the high and low bid prices as announced by NASDAQ. The Company has never paid dividends on its common stock. As determined by the proxy search on the record date by the Company's transfer agent, the number of common shareholders is approximately 3,400.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion contains forward-looking statements that involve inherent risks and uncertainties. Actual results may differ materially from those contained in these forward-looking statements. For additional information regarding forward-looking statements, see "Forward-looking Statements" on page 49.

Overview

Astec is a leading manufacturer and marketer of road building equipment. The Company's businesses:

- design, engineer, manufacture and market equipment that is used in each phase of road building, from quarrying and crushing the aggregate to applying the asphalt;
- manufacture certain equipment and components unrelated to road construction, including trenching, auger boring, directional drilling, industrial heat transfer; and
- manufacture and sell replacement parts for equipment in each of its product lines.

The Company has 13 companies that fall within four reportable operating segments, which include the Asphalt Group, the Aggregate and Mining Group, the Mobile Asphalt Paving Group and the Underground Group. The business units in the Asphalt Group design, manufacture and market a complete line of asphalt plants and related components, heating and heat transfer processing equipment, and storage tanks for the asphalt paving and other unrelated industries. The business units in the Aggregate and Mining Group design, manufacture and market equipment for the aggregate, metallic mining and recycling industries. The business units in the Mobile Asphalt Paving Group design, manufacture and market asphalt pavers, material transfer vehicles, milling machines, stabilizers and screeds. The business units in the Underground Group design, manufacture and market a complete line of trenching equipment and directional drills for the underground construction market. The Company also has one other category that contains the business units that do not meet the requirements for separate disclosure as an operating segment. The business units in the Other category include Astec Insurance Company and Astec Industries, Inc., the parent company.

The Company's financial performance is affected by a number of factors, including the cyclical nature and varying conditions of the markets it serves. Demand in these markets fluctuates in response to overall economic conditions and is particularly sensitive to the amount of public sector spending on infrastructure development, privately funded infrastructure development and changes in the price of crude oil (fuel costs and liquid asphalt). In 2004, steel price increases had a significant impact on the cost of our equipment and came at a more rapid pace than selling price increases could be implemented. In 2005, steel prices were relatively flat compared to a very volatile 2004. During 2005, inflation in purchased parts and materials impacted product costs. These elevated prices continued in 2006. The Company will continue to monitor the price increases and make adjustments as needed in 2007.

In August 2005, President Bush signed into law the Safe, Accountable, Flexible and Efficient Transportation Equity Act - A Legacy for Users ("SAFETEA-LU"), which authorizes appropriation of $286.5 billion in guaranteed federal funding for road, highway and bridge construction, repair and improvement of the federal highway and transit projects for federal fiscal years October 1, 2004 through September 30, 2009. The Company believes that the federal highway funding significantly influences the purchasing decisions of the Company's customers who are more comfortable making purchasing decisions with the six-year legislation in place. The federal funding provides for approximately 25% of highway, street, roadway and parking construction funding in the United States. President Bush signed into law on February 15, 2007 a government-wide funding bill for FY 2007, which among other things delivers record investment levels for the federal highway programs.

The public sector spending described above is needed to fund road, bridge and mass transit improvements. Unquestionably, the Company believes that increased funding is needed to restore the nation's highways to a quality level required for safety, fuel efficiency and mitigation of congestion. In the Company's opinion, amounts needed are significantly above amounts proposed, and funding mechanisms such as the federal usage fee per gallon, which has not been increased in twelve years, would need to be increased along with other measures to generate the funds needed.

In addition to public sector funding, the economies in the markets the Company serves, the price of oil and its impact on customers' purchase decisions and the price of steel may each affect the Company's financial performance. Economic downturns, like the one experienced from 2001 through 2003, generally result in decreased purchasing by the Company's customers, which, in turn, causes reductions in sales and increased pricing pressure on the Company's products. Rising interest rates also typically have the effect of negatively impacting customers' attitudes toward purchasing equipment. The Company expects only slight changes in interest rates in 2007 and does not expect such changes to have a material impact on the financial results of the Company. Significant portions of the Company's revenues relate to the sale of equipment that produces asphalt mix. A major component of asphalt material is oil. A rise in the price of oil increases the cost of providing asphalt, which could likely decrease demand for asphalt, and therefore decrease demand for certain Company products. Steel is a major component in the Company's equipment. As steel prices increased during 2004, the cost of manufactured parts, as well as the costs of purchased parts and components, also increased. Steel prices abated somewhat during 2005 and 2006 but remained at historically high levels. Although the Company has instituted price increases in response to rising steel prices, purchased parts and component prices, if the Company is not able to raise the prices of its products enough to cover the increased costs of goods, the Company's financial results will be negatively affected. The Company believes that steel prices in 2007 may rise slightly on some types of steel and will probably decrease on other types of steel with no material impact. Oil price volatility is very difficult to predict. The Company's customers appear to be adapting their prices in response to the fluctuating oil prices and the fluctuations do not appear to be impairing the equipment purchases by them at this time. In addition to the factors stated above, many of the Company's markets are highly competitive, and its products compete worldwide with a number of other manufacturers and distributors that produce and sell similar products. The value of the dollar relative to many foreign currencies and the current positive economic conditions in certain foreign economies continue to have a positive impact on international sales.

In the United States and internationally, the Company's equipment is marketed directly to customers as well as through dealers. During 2006, approximately 75% to 80% of equipment sold by the Company was sold directly to the end user.

The Company's business includes the sale of replacement parts. During 2006, sales of replacement parts accounted for 23.3% of the Company's total sales.

The Company is operated on a decentralized basis and there is a complete management team for each individual subsidiary. Finance, insurance, legal, shareholder relations, corporate accounting and other corporate matters are primarily handled at the corporate level (i.e. Astec Industries, Inc., the parent company). The engineering, design, sales, manufacturing and basic accounting functions are all handled at each individual subsidiary. Standard accounting procedures are prescribed and followed in all reporting.

The employees of each subsidiary have the opportunity to earn bonuses in the aggregate up to 10% of the subsidiary's after-tax profit if such subsidiary meets established goals. These goals are based on return on capital employed, cash flow on capital employed and safety. Distribution of these bonuses is to all non-union employees of each operation. The bonuses for presidents and general managers are paid from a separate corporate pool.

Results of Operations; 2006 vs. 2005

The Company generated net income for 2006 of $39,588,000, or $1.81 per diluted share, compared to net income of $28,094,000, or $1.34 per diluted share, in 2005. The weighted average number of common shares outstanding at December 31, 2006 was 21,917,123 compared to 20,976,966 at December 31, 2005.

Net sales for 2006 were $710,607,000, an increase of $94,539,000, or 15.3%, compared to net sales from continuing operations of $616,068,000 in 2005. The increase in net sales in 2006 was primarily due to the continued weakness of the dollar against foreign currencies and improved economic conditions internationally.

Domestic sales increased from $499,838,000 in 2005 to $518,456,000 in 2006, an increase of $18,618,000, or 3.7%. Domestic sales are primarily generated from equipment purchases made by customers for use in construction for privately funded infrastructure development and public sector spending on infrastructure development.

In 2006, international sales increased $75,921,000, or 65.3%, to $192,151,000 compared to international sales of $116,230,000 in 2005. International sales increased the most in Europe, followed by Canada and the Middle East. These increases are due primarily to continued weakness of the dollar against these currencies and improving local economic conditions in these geographic areas.

Parts sales were $165,487,000 in 2006 compared to $144,199,000 in 2005 for an increase of 14.8%. The increase of $21,288,000 was generated mainly by the Aggregate and Mining Group and the Asphalt Group. The increase was primarily due to improving economic conditions and an increased effort to sell competitive parts. The largest percentage of improvement was in the Asphalt Group, Underground Group, Mobile Asphalt Group, and Aggregate Group, in that order.

Gross profit increased from $133,218,000 in 2005 to $168,287,000 in 2006. As a result, the gross profit as a percentage of net sales increased 210 basis points from 21.6% in 2005 to 23.7% in 2006. The primary factors that caused an increase in gross profit were an increased focus on internal cost reduction and product improvement programs, international sales, and increased parts sales. These improvements in gross profit were offset by an increase in underabsorption of overhead of $1,127,000 in 2006 as compared to 2005.

In 2006 selling, general and administrative ("SG&A") expenses increased $12,160,000 to $93,999,000, or 13.2% of 2006 net sales from $81,839,000 or 13.3% of net sales in 2005. The increase in SG&A in 2006 compared to 2005 was primarily due to increases in salaries, commissions and employee benefits of $10,976,000, and advertising and marketing expenses of $381,000.

Research and development expenses increased by $2,242,000, or 19.8%, from $11,319,000 in 2005 to $13,561,000 in 2006. The increase is related to the development of new products and improvement of current products.

During 2005, as part of the Company's periodic review of its operations, the Company assessed the recoverability of the carrying value of certain fixed assets, which resulted in an impairment loss of $1,183,000 on certain real estate currently not being used in the operations of the Company. This loss reflects the amounts by which the carrying value of the real estate exceeded its estimated fair value. This loss is included in operating expenses as a component of "gain on sale of real estate, net of real estate impairment charge" in the consolidated statements of operations. The real estate values and related impairment charge are included in the Asphalt Group for segment reporting purposes.

In addition, during 2005, the Company closed on the sale of the vacated Grapevine, Texas facility for $13,200,000. The assets sold had previously been classified on the consolidated balance sheet as assets held for sale with a book value of $4,886,000. The related gain, net of closing costs, on the sale of the property of $7,714,000 is included in operating expenses as a component of "gain on sale of real estate, net of real estate impairment charge" in the consolidated statements of operations. The assets sold and the related gain are included in the Underground Group for segment reporting purposes.

Interest expense for 2006 decreased by $2,537,000, or 60.3%, to $1,672,000 from $4,209,000 in 2005. This equates to 0.2% of net sales in 2006 compared to 0.7% of net sales for 2005. The reduced debt level is the primary reason for reduced interest expense.

Other income (expense) - net was income of $167,000 in 2006 compared to income of $210,000 in 2005. The net change in other income from 2005 to 2006 was due primarily to an increase in the loss on foreign currency transactions.

For 2006, the Company had an overall income tax expense of $20,638,000, or 34.2% of pre-tax income compared to the 2005 tax expense of $14,748,000, or 34.3% of pre-tax income. The company's expected rate in 2007 is 35.0%.

Earnings per share for 2006 were $1.81 per diluted share compared to $1.34 per diluted share for 2005, resulting in a 35.0% increase.

The backlog at December 31, 2006 was $242,536,000 compared to $127,694,000 at December 31, 2005, which represents an 89.9% increase. The backlog increased in all segments, with the largest increase of $73,627,000 occurring in the Asphalt Group, followed by increases of $32,379,000 in the Aggregate and Mining Group, $4,885,000 in the Mobile Asphalt Paving Group and $3,951,000 in the Underground Group. The Company is unable to determine whether this backlog effect was experienced by the industry as a whole. The Company believes the increased backlog reflects increased international sales demand relating to the weak dollars and strong economies internationally and the impact of federal funding under SAFETEA-LU and improvement in customer confidence in the economic conditions in the United States, which should result in increased federal and state fuel tax revenue.

Asphalt Group: During 2006, this segment had sales of $186,657,000 compared to $170,205,000 for 2005, an increase of $16,452,000, or 9.7%. Segment profits for 2006 were $24,387,000 compared to $16,099,000 for 2005, an increase of $8,288,000, or 51.5%. The primary reason for the increase in sales is increased international sales. The focus on product improvement and cost reduction impacted gross profits and segment income. During 2005, as part of the Company's periodic review of its operations, the Company assessed the recoverability of the carrying value of certain Asphalt Group fixed assets, which resulted in an impairment loss of $1,183,000 on certain real estate currently not being used in the operations of the Company. This loss reflects the amounts by which the carrying value of the real estate exceeded its estimated fair value. This loss is included in the 2005 segment profit for the Asphalt Group.

Aggregate and Mining Group: During 2006, sales for this segment increased $46,956,000, or 19.4%, to $289,471,000 compared to $242,515,000 for 2005. The primary increase in sales was attributable to increases in international sales. Segment profits for 2006 increased $10,708,000, or 47.5%, to $33,263,000 from $22,555,000 for 2005. Profits improved from increased international sales and increased parts sales. Such increases were offset partially by increased underabsorption of overhead.

Mobile Asphalt Paving Group: During 2006, sales for this segment increased $16,438,000, or 14.6%, to $129,385,000 from $112,947,000 in 2005. The increase in sales in 2006 compared to 2005 was almost evenly split between international and domestic. Improved customer confidence in domestic economic conditions and increased marketing efforts in competitive parts sales contributed to improved sales. Segment profits for 2006 increased $2,077,000, or 16.9%, to $14,368,000 from $12,291,000 for 2005. Segment profits were positively impacted by both improved machine sales volume and parts sales volume. Segment profits were negatively impacted by increased underabsorption of overhead.

Underground Group: During 2006, sales for this segment increased $14,694,000, or 16.3%, to $105,094,000 from $90,400,000 for 2005. This increase is due primarily to increased sales of large trenchers, directional drills and auger boring machines. Segment profits for 2006 decreased $1,435,000 from a profit of $6,301,000 in 2005 to a profit of $4,866,000 in 2006. Segment profit in 2005 included the gain recognized on the sale of the Trencor manufacturing facility in Grapevine, Texas during the third quarter of 2005. Excluding this gain of $7,714,000, the segment loss in 2005 would have been $1,413,000, resulting in an increase in segment profit of $6,279,000 from 2005 to 2006. In addition, underabsorption of overhead decreased $1,143,000 from 2005 to 2006.

Results of Operations; 2005 vs. 2004

The Company generated net income for 2005 of $28,094,000, or $1.34 per diluted share, compared to net income of $19,053,000, or $0.95 per diluted share, in 2004. The weighted average number of common shares outstanding at December 31, 2005 was 20,976,966 compared to 20,079,349 at December 31, 2004.

The results of discontinued operations are presented in the income from discontinued operations and the gain on disposal of discontinued operations (net of tax) line items and are excluded from all other lines on the consolidated statement of operations. The Company sold substantially all of the assets and liabilities of Superior Industries of Morris, Inc. on June 30, 2004. The financials for 2004 have been restated to reflect discontinued operations for Superior Industries of Morris, Inc.

Net sales from continuing operations for 2005 were $616,068,000, an increase of $111,514,000, or 22.1%, compared to net sales from continuing operations of $504,554,000 in 2004. The increase in net sales from continuing operations in 2005 was primarily due to improving domestic economic conditions, improved customer confidence, finalization of the federal highway funding legislation, continued weakness of the dollar against foreign currencies and increased marketing efforts related to replacement parts sales.

Domestic sales from continuing operations increased from $381,938,000 in 2004 to $499,838,000 in 2005, an increase of $117,900,000, or 30.9%. Domestic sales are primarily generated from equipment purchases made by customers for use in construction for privately funded infrastructure development and public sector spending on infrastructure development.

In 2005, international sales decreased $6,386,000, or 5.2%, to $116,230,000 compared to international sales from continuing operations of $122,616,000 in 2004. International sales decreased the most in Europe, followed by Asia and the Middle East. These decreases were due primarily to competitive pricing pressures from foreign manufacturers, the impact of oil prices on ocean freight charges and declining economic conditions in these geographic areas. International sales increased in Africa, Canada and South America. These increases were due primarily to continued weakness of the dollar against these currencies and improving local economic conditions in these geographic areas.

Parts sales from continuing operations were $144,199,000 in 2005 compared to $116,530,000 in 2004. The increase of $27,669,000 was generated mainly by the Aggregate and Mining Group and the Underground Group. The increase was primarily due to improving economic conditions, an increased effort to sell competitive parts and the addition of the utility trencher product line to the Underground Group.

Gross profit from continuing operations increased from $103,005,000 in 2004 to $133,218,000 in 2005. As a result, the gross profit from continuing operations as a percentage of net sales from continuing operations increased from 20.4% in 2004 to 21.6% in 2005. The primary factors that caused an increase in gross profit were increased net sales due to an improving economy and price increases, increased parts sales, internal cost reduction programs and profitable new products. These improvements in gross profit were offset by an increase in underutilization of capacity of $2,074,000.

In 2005 selling, general and administrative ("SG&A") expenses from continuing operations increased by $12,062,000 to $81,839,000, or 13.3% of 2005 net sales, from $69,777,000, or 13.8% of net sales in 2004. The increase in SG&A in 2005 compared to 2004 was primarily due to increases in salaries, commissions and employee benefits of $7,412,000, legal costs of $1,143,000, advertising and marketing expenses of $733,000 and ConExpo expenses of $600,000.

Research and development expenses from continuing operations increased by $2,739,000, or 31.9%, from $8,580,000 in 2004 to $11,319,000 in 2005. The increase is related to the development of new products and improvement of current products.

During 2005, as part of the Company's periodic review of its operations, the Company assessed the recoverability of the carrying value of certain fixed assets, which resulted in an impairment loss of $1,183,000 on certain real estate currently not being used in the operations of the Company. This loss reflects the amounts by which the carrying value of the real estate exceeded its estimated fair value. This loss is included in operating expenses as a component of "gain on sale of real estate, net of real estate impairment charge" in the consolidated statements of operations. The real estate values and related impairment charge are included in the Asphalt Group for segment reporting purposes.

In addition, during 2005, the Company closed on the sale of the vacated Grapevine, Texas facility for $13,200,000. The assets sold had previously been classified on the consolidated balance sheet as assets held for sale with a book value of $4,886,000. The related gain, net of closing costs, on the sale of the property of $7,714,000 is included in operating expenses as a component of "gain on sale of real estate, net of real estate impairment charge" in the consolidated statements of operations. The assets sold and the related gain are included in the Underground Group for segment reporting purposes.

Interest expense from continuing operations for 2005 decreased by $824,000, or 16.4%, to $4,209,000 from $5,033,000 in 2004. This equates to 0.7% of net sales in 2005 compared to 1.0% of net sales for 2004. The reduced debt level and negotiated reductions in interest rates on the credit facility are the primary reasons for reduced interest expense.

Other income (expense) - net from continuing operations was income of $210,000 in 2005 compared to an expense of $68,000 in 2004. The net change in other income from 2004 and 2005 was due primarily to a decrease in the loss on foreign currency transactions of $174,000.

For 2005, the Company had an overall income tax expense of $14,748,000, or 34.3% of pre-tax income compared to the 2004 tax expense of $13,247,000, or 40.9% of pre-tax income. The 2004 income tax expense for continuing operations was $7,021,000, or 35.8% of pre-tax income. The reduction in the effective tax rate on continuing operations from 2004 to 2005 is primarily due to research and development tax credits taken in 2005 and the impact of the Domestic Product Activity Deduction.

Earnings per share for 2005 were $1.34 per diluted share compared to $0.95 per diluted share for 2004.

Earnings from continuing operations for 2005 were $1.34 per diluted share compared to $0.62 per diluted share for 2004.

The backlog at December 31, 2005 was $127,694,000 compared to $93,543,000 at December 31, 2004, which represents a 36.5% increase. The backlog increased in all segments, with the largest increase of $29,680,000 occurring in the Aggregate and Mining Group, followed by increases of $2,156,000 in the Mobile Asphalt Paving Group, $1,779,000 in the Asphalt Group and $536,000 in the Underground Group. The Company is unable to determine whether this backlog effect was experienced by the industry as a whole. The Company believes the increased backlog reflects the impact of federal funding under SAFETEA-LU and an improvement in customer confidence in the economic conditions in the United States, which should result in increased federal and state fuel tax revenue and increased commercial projects.

Asphalt Group: During 2005, this segment had sales of $170,205,000 compared to $141,050,000 for 2004, an increase of $29,155,000, or 20.7%. Segment profits for 2005 were $16,099,000 compared to $8,109,000 for 2004, an increase of $7,990,000, or 98.5%. The primary reason for the increase in sales is improved customer confidence in domestic economic conditions, as well as the finalization of the federal highway funding legislation. Improved utilization of manufacturing overhead positively impacted gross profits and segment income. During 2005, as part of the Company's periodic review of its operations, the Company assessed the recoverability of the carrying value of certain Asphalt Group fixed assets, which resulted in an impairment loss of $1,183,000 on certain real estate currently not being used in the operations of the Company. This loss reflects the amounts by which the carrying value of the real estate exceeded its estimated fair value. This loss is included in the 2005 segment profit for the Asphalt Group.

Aggregate and Mining Group: During 2005, sales for this segment increased $35,118,000, or 16.9%, to $242,515,000 compared to $207,397,000 for 2004. Discontinued operations related to Superior Industries of Morris, Inc. have been excluded from the segment. The increase in sales was attributable to increases in domestic sales of portable aggregate plants, track-mounted equipment and parts. The portable plants and track-mounted equipment were successfully applied by customers in new markets. Segment profits for 2005 increased $2,870,000, or 14.6%, to $22,555,000 from $19,685,000 for 2004. Profits improved from increased machine sales volume, increased parts sales and profitable new products. Such increases were offset partially by decreased international sales volume and increased underutilization of overhead.

Mobile Asphalt Paving Group: During 2005, sales for this segment increased $21,557,000, or 23.6%, to $112,947,000 from $91,390,000 in 2004. Sales increases occurred almost entirely in the domestic market and were primarily due to improved customer confidence in domestic economic conditions, the finalization of the federal highway funding legislation and increased marketing efforts in competitive parts sales. Segment profits for 2005 increased $4,737,000, or 62.7%, to $12,291,000 from $7,554,000 for 2004. Segment profits were positively impacted by improved machine sales volume, as well as improved parts sales volume. Segment profits were negatively impacted by increased underutilization of overhead.

Underground Group: During 2005, sales for this segment increased $26,014,000, or 40.4%, to $90,400,000 from $64,386,000 for 2004. This increase is due primarily to increases in sales of large trenchers, directional drills, auger and boring machines and mid-line and small trenchers. These increases accounted for $22,000,000 of the increase in sales. Parts sales also increased $8,400,000. These increases were offset by a reduction in sales of mud systems and used equipment. Segment profits increased $7,954,000 from a loss of $1,653,000 to profit of $6,301,000. Segment profit increased primarily due to the gain recognized on the sale of the Trencor manufacturing facility in Grapevine, Texas during the third quarter of 2005. Excluding this gain of $7,714,000, the segment loss in 2005 would have been $1,413,000, resulting in a decrease in segment loss of $240,000 from 2004 to 2005. In addition, underutilization of overhead increased $1,532,000 from 2004 to 2005.

Liquidity and Capital Resources

Current corporate cash available for operating purposes was $40,415,000 at December 31, 2006. The Company had no borrowings under its credit facility with General Electric Capital Corporation ("GE Capital") at December 31, 2006. At December 31, 2006, the Company had borrowing availability of $81,231,000 compared to $68,866,000 at December 31, 2005, net of letters of credit, on its revolver based on eligible accounts receivable and inventories.

Net cash provided by operating activities for the year ended December 31, 2006 was $41,979,000 compared to $32,107,000 for the year ended December 31, 2005. This increase is primarily due to an increase in net income of $11,494,000, an increase in cash provided by customer deposits of $9,008,000, and an increase in cash provided by other accrued expenses of $5,738,000. The 2005 amount also includes a reduction of the non-cash gain on sale of the Grapevine, Texas facility of $7,714,000. These 2006 increases in cash were offset by an increase in cash used by inventories of $15,523,000 and an increase in cash used by trade receivables of $5,088,000.

Cash flows used by investing activities for the year ended December 31, 2006 were $29,538,000 compared to $1,108,000 provided for the year ended December 31, 2005. During 2005, the Company had proceeds from the sale of the Grapevine, Texas facility of $12,589,000. This transaction plus an increase in expenditures for property and equipment of $19,250,000 in 2006 constitute the primary difference in investing cash flows from 2005 to 2006.

Cash provided by financing activities was $10,024,000 in 2006 compared to $18,922,000 used in 2005. The primary reason for the difference in the financing cash flows from 2005 to 2006 was a decrease in debt repayment of $37,684,000 offset by a decrease of $8,876,000 in proceeds from the issuance of common stock related to stock option exercises during 2006.

The Company entered into a revolving credit facility and senior note agreement with General Electric Capital Corporation ("GE Capital") on May 14, 2003. On April 1, 2005, the Company entered into an amendment to the credit facility with GE Capital that amended interest rates on the Company's revolving and term loan facilities to more favorable rates than those rates under the previous terms. Under this amendment, interest rates are based on applicable index rates plus a sliding scale of applicable index margins from zero to three-fourths of one percent (0.75%), or at the option of the borrower, the LIBOR margin plus an applicable index margin from two percent (2.0%) to two and three-fourths percent (2.75%) based on a level of total funded debt ratio.

Currently, under the amended GE Capital revolving credit facility, which expires on May 14, 2007, maximum borrowings of $87,500,000 are based on a percentage of eligible receivables and inventory. The $87,500,000 limit includes $5,000,000 for use by the Canadian subsidiary Breaker Technology Ltd., as discussed further below. Availability under the revolving facility is adjusted monthly and interest is due in arrears. Additionally, the GE Capital amended agreement permits the Company to hold inventory notes or customer financing of up to $4,000,000 at any time. The credit facility contains certain restrictive financial covenants relative to operating ratios and capital expenditures. As of December 31, 2006, net availability under the revolving GE Capital credit facility was approximately $81,231,000, and no borrowings were outstanding.

During the third quarter of 2005, the Company used available cash to pay off the senior note (term loan) portion of the GE Capital debt early. Due to the early repayment of this loan, the Company expensed approximately $519,000 of related, previously unamortized loan fees in the third quarter of 2005 as additional interest expense. Also during the third quarter of 2005, GE Capital released its security interest in substantially all of the Company's assets except for accounts receivable and inventories.

The Company was in compliance with the financial covenants under its credit facility as of December 31, 2006 and 2005.

The Company's Canadian subsidiary, Breaker Technology Ltd., ("BTL") has available a credit facility issued by General Electric Capital-Canada ("GEC Canada") dated May 14, 2003, with a term of four years for $5,000,000 to finance short-term working capital needs, as well as to cover the short-term establishment of letter of credit guarantees. Interest rates are based on applicable index rates plus a sliding scale of applicable index margins from two percent (2.0%) to two and three-fourths percent (2.75%) based on a level of total funded debt ratio. At December 31, 2006 and 2005, BTL did not have any outstanding balance under the credit facility but did have approximately $322,000 and $294,000, respectively, in letter of credit guarantees under the facility. The Company is the primary guarantor to GEC Canada of payment and performance for this $5,000,000 credit facility. The term of the guarantee is equal to the related debt. The maximum potential amount of future payments the Company would be required to make under its guarantee at December 31, 2006 and 2005 was $322,000 and $294,000, respectively.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd., ("Osborn") has available a credit facility of approximately $2,842,000 (ZAR 20,000,000) to finance short-term working capital needs, as well as to cover the short-term establishment of letter of credit performance guarantees. As of December 31, 2006, Osborn had no outstanding debt under the credit facility, but approximately $1,956,000 in performance and retention bonds were guaranteed under the facility. The facility is secured by Osborn's accounts receivable and retention balances. The available facility fluctuates monthly based upon fifty percent (50%) of Osborn's accounts receivable, retention and cash balances at the end of the prior month. As of December 31, 2006, Osborn Engineered Products had available credit under the facility of approximately $722,000.

Capital expenditures in 2007 are budgeted to be approximately $27,600,000. The Company expects to finance these expenditures using cash available, the available capacity under the Company's revolving credit facility and internally generated funds. Capital expenditures for 2006 were $30,879,000 compared to $11,630,000 in 2005.

The Company believes that its current working capital, cash flows generated from future operations and available capacity remaining under its credit facility will be sufficient to meet the Company's working capital and capital expenditure requirements through December 31, 2007. The G.E. credit facility is scheduled to expire May 14, 2007 and will be replaced by a new revolving credit facility. A commitment letter has been signed and the definitive agreement is currently in process. The new agreement will be provided by one bank with a $100,000,000 unsecured line of credit. The expected completion date of the new agreement is approximately March 1, 2007 effective May 1, 2007.

Market Risk and Risk Management Policies

The Company is exposed to changes in interest rates, primarily from its revolving credit agreements. At December 31, 2006 and 2005, the Company did not have interest rate derivatives in place. The current fluctuations in interest are subject to normal market fluctuations of interest. A hypothetical 100 basis point adverse move (increase) in interest rates would not have materially affected interest expense for the year ended December 31, 2006 since there were no amounts outstanding on the revolving credit agreements during this period.

The Company is subject to foreign exchange risks arising from its foreign operations in their local currency. Foreign operations represented 8.8% of total assets at both December 31, 2006 and 2005, and 6.9% and 7.4% of total revenue for the years ended December 31, 2006 and 2005, respectively. Assuming foreign exchange rates decreased ten percent (10%) from the December 31, 2006 and 2005 levels, the December 31, 2006 and 2005 shareholders' equity would not be materially affected. The Company's earnings and cash flows are also subject to fluctuations due to changes in foreign currency exchange rates; however, these fluctuations would not be significant to the Company's consolidated operations.

Aggregate Contractual Obligations

The following table discloses aggregate information about the Company's contractual obligations and the period in which payments are due as of December 31, 2006:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More Than 5 Years**
Operating lease obligations	$ 3,860,000	$ 1,651,000	$ 2,017,000	$ 192,000	--
Total	$ 3,860,000	$ 1,651,000	$ 2,017,000	$ 192,000	--

In addition to the contractual obligations noted in the table above, the Company also has the following funding commitments.

In 2006 the Company made contributions of approximately $702,000 to the pension plans and $359,000 to the post-retirement benefit plans, for a total of $1,061,000, compared to $362,000 in 2005. The Company estimates that it will contribute a total of approximately $855,000 to the pension and post-retirement plans during 2007. The Company's funding policy for all plans is to make the minimum annual contributions required by applicable regulations.

Contingencies

Management has reviewed all claims and lawsuits and, upon the advice of counsel, has made adequate provision for any estimable losses. However, the Company is unable to predict the ultimate outcome of the outstanding claims and lawsuits.

Certain customers have financed purchases of the Company's products through arrangements in which the Company is contingently liable for customer debt and residual value guarantees aggregating $2,902,000 and $10,500,000 at December 31, 2006 and 2005, respectively. These obligations have average remaining terms of three years with minimal risk.

The Company is contingently liable under letters of credit of approximately $5,990,000, primarily for performance guarantees to customers or insurance carriers.

Off-balance Sheet Arrangements

As of December 31, 2006 the Company does not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K.

Environmental Matters

Based on information available, management is not aware of the need for environmental reserves.

Critical Accounting Policies

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. Application of these principles requires the Company to make estimates and judgments that affect the amounts as reported in the consolidated financial statements. Accounting policies that are critical to aid in understanding and evaluating the results of operations and financial position of the Company include the following:

Inventory Valuation: Inventories are valued at the lower of cost or market. The most significant component of the Company's inventories is steel. Open market prices, which are subject to volatility, determine the cost of steel for the Company. During periods when open market prices decline, the Company may need to provide an allowance to reduce the carrying value of the inventory. In addition, certain items in inventory may be considered obsolete, and as such, the Company may establish an allowance to reduce the carrying value of these items to their net realizable value. The amounts in these inventory allowances are determined by the Company based on certain estimates, assumptions and judgments made from the information available at that time. Historically, inventory reserves have been sufficient to provide for proper valuation of the Company's inventory. The Company does not believe it is reasonably likely that the allowance level will materially change in the future.

Allowance for Doubtful Accounts: The Company records an allowance for doubtful accounts to reflect management's best estimate of the losses inherent in its accounts receivables as of the balance sheet date. The Company evaluates its ability to collect accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific reserve for bad debts is recorded against amounts due to reduce the net recognized receivable to the amount reasonably expected to be collected. Additionally, a general percentage of past due receivables is reserved, based on the Company's past experience of collectibility. If circumstances change (i.e., higher than expected defaults or an unexpected materially adverse change in a major customer's ability to meet its financial obligations), estimates of the recoverability of amounts due could be reduced by a material amount. The Company's level of reserves for its customer accounts receivable fluctuates depending upon the factors discussed. Historically, the allowance for doubtful accounts has been sufficient to provide for write-offs of uncollectible amounts. The Company does not believe it is reasonably likely that the allowance level will materially change in the future.

Health Self-Insurance Reserve: At eight of twelve domestic manufacturing subsidiaries, the Company is self-insured for health and prescription claims under its Group Health Insurance Plan. These subsidiaries account for approximately seventy percent (70%) of the Company's employees. The Company carries reinsurance coverage to limit its exposure for individual health claims above certain limits. A major insurance company administers health claims and a major pharmacy benefits manager administers prescription medication claims. The Company maintains an insurance reserve for the self-insured health and prescription plans. This reserve includes both unpaid claims and an estimate of claims incurred but not reported, based on historical claims. Historically the reserves have been sufficient to provide for claims payments. Changes in actual claims experience could cause the reserve to change, but the Company does not believe it is reasonably likely that the reserve level will materially change in the future.

The remaining U.S. subsidiaries are covered under fully insured group health plans to which their subsidiaries subscribe. Employees of the Company's foreign subsidiaries are insured under health plans in accordance with their local governmental requirements. No reserves are necessary for the fully insured health plans.

Workers Compensation and General Liability Self-Insurance: The Company is insuring the retention portion of workers compensation claims and general liability claims by way of a captive insurance company, Astec

Insurance Company (referred to herein as "Astec Insurance" or "the captive"). Astec Insurance is incorporated under the laws of the state of Vermont, and a management company specializing in captive insurance management maintains all records of Astec Insurance. The objectives of Astec Insurance are to improve control over and to provide long-term reduction in variability in insurance and retained loss costs; to improve focus on risk reduction with development of a program structure which rewards proactive loss control; and to continue the current claims management process whereby the Company actively participates in the defense and settlement process for claims.

For general liability claims, the captive is liable for the first $1 million per occurrence and $2.5 million per year in the aggregate. The Company carries general liability, excess liability and umbrella policies for claims in excess of those covered by the captive.

For workers compensation claims, the captive is liable for the first $350,000 per occurrence and $3.5 million per year in the aggregate. The Company utilizes a major insurance company for workers compensation claims administration.

The financial statements of the captive are consolidated into the financial statements of the Company. The reserves for claims and potential claims related to general liability and workers compensation under the captive are included in Accrued Loss Reserves or Other on the consolidated balance sheets depending on the expected timing of future payments. The reserves are estimated based on the Company's evaluation of the type and severity of individual claims and historical information, primarily its own claims experience, along with assumptions about future events. Changes in assumptions, as well as changes in actual experience, could cause these estimates to change in the future. However, the Company does not believe it is reasonably likely that the reserve level will materially change in the future.

Product Warranty Reserve: The Company accrues for the estimated cost of product warranties at the time revenue is recognized. We evaluate our warranty obligations by product line or model based on historical warranty claims experience. For machines, our standard product warranty terms generally include post-sales support and repairs of products at no additional charge for a specified period of time or up to a specified number of hours of operation. For parts from our component suppliers, we rely on the original manufactures warranty that accompanies those parts and make no additional provision for warranty claims. Generally, our fabricated parts are not covered by specific warranty terms. Although failure of fabricated parts due to material or workmanship is rare, if it occurs, our policy is to replace fabricated parts at no additional charge. We make no provision for warranty claims for fabricated parts sold.

While we engage in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers, our estimated warranty obligation is based upon warranty terms, product failure rates, repair costs and current period machine shipments. If actual product failure rates, repair costs, service delivery costs or post-sales support costs differ from our estimates, revisions to the estimated warranty liability would be required. Warranty periods for machines generally range from six months to one year or up to a specific number of hours of operation.

Revenue Recognition: Revenue is generally recognized on sales at the point in time when persuasive evidence of an arrangement exists, the price is fixed and determinable, the product has been shipped and there is reasonable assurance of collection of the sales proceeds. The Company generally obtains purchase authorizations from its customers for a specified amount of product at a specified price with specified delivery terms. A portion of the Company's equipment sales represents equipment produced in the Company's plants under short-term contracts for a specific customer project or equipment designed to meet a customer's specific requirements. Certain contracts include terms and conditions through which the Company recognizes revenues upon completion of equipment production, which is subsequently stored at the Company's plant at the customer's request. In accordance with SAB 104, revenue is recorded on such contracts upon the customer's assumption of title and risk of ownership and when collectibility is reasonably assured. In addition, there must be a fixed schedule of delivery of the goods consistent with the customer's business practices, the Company must not have retained any specific performance obligations such that the earnings process is not complete and the goods must have been segregated from the Company's inventory.

The Company has a limited number of sales accounted for as multiple-element arrangements, whereby related revenue on each product is recognized when it is shipped, and the related service revenue is recognized when the service is performed. The Company evaluates sales with multiple deliverable elements (such as an agreement to deliver equipment and related installation services) to determine whether the revenue related to an individual deliverable element should be recognized. In addition to the previously mentioned general revenue recognition criteria, the Company only recognizes revenue on an individual delivered element when there is objective and reliable evidence that the delivered element has a determinable value to the customer on a standalone basis and there is no right of return.

Recent Accounting Pronouncements

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs", ("SFAS 151"). SFAS 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, "Inventory Pricing", to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The Company adopted SFAS 151 effective January 1, 2006. The adoption of SFAS 151 did not have a significant impact on the Company's consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, "Exchanges of Nonmonetary Assets", ("SFAS 153"). SFAS 153 amends the guidance in APB Opinion No. 29, "Accounting for Nonmonetary Transactions" to eliminate certain exceptions to the principle that exchanges of nonmonetary assets be measured based on the fair value of the assets exchanged. SFAS 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. This statement is effective for nonmonetary asset exchanges in fiscal years beginning after June 15, 2005. The adoption of SFAS 153 did not have an impact on the Company's consolidated financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections", ("SFAS 154"). SFAS 154 replaced APB No. 20, "Accounting Changes" and Statement of Financial Accounting Standards No. 3, "Reporting Accounting Changes in Interim Financial Statements", ("SFAS 3"), and established retrospective application as the required method for reporting a change in accounting principle. The reporting of a correction of an error by restating previously issued financial statements was also addressed. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 did not have a material effect on the Company's consolidated financial statements.

In June 2006, the FASB ratified Emerging Issues Talk Force ("EITF") Issue No. 06-3, "How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)". This statement allows companies to present in their statements of income any taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions between a seller and a customer, such as sales, use, value-added and some excise taxes, on either a gross (included in revenue and costs) or a net (excluded from revenue) basis. This standard will be effective in interim periods and fiscal years beginning after December 15, 2006. The Company presents these transactions on a net basis, and therefore the adoption of this standard will have no impact on the Company's financial statements.

In July 2006, the FASB issued FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement 109, Accounting for Income Taxes" ("Interpretation 48"). Interpretation 48 defines a criterion that an income tax position would have to meet for some or all of the benefit of that position to be recognized in an entity's financial statements. Interpretation 48 requires that the cumulative effect of applying its provisions be reported as an adjustment to retained earnings at the beginning of the period in which it is adopted. Interpretation 48 is effective for fiscal years beginning after December 15, 2006 and the Company will begin applying its provisions effective January 1, 2007. While the Company is continuing to evaluate the impact on its consolidated financial statements, it believes the adoption wil have an immaterial effect.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements", ("SFAS 157"), which provides guidance on how to measure assets and liabilities that use fair value. SFAS 157 will apply whenever another US GAAP standard requires (or permits) assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard also will require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007 and the Company will begin applying its provisions effective January 1, 2008. The Company has not yet determined the impact, if any, that the adoption of this statement will have on the Company's financial statements.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" ("SAB 108"). SAB

108 was issued in order to eliminate the diversity of practice in how public companies quantify misstatements of financial statements, including misstatements that were not material to prior years’ financial statements. The Company applied the provisions of SAB 108 in connection with the preparation of its annual financial statements for the year ended December 31, 2006. The adoption of this bulletin had no impact on the Company’s financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, “Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132R”, (“ SFAS 158”). SFAS 158 requires companies to (1) recognize as an asset or liability, the overfunded or underfunded status of defined pension and other postretirement benefit plans; (2) recognize changes in the funded status through other comprehensive income in the year in which the changes occur; (3) measure the funded status of defined pension and other post-retirement benefit plans as of the date of the company’s fiscal year-end; and (4) provide enhanced disclosures. The Company applied the provisions of SFAS 158 in connection with the preparation of its annual financial statements for the year-ended December 31, 2006. See Note 11, Pension and Post-retirement Benefits, for the impact on the Consolidated Balance Sheets.

Forward-Looking Statements

This annual report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Statements contained anywhere in this Annual Report that are not limited to historical information are considered 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, including, without limitation, statements regarding:

- execution of the Company’s growth and operation strategy;
- compliance with covenants in the Company’s credit facilities;
- liquidity and capital expenditures;
- sufficiency of working capital, cash flows and available capacity under the Company’s credit facilities;
- government funding and growth of highway construction and commercial projects;
- taxes or usage fees;
- financing plans;
- industry trends;
- pricing and availability of oil;
- steel prices;
- condition of the economy;
- the success of new product lines;
- [pricing of] [demand for] and supply of plates;
- plans for technological innovation;
- ability to secure adequate or timely replacement of financing to repay our lenders;
- compliance with government regulations;
- compliance with manufacturing or delivery timetables;
- forecasting of results;
- general economic trends and political uncertainty;
- integration of acquisitions;
- our presence in the international marketplace;
- suitability of our current facilities;
- future payment of dividends;
- competition in our business segments;
- product liability and other claims; and
- protection of proprietary technology.

These forward-looking statements are based largely on management’s expectations, which are subject to a number of known and unknown risks, uncertainties and other factors discussed in this report and in documents filed by the Company with the Securities and Exchange Commission, which may cause actual results, financial or otherwise, to be materially different from those anticipated, expressed or implied by the forward-looking statements. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements to reflect future events or circumstances. You can identify these statements by forward-looking words such as “expect,” “believe,” “goal,” “plan,” “intend,” “estimate,” “may,” “will” and similar expressions.

In addition to the risks and uncertainties identified elsewhere herein and in documents filed by the Company with the Securities and Exchange Commission, the following factors should be carefully considered when evaluating the Company's business and future prospects; decreases or delays in highway funding; rising interest rates; changes in oil prices; changes in steel prices; downturns in the general economy; unexpected capital expenditures and decreases in liquidity; the timing of large contracts; production capacity; general business conditions in the industry; non-compliance with covenants in the Company's credit facilities; demand for the Company's products; and those other factors listed from time to time in the Company's reports filed with the Securities and Exchange Commission. Certain of the risks, uncertainties and other factors discussed or noted above are more fully described in the section entitled "Business - Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Astec Industries, Inc.:

We have audited the accompanying consolidated balance sheet of Astec Industries, Inc. as of December 31, 2006 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astec Industries, Inc. at December 31, 2006, and the consolidated results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 of the consolidated financial statements, the Company has adopted Statement of Financial Accounting Standards No. 123(R), Share Based Payment and Statement of Financial Accounting Standards No. 158, Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans, in 2006.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Astec Industries, Inc.'s internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2007 expressed an unqualified opinion thereon.

Ernst & Young LLP

Chattanooga, Tennessee
March 8, 2007

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Astec Industries, Inc.:

We have audited the accompanying consolidated balance sheets of Astec Industries, Inc. (a Tennessee corporation) and subsidiaries as of December 31, 2005, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the two years in the period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Astec Industries, Inc. and subsidiaries as of December 31, 2005, and the results of their operations and their cash flows for each of the two years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Greensboro, North Carolina
March 7, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
Astec Industries, Inc.:

We have audited management's assessment, included in the accompanying Management Assessment Report, that Astec Industries, Inc. maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Astec Industries, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Astec Industries, Inc. maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Astec Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Astec Industries, Inc. as of December 31, 2006 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended and our report dated March 8, 2007 expressed an unqualified opinion thereon.

Ernst + Young LLP

Chattanooga, Tennessee
March 8, 2007

ASTEC INDUSTRIES, INC.
MANAGEMENT ASSESSMENT REPORT

The management of Astec Industries, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control system is designed to provide reasonable assurance to the Company's management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There are inherent limitations in the effectiveness of all internal control systems no matter how well designed. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the preparation and presentation of financial statements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of a change in circumstances or conditions.

The management of the Company assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework. Based on our assessment, management concluded that the Company's internal control over financial reporting was effective.

During the course of the Company's 2005 annual audit, significant deficiencies in internal controls primarily related to the adequacy of inventory controls, accounting system access controls, journal entry authorization, and monitoring controls related to Astec Underground, Inc., a wholly-owned subsidiary of the Company, were identified. When aggregated, these deficiencies represented a material weakness in the Company's internal controls over financial reporting. Management has taken numerous actions to remedy these significant deficiencies, including making improvements to the steel inventory control and reporting system; initiating additional and remedial training programs; hiring an inventory control specialist for Astec Underground, Inc.; implementing new journal entry review and documentation procedures; and hiring a new controller for Astec Underground, Inc. These enhancements in controls have been in place for several months and have been tested by our management. Based upon these remedial actions and the results of its testing performed, our management has concluded that the Company has remedied the material weakness in our internal control over financial reporting identified in the prior year.

Management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006 has been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young has issued an attestation report on management's assessment and the effectiveness of the Company's internal controls over financial reporting.

CONSOLIDATED BALANCE SHEETS

	December 31, 2006	December 31, 2005
Assets		
Current assets:		
Cash and cash equivalents	$ 44,878,128	$ 22,597,696
Trade receivables, less allowance for doubtful accounts of $1,781,000 in 2006 and $1,877,000 in 2005	64,590,673	50,853,686
Notes and other receivables	2,082,588	2,541,542
Inventories	157,835,438	135,503,361
Prepaid expenses	5,532,405	7,257,021
Deferred income tax assets	7,879,738	7,212,932
Other current assets	218,990	61,952
Total current assets	283,017,960	226,028,190
Property and equipment, net	113,914,165	96,114,469
Other assets:		
Goodwill	19,383,826	19,361,035
Other	5,546,584	5,078,980
Total other assets	24,930,410	24,440,015
Total assets	$ 421,862,535	$ 346,582,674
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 42,561,181	$ 39,774,568
Customer deposits	22,485,579	12,063,448
Accrued product warranty	7,183,946	5,666,123
Accrued payroll and related liabilities	9,297,981	6,957,138
Accrued loss reserves	2,976,204	6,453,655
Other accrued liabilities	20,364,598	17,132,611
Total current liabilities	104,869,489	88,047,543
Deferred income tax liabilities	6,331,856	4,650,605
Accrued retirement benefit costs	2,999,667	5,109,729
Other	10,796,636	5,440,910
Total liabilities	124,997,648	103,248,787
Minority interest	699,195	591,842
Shareholders' equity:		
Preferred stock - authorized 4,000,000 shares of $1.00 par value; none issued	--	--
Common stock - authorized 40,000,000 shares of $.20 par value; issued and outstanding - 21,696,374 in 2006 and 21,177,352 in 2005	4,339,275	4,235,470
Additional paid-in capital	93,759,957	79,722,952
Accumulated other comprehensive income	2,486,258	2,604,676
Company shares held by SERP, at cost	(2,081,095)	(1,894,507)
Retained earnings	197,661,297	158,073,454
Total shareholders' equity	296,165,692	242,742,045
Total liabilities and shareholders' equity	$ 421,862,535	$ 346,582,674

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2006	2005	2004
Net sales	$ 710,606,813	$ 616,067,723	$ 504,553,751
Cost of sales	542,319,968	482,850,057	401,548,413
Gross profit	168,286,845	133,217,666	103,005,338
Selling, general and administrative expenses	93,999,318	81,839,049	69,776,668
Research and development expenses	13,560,572	11,319,280	8,579,916
Gain on sale of real estate, net of real estate impairment charge	--	6,530,884	--
Amortization	383,793	287,454	266,457
Income from operations	60,343,162	46,302,767	24,382,297
Other income (expense)			
Interest expense	(1,671,852)	(4,209,046)	(5,032,878)
Interest income	1,469,485	644,280	332,997
Other income (expense), net	167,157	209,894	(67,622)
Income from continuing operations before income taxes and minority interest	60,307,952	42,947,895	19,614,794
Income taxes on continuing operations	(20,637,741)	(14,748,366)	(7,020,802)
Income from continuing operations before minority interest	39,670,211	28,199,529	12,593,992
Minority interest	82,368	105,308	111,260
Income from continuing operations	39,587,843	28,094,221	12,482,732
Income from discontinued operations	--	--	2,319,711
Income taxes on discontinued operations	--	--	(1,155,404)
Gain on disposal of discontinued operations, net of tax of $5,070,836	--	--	5,406,224
Net income	$ 39,587,843	$ 28,094,221	$ 19,053,263
Earnings per Common Share			
Income from continuing operations:			
Basic	$ 1.85	$ 1.38	$ 0.63
Diluted	1.81	1.34	0.62
Income from discontinued operations:			
Basic	--	--	0.33
Diluted	--	--	0.33
Net income:			
Basic	1.85	1.38	0.96
Diluted	1.81	1.34	0.95
Weighted average number of common shares outstanding:			
Basic	21,428,738	20,333,894	19,740,699
Diluted	21,917,123	20,976,966	20,079,349

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31, 2006	2005	2004
Cash Flows from Operating Activities			
Net income	$ 39,587,843	$ 28,094,221	$ 19,053,263
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	11,507,298	10,562,568	10,853,013
Amortization	383,793	287,454	266,457
Provision for doubtful accounts	374,748	190,984	592,544
Provision for inventory reserves	3,721,613	3,088,515	3,426,958
Provision for warranty	11,712,690	10,432,651	8,586,480
Deferred compensation provision	325,159	1,863,359	491,721
Deferred income tax provision (benefit)	1,014,445	(1,496,468)	4,943,606
Impairment charge on real estate not being used	--	1,183,421	--
Gain on disposal of discontinued operations, net of tax	--	--	(5,406,224)
Gain on disposition of assets held for sale	--	(7,714,305)	--
(Gain) loss on disposition of fixed assets	74,637	(11,079)	450,081
Tax benefit from stock option exercises	(2,955,103)	5,039,320	262,002
Purchase of trading security by Supplemental Executive Retirement Plan	(445,329)	(263,190)	--
Stock-based payments	974,826	--	--
Minority interest in earnings of subsidiary	(82,368)	(105,308)	(111,260)
(Increase) decrease in:			
Trade and other receivables	(13,955,658)	(8,867,559)	(3,556,365)
Finance receivables	--	--	121,310
Notes receivables	(89,993)	253,310	78,056
Inventories	(26,815,069)	(11,291,802)	(21,471,263)
Prepaid expenses	1,555,495	1,423,566	(4,648,422)
Other assets	(417,318)	493,710	(922,253)
Increase (decrease) in:			
Accounts payable	2,976,010	4,679,391	9,912,335
Customer deposits	10,645,675	1,637,973	686,642
Accrued product warranty	(10,168,800)	(9,551,048)	(7,358,121)
Refundable income taxes	--	181,662	(386,591)
Income taxes payable	1,193,460	(4,013)	(1,882,137)
Accrued retirement benefit costs	(1,425,494)	281,636	(1,037,275)
Self insurance loss reserves	(3,478,566)	(1,038,702)	381,692
Other accrued liabilities	12,601,026	2,401,906	7,464,761
Other	209,143	354,796	294,674
Net cash provided by operating activities	39,024,163	32,106,969	21,085,684
Cash Flows from Investing Activities			
Proceeds from disposal of discontinued operations, net	--	--	23,496,339
Proceeds from sale of property and equipment	1,247,475	166,945	1,511,047
Expenditures for property and equipment	(30,879,114)	(11,629,597)	(11,167,772)
Proceeds from sale of assets held for sale	--	12,589,218	--
Cash from sale (acquisition) of minority shares	93,292	(18,835)	(283,369)
Net cash provided (used) by investing activities	(29,538,347)	1,107,731	13,556,245

Includes continuing and discontinued operations.

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended December 31, 2006	2005	2004
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	$ 9,970,201	$ 18,846,357	$ 2,754,586
Tax benefit from stock option exercise	2,955,103	--	--
Net repayments under revolving credit loans	--	(8,517,253)	(19,479,303)
Principal repayments of industrial bonds, loans and notes payable	--	(29,167,104)	(18,180,385)
Sale (purchase) of company shares by Supplemental Executive Retirement Plan, net	54,092	(84,199)	(231,711)
Net cash provided (used) by financing activities	12,979,396	(18,922,199)	(35,136,813)
Effect of exchange rates on cash	(184,780)	(43,498)	92,477
Increase (decrease) in cash and cash equivalents	22,280,432	14,249,003	(402,407)
Cash and cash equivalents, beginning of year	22,597,696	8,348,693	8,751,100
Cash and cash equivalents, end of year	$ 44,878,128	$ 22,597,696	$ 8,348,693
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	$ 895,650	$ 2,559,165	$ 3,890,711
Income taxes, net of refunds	$ 18,437,778	$ 8,176,320	$ 9,915,939
Restructure of note receivable:			
Finance receivables	$ --	$ --	$ 248,028
Accounts receivable	--	--	(248,028)
Repossession of rental equipment:			
Inventory	--	--	270,000
Fixed assets	--	--	(270,000)
Intangible assets acquired:			
Other assets	$ --	$ 375,000	$ --
Other liabilities	--	(375,000)	--

2004 includes continuing and discontinued operations.

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2006, 2005 and 2004

	Common Stock		Additional		Accumulated		
	Shares	Amount	Paid-in Capital	Retained Earnings	Other Comprehensive Income	Company Shares Held by SERP	Total Shareholders' Equity
Balance December 31, 2003	**19,738,046**	**$3,947,609**	**$52,988,951**	**$110,925,970**	**$1,113,693**	**$(1,459,000)**	**$167,517,223**
Net income				19,053,263			19,053,263
Other comprehensive income:							
Minimum pension liability adjustment, net of income taxes of $172,434					(281,341)		(281,341)
Foreign currency translation adjustments					1,947,596		1,947,596
Unrealized loss on cash flow hedge net of income taxes of $225,741					234,171		234,171
Comprehensive income							20,953,689
Exercise of stock options, including tax benefit	249,457	49,892	2,966,696				3,016,588
Purchase of Company stock held by SERP						(231,711)	(231,711)
Balance December 31, 2004	**19,987,503**	**3,997,501**	**55,955,647**	**129,979,233**	**3,014,119**	**(1,690,711)**	**191,255,789**
Net income				28,094,221			28,094,221
Other comprehensive income:							
Minimum pension liability adjustment, net of income taxes of $107,032					(245,927)		(245,927)
Foreign currency translation adjustments					(297,659)		(297,659)
Unrealized loss on cash flow hedge					134,143		134,143
Comprehensive income							27,684,778
Exercise of stock options, including tax benefit	1,189,849	237,969	23,647,708				23,885,677
Sale (Purchase) of Company stock held by SERP			119,597			(203,796)	(84,199)
Balance December 31, 2005	**21,177,352**	**4,235,470**	**79,722,952**	**158,073,454**	**2,604,676**	**(1,894,507)**	**242,742,045**
Net income				39,587,843			39,587,843
Other comprehensive income:							
Minimum pension liability adjustment, net of income taxes of $762,211					1,280,857		1,280,857
Foreign currency translation adjustments					(802,986)		(802,986)
Comprehensive income							40,065,714
Adjustment to initially apply FASB Statement 158, net of income taxes of $(368,700)					(596,289)		(596,289)
Stock-based payments	2,016	403	974,423				974,826
Exercise of stock options, including tax benefit	517,006	103,402	12,821,902				12,925,304
Sale (Purchase) of Company stock held by SERP			240,680			(186,588)	54,092
Balance December 31, 2006	**21,696,374**	**$4,339,275**	**$93,759,957**	**$197,661,297**	**$2,486,258**	**$(2,081,095)**	**$296,165,692**

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2006, 2005 and 2004

1. Summary of Significant Accounting Policies

Basis of Presentation - The consolidated financial statements include the accounts of Astec Industries, Inc. and its domestic and foreign subsidiaries. The Company's significant wholly-owned and consolidated subsidiaries at December 31, 2006 are as follows:

American Augers, Inc.	Astec, Inc.
Astec Insurance Company	Astec Mobile Screens, Inc. (f/k/a Production Engineered Products, Inc.)
Astec Underground, Inc. (f/k/a Trencor, Inc.)	Breaker Technology, Inc.
Carlson Paving Products, Inc.	Breaker Technology Ltd.
CEI Enterprises, Inc.	Johnson Crushers International, Inc.
Heatec, Inc.	Kolberg-Pioneer, Inc.
Roadtec, Inc.	Osborn Engineered Products SA (Pty) Ltd. (92% owned)
Telsmith, Inc.	

All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and accompanying notes. Actual results could differ from those estimates.

Foreign Currency Translation – Subsidiaries located in Canada and South Africa operate primarily using local functional currency. Accordingly, assets and liabilities of these subsidiaries are translated using exchange rates in effect at the end of the period, and revenues and costs are translated using average exchange rates for the period. The resulting adjustments are presented as a separate component of accumulated other comprehensive income.

Cash and Cash Equivalents - The Company considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents.

Concentration of Credit Risk - The Company sells products to a wide variety of customers. Accounts receivable are carried at their outstanding principal amounts, less an allowance for doubtful accounts. The Company extends credit to its customers based on an evaluation of the customer's financial condition generally without requiring collateral. Credit risk is driven by conditions within the economy and the industry and is principally dependent on each customer's financial condition. To minimize credit risk, the Company monitors credit levels and financial conditions of customers on a continuing basis. The Company maintains an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses. As of December 31, 2006, concentrations of credit risk with respect to receivables are limited due to the wide variety of customers.

Inventories - Inventory costs include materials, labor and overhead. Inventories (excluding used equipment) are stated at the lower of first-in, first-out cost or market. Used equipment inventories are stated at the lower of specific unit cost or market.

Property and Equipment - Property and equipment is stated at cost. Depreciation is calculated for financial reporting purposes using the straight-line method based on the estimated useful lives of the assets as follows: airplanes (40 years), buildings (40 years) and equipment (3 to 10 years). Both accelerated and straight-line methods are used for tax reporting purposes.

Goodwill - Goodwill represents the excess of cost over the fair value of net identifiable assets acquired. Goodwill amounts were amortized using the straight-line method over 20 years through 2001. Effective January 1, 2002, goodwill is no longer being amortized in accordance with Statement of Financial Accounting Standards No. 142 *Goodwill and Other Intangible Assets*, ("SFAS 142") but is tested for impairment at least annually.

Impairment of Long-lived Assets - In the event that facts and circumstances indicate the carrying amounts of long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation is required, the estimated future undiscounted cash flows associated with the asset would be compared to the carrying amount for each asset to determine if a writedown is required. If this review indicates that the assets will not be recoverable, the carrying value of the Company's assets would be reduced to their estimated market value.

Revenue Recognition - Revenue is generally recognized on sales at the point in time when persuasive evidence of an arrangement exists, the price is fixed and determinable, the product has been shipped and there is reasonable assurance of collection of the sales proceeds. The Company generally obtains purchase authorizations from its customers for a specified amount of product at a specified price with specified delivery terms. A portion of the Company's equipment sales represents equipment produced in the Company's plants under short-term contracts for a specific customer project or equipment designed to meet a customer's specific requirements. Certain contracts include terms and conditions through which the Company recognizes revenues upon completion of equipment production, which is subsequently stored at the Company's plant at the customer's request. In accordance with Staff Accounting Bulletin No. 104, "Revenue Recognition" ("SAB 104"), revenue is recorded on such contracts upon the customer's assumption of title and risk of ownership and when collectibility is reasonably assured. In addition, there must be a fixed schedule of delivery of the goods consistent with the customer's business practices, the Company must not have retained any specific performance obligations such that the earnings process is not complete and the goods must have been segregated from the Company's inventory.

The Company has a limited number of sales accounted for as multiple-element arrangements, whereby related revenue on each product is recognized when it is shipped, and the related service revenue is recognized when the service is performed. The Company evaluates sales with multiple deliverable elements (such as an agreement to deliver equipment and related installation services) to determine whether the revenue related to an individual deliverable element should be recognized. In addition to the previously mentioned general revenue recognition criteria, the Company only recognizes revenue on an individual delivered element when there is objective and reliable evidence that the delivered element has a determinable value to the customer on a standalone basis and there is no right of return.

Advertising Expense - The cost of advertising, other than direct response advertising, is expensed as incurred. The Company incurred approximately $2,785,000, $2,690,000 and $2,474,000 in advertising costs during 2006, 2005 and 2004, respectively.

Direct response advertising is capitalized and amortized over its expected period of future benefit. The Company participates in a week-long industry trade show that takes place once every three years. The Company maintains customer and potential customer attendance records that are used to track the future sales revenues as a result of their advertising and customer relation efforts at the show. The costs related to the trade exhibits and show attendance are capitalized, then amortized on a straight-line basis over the period in which revenue related to the trade show is generated, which is normally twenty-four months based on historical revenue patterns. The amortization method is supported by the attendance and revenue related records maintained by the Company. Prepaid trade show expenses totaled $170,000 and $1,223,000 as of December 31, 2006 and 2005, respectively. Amortized advertising expenses related to presentation and attendance at trade shows were $1,058,000, $880,000 and $288,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Income Taxes - Income taxes are based on pre-tax financial accounting income. Deferred tax assets and liabilities are recognized for the expected tax consequences of temporary differences between the tax bases of assets and liabilities and their reported amounts. The Company periodically assesses the need to establish a valuation allowance against its deferred tax assets to the extent the Company no longer believes it is more likely than not that the tax assets will be fully utilized. The major circumstance that affects the Company's valuation allowance is each subsidiary's ability to utilize any available state net operating loss carryforwards. If the subsidiaries that generated the loss carryforwards generate higher than expected future income, the valuation allowance will decrease. If these subsidiaries generate future losses, the valuation allowance may increase.

Stock-based Compensation - The Company currently has two types of stock-based compensation plans in effect for its employees and directors. The Company's stock option plans have been in effect for a number of years and its stock incentive plan was put in place during 2006. These plans are more fully described in Note 14. Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, "Share Based Payment", ("SFAS 123R"), using the modified prospective method. SFAS 123R requires the recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements and is measured based on the grant date calculated fair value of the award. SFAS 123R also requires the stock-based option compensation expense to be recognized over the period during which an employee is required to provide service in exchange for the award (the vesting period). Prior to the adoption of SFAS 123R on January 1, 2006, the Company accounted for stock-based compensation plans in accordance with the provisions of Accounting Principles Board Opinion No. 25 ("APB 25"), and applied the disclosure only provision of SFAS 123. Under APB 25, generally no compensation expense was recorded when the terms of the award were fixed and the exercise price of the employee stock option equaled or exceeded the market value of the underlying stock on the date of grant. The Company did not record compensation expense for option awards in periods prior to January 1, 2006.

During 2006, the Company recorded compensation expense related to stock options that reduced income from operations by $381,000, decreased the provision for income taxes by $83,000, and decreased net income by $298,000. All of this expense was recorded in the first two quarters of 2006. This resulted in a $.01 reduction in both basic and fully diluted earnings per share for the year ended December 31, 2006. Cash received from options exercised during the year ended December 31, 2006 totaled $9,840,000, and is included in the accompanying consolidated statement of cash flows as a financing activity. The excess tax benefit realized from the exercise of these options totaled $2,955,000 for the year ended December 31, 2006. The stock option compensation expense was included in selling, general and administrative expenses in the accompanying consolidated statement of operations. As of December 31, 2006, there is no unrecognized compensation costs related to stock options previously granted.

As the Company adopted SFAS 123R using the modified prospective method, information for periods prior to January 1, 2006 have not been restated to reflect the impact of applying the provisions of SFAS 123R. The following summary presents the Company's net income and per share earnings that would have been reported had the Company recorded stock-based employee compensation cost using the fair value method of accounting set forth under SFAS 123.

	Year Ended December 31,	
	2005	**2004**
Net income, as reported	$ 28,094,221	$ 19,053,263
Stock compensation expense under SFAS 123, net of taxes	(618,206)	50,336
Adjusted net income	$ 27,476,015	$ 19,103,599
Basic earnings per share, as reported	$ 1.38	$ 0.96
Stock compensation expense under SFAS 123, net of taxes	(0.03)	0.01
Adjusted basic earnings per share	$ 1.35	$ 0.97
Diluted earnings per share, as reported	$ 1.34	$ 0.95
Stock compensation expense under SFAS 123, net of taxes	(0.03)	--
Adjusted diluted earnings per share	$ 1.31	$ 0.95

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	2006 Grants	2005 Grants	2004 Grants
Expected life	5.5 Years	6 years	7 years
Expected volatility	55.1%	47.5%	47.8%
Risk-free interest rate	4.53%	3.77%	3.64%
Dividend yield	--	--	--

The expected life of stock options represents the period of time that the stock options granted are expected to be outstanding and was based on the shortcut method allowed under SAB 107 for 2006 and based upon historical trends for 2005 and 2004. The expected volatility is based on the historical price volatility of the Company's common stock. The risk-free interest rate represents the U.S. Treasury bill rate for the expected life of the related stock options. No factor for dividend yield was incorporated in the calculation of fair value, as the Company has historically not paid dividends.

Earnings Per Share - Basic and diluted earnings per share are calculated in accordance with Statement of Financial Accounting Standards No. 128 *Earnings per Share,* ("SFAS 128"). Basic earnings per share is based on the weighted average number of common shares outstanding and diluted earnings per share includes potential dilutive effects of options, warrants and convertible securities.

The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2006	2005	2004
Numerator:			
Income from continuing operations	$ 39,587,843	$ 28,094,221	$ 12,482,732
Income from discontinued operations	--	--	6,570,531
Net income	$ 39,587,843	$ 28,094,221	$ 19,053,263
Denominator:			
Denominator for basic earnings per share	21,428,738	20,333,894	19,740,699
Effect of dilutive securities:			
Employee stock options	371,477	524,740	310,338
Supplemental executive retirement plan	116,908	118,332	28,312
Denominator for diluted earnings per share	21,917,123	20,976,966	20,079,349
Income from continuing operations:			
Basic	$ 1.85	$ 1.38	$ 0.63
Diluted	1.81	1.34	0.62
Income from discontinued operations:			
Basic	--	--	0.33
Diluted	--	--	0.33
Net income:			
Basic	1.85	1.38	0.96
Diluted	1.81	1.34	0.95

For the years ended December 31, 2006, 2005 and 2004 options of approximately 169,000, 809,782 and 1,621,000, respectively, were antidilutive and were not included in the diluted EPS computation.

Derivatives and Hedging Activities - In June 1998 the Financial Accounting Standards Board issued SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, (“SFAS 133”) which was amended by SFAS Nos. 137 and 138. SFAS 133, as amended, requires the Company to recognize all derivatives in the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of assets, liabilities, or firm commitments through income or recognized in other comprehensive income until the hedged item is recognized in income. The ineffective portion of a derivative’s change in fair value is immediately recognized in income.

Shipping and Handling Fees and Cost - The Company records revenues earned for shipping and handling as revenue, while the cost of shipping and handling is classified as cost of goods sold.

Litigation Contingencies - As a normal course of business in the industry, the Company is named as a defendant in a number of legal proceedings associated with product liability matters. The Company does not believe it is party to any legal proceedings that will have a materially adverse effect on the consolidated financial position. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in assumptions related to these proceedings.

As discussed in Note 13 of the consolidated financial statements, as of December 31, 2006, the Company has accrued its best estimate of the probable cost for the resolution of these claims. This estimate has been developed in consultation with outside counsel that is handling the defense in these matters and is based upon a combination of litigation and settlement strategies. Certain litigation is being addressed before juries in states where past jury awards have been significant. To the extent additional information arises or strategies change, it is possible that the Company’s best estimate of the probable liability in these matters may change.

Recent Accounting Pronouncements - In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, “Inventory Costs” (“SFAS 151”). SFAS 151 amends the guidance in Accounting Research Bulletin No. 43, Chapter 4, “Inventory Pricing”, to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. The Company adopted SFAS 151 on January 1, 2006. The adoption did not have a significant impact on the Company’s consolidated financial statements.

In December 2004, the FASB issued Statement of Financial Accounting Standards No. 153, “Exchanges of Nonmonetary Assets”, (“SFAS 153”). SFAS 153 amends the guidance in APB Opinion 29, “Accounting for Nonmonetary Transactions” to eliminate certain exceptions to the principle that exchanges of nonmonetary assets be measured based on the fair value of the assets exchanged. SFAS 153 eliminates the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. This statement is effective for nonmonetary asset exchanges in fiscal years beginning after June 15, 2005. The Company adopted SFAS 153 on January 1, 2006. The adoption did not have a significant impact on the Company’s consolidated financial statements.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, “Accounting Changes and Error Corrections”, (“SFAS 154”). SFAS 154 replaces APB 20, “Accounting Changes” and SFAS 3, “Reporting Accounting Changes in Interim Financial Statements” and establishes retrospective application as the required method for reporting a change in accounting principle. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company adopted SFAS 154 on January 1, 2006. The adoption did not have a significant impact on the Company’s consolidated financial statements.

In June 2006, the FASB ratified Emerging Issues Talk Force (“EITF”) Issue No. 06-3, “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)”. This statement allows companies to present in their statements of income any taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions between a seller and a customer, such as sales, use, value-added and some excise taxes, on either a gross (included in revenue and costs) or a net (excluded from revenue) basis. This standard will be effective in interim periods and fiscal years beginning after December 15, 2006. The Company presents these transactions on a net basis, and therefore the adoption of this standard will have no impact on the Company’s financial statements.

In July 2006, the FASB issued FASB Interpretation 48, “Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement 109, Accounting for Income Taxes” (“Interpretation 48”). Interpretation 48 defines a criterion that an income tax position would have to meet for some or all of the benefit of that position to be recognized in an entity’s financial statements. Interpretation 48 requires that the cumulative effect of applying its provisions be reported as an adjustment to retained earnings at the beginning of the period in which it is adopted. Interpretation 48 is effective for fiscal years beginning after December 15, 2006 and the Company will begin applying its provisions effective January 1, 2007. While the Company is continuing to evaluate the impact on its consolidated financial statements, it believes the adoption will have an immaterial effect.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements”, (“SFAS 157”), which provides guidance on how to measure assets and liabilities that use fair value. SFAS 157 will apply whenever another US GAAP standard requires (or permits) assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard also will require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007 and the Company will begin applying its provisions effective January 1, 2008. The Company has not yet determined the impact, if any, that the adoption of this statement will have on the Company’s financial statements.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”). SAB 108 was issued in order to eliminate the diversity of practice in how public companies quantify misstatements of financial statements, including misstatements that were not material to prior years’ financial statements. The Company applied the provisions of SAB 108 in connection with the preparation of its annual financial statements for the year ended December 31, 2006. The adoption of this bulletin had no impact on the Company’s financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 158, “Employers Accounting for Defined Benefit Pension and Other Postretirement Plans - An Amendment of FASB Statements No. 87, 88, 106, and 132R” (“ SFAS 158”). SFAS 158 requires companies to (1) recognize as an asset or liability, the overfunded or underfunded status of defined pension and other postretirement benefit plans; (2) recognize changes in the funded status through other comprehensive income in the year in which the changes occur; (3) measure the funded status of defined pension and other post-retirement benefit plans as of the date of the company’s fiscal year-end; and (4) provide enhanced disclosures. The Company applied the provisions of SFAS 158 in connection with the preparation of its annual financial statements for the year-ended December 31, 2006. See Note 11, Pension and Post-retirement Benefits, for the impact on the Consolidated Balance Sheets.

Reclassifications - Certain amounts for 2005 and 2004 have been reclassified to conform with the 2006 presentation.

2. Inventories

Inventories consisted of the following:

	December 31, 2006	December 31, 2005
Raw materials and parts	$ 77,228,812	$ 65,819,943
Work-in-process	43,227,002	28,601,947
Finished goods	27,992,334	29,701,996
Used equipment	9,387,290	11,379,475
Total	$ 157,835,438	$ 135,503,361

3. Discontinued Operations

On June 30, 2004, the Company completed the sale and transfer of substantially all of the assets and substantially all of the liabilities of Superior Industries of Morris, Inc. ("Superior"). Superior was part of the Company's Aggregate and Mining Group.

The adjusted sales price at the closing date was $23,600,000. The pre-tax and after-tax gain recognized on the sale in 2004 were $10,477,000 and $5,406,000, respectively.

For 2004, Superior's revenues were $15,841,000. The operations of Superior resulted in pre-tax earnings of $2,320,000 and after-tax earnings of $1,164,000 in 2004.

Superior's operations and the gain on the sale of Superior, net of tax, are presented as discontinued operations in the Statements of Operations, as required by SFAS No. 144. Superior's financial results are included in the income from discontinued operations line and are excluded from all other lines on the Statements of Operations.

The carrying amounts of the major classes of assets and liabilities disposed on June 30, 2004 were as follows:

	2004
Assets:	
Cash	$ 118,000
Accounts receivable	3,636,000
Inventory	2,736,000
Prepaid and other assets	32,000
Property and equipment	8,154,000
Goodwill	2,438,000
Total assets	17,114,000
Liabilities:	
Accounts payable	3,141,000
Other liabilities	836,000
Total liabilities	3,977,000
Net assets of discontinued operations	$ 13,137,000

A portion of the proceeds of the sale was used to pay the outstanding revolving credit facility with GE Capital at June 30, 2004, which totaled approximately $13,000,000. In addition, on June 30, 2004, $4,500,000 of the sale proceeds was used to pay down the GE Capital term loan.

4. Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", ("SFAS 142") provides that goodwill and certain other intangible assets be tested for impairment at least annually. The Company performs the required valuation procedures each year as of December 31 after the following year's forecasts are submitted and reviewed. The valuations performed in 2006, 2005 and 2004 indicated no impairment of goodwill.

The changes in the carrying amount of goodwill by operating segment for the years ended December 31, 2006, 2005, and 2004 are as follows:

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	Total
Balance, December 31, 2004	**$ 1,156,818**	**$16,322,361**	**$ 1,646,391**	**$ --**	**$19,125,570**
Foreign currency translation	--	235,465	--	--	235,465
Balance, December 31, 2005	**1,156,818**	**16,557,826**	**1,646,391**	**--**	**19,361,035**
Foreign currency translation	--	22,791	--	--	22,791
Balance, December 31, 2006	**$ 1,156,818**	**$16,580,617**	**$ 1,646,391**	**$ --**	**$19,383,826**

5. Long-lived and Other Intangible Assets

Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets ("SFAS 144") requires long-lived assets be reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. For the year ended December 31, 2006, the Company concluded that there had been no significant events that would trigger an impairment review of its other long-lived intangible assets. During 2005, as part of the Company's periodic review of its operations, the Company assessed the recoverability of the carrying value of certain fixed assets, which resulted in an impairment loss of $1,183,000 on certain real estate. This loss reflects the amounts by which the carrying value of the real estate exceeded its estimated fair value. This loss is included in operating expenses as a component of "gain on sale of real estate, net of real estate impairment charge" in the consolidated statements of operations. The real estate values and related impairment charge are included in the Asphalt Group for segment reporting purposes. For the year ended December 31, 2004, the Company concluded that there had been no significant events that would trigger an impairment review of its other long-lived intangible assets. SFAS 144 requires recognition of impairment losses for long-lived assets "held and used" if the sum of the estimated future undiscounted cash flows used to test for recoverability is less than the carrying value.

Amortization expense for other intangible assets was $234,961, $287,454 and $266,457 for 2006, 2005 and 2004, respectively. Other intangible assets, which are included in Other Assets on the accompanying consolidated balance sheets, consisted of the following at December 31, 2006 and 2005:

	Gross Carrying Value Dec. 31, 2005	Accumulated Amortization Dec. 31, 2005	Net Carrying Value Dec. 31, 2005	Gross Carrying Value Dec. 31, 2006	Accumulated Amortization Dec. 31, 2006	Net Carrying Value Dec. 31, 2006	Weighted Avg. Amortization Period
Dealer network and customer base	$ 1,220,000	$ (304,305)	$ 915,695	$ 1,220,000	$ (461,785)	$ 758,215	8 years
Drawings	820,000	(277,638)	542,362	820,000	(355,118)	464,882	10 years
Trademarks	336,000	(336,000)	--	336,000	(336,000)	--	3 years
Patents	24,000	(24,000)	--	24,000	(24,000)	--	2 years
Total	$ 2,400,000	$ (941,943)	$ 1,458,057	$ 2,400,000	$(1,176,903)	$1,223,097	8 years

Approximate amortization expense for the next five years is expected as follows:

2007	$234,961	2010	$208,294
2008	234,961	2011	154,961
2009	234,961		

6. Property and Equipment

Property and equipment consisted of the following:

	December 31, 2006	December 31, 2005
Land, land improvements and buildings	$ 92,126,994	$ 79,624,129
Equipment	132,308,492	117,692,133
Less accumulated depreciation	(110,521,321)	(101,201,793)
Total	$ 113,914,165	$ 96,114,469

Depreciation expense for continuing operations was approximately $11,507,000, $10,563,000 and $10,302,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

7. Leases

The Company leases certain land, buildings and equipment for use in its operations under operating leases that expire periodically through 2011. Total rental expense charged to operations under operating leases was approximately $2,381,000, $2,073,000 and $2,755,000 for the years ended December 31, 2006, 2005, and 2004, respectively.

Minimum rental commitments for all noncancelable operating leases at December 31, 2006 are as follows:

2007	$ 1,651,000
2008	1,189,000
2009	581,000
2010	247,000
2011	192,000

8. Debt

The Company entered into a revolving credit facility and senior note agreement with General Electric Capital Corporation (“GE Capital”) on May 14, 2003. On April 1, 2005, the Company entered into an amendment to the credit facility with GE Capital that amended interest rates on the Company’s revolving and term loan facilities to more favorable rates than those rates under the previous terms. Under this amendment, interest rates are based on applicable index rates plus a sliding scale of applicable index margins from zero to three-fourths of one percent (0.75%), or at the option of the borrower, the LIBOR margin plus an applicable index margin from two percent (2.0%) to two and three-fourths percent (2.75%) based on a level of total funded debt ratio.

Currently, under the amended GE Capital revolving credit facility, which expires on May 14, 2007, maximum borrowings of $87,500,000 are based on a percentage of eligible receivables and inventory. The $87,500,000 limit includes $5,000,000 for use by the Canadian subsidiary Breaker Technology Ltd., as discussed further below. Availability under the revolving facility is adjusted monthly and interest is due in arrears. Additionally, the GE Capital amended agreement permits the Company to hold inventory notes or customer financing of up to $4,000,000 at any time. The credit facility contains certain restrictive financial covenants relative to operating ratios and capital expenditures. As of December 31, 2006, net availability under the revolving GE Capital credit facility was approximately $81,231,000 and no borrowings were outstanding.

During the third quarter of 2005, the Company used available cash to pay off the senior note (term loan) portion of the GE Capital debt early. Due to the early repayment of this loan, the Company expensed approximately $519,000 of related previously unamoritzed loan fees in the third quarter of 2005 as additional interest expense. Also during the third quarter of 2005, GE Capital released its security interest in substantially all of the Company’s assets except for accounts receivable and inventories.

The Company was in compliance with the financial covenants under its credit facility as of December 31, 2006 and 2005.

The Company is currently in negotiations with a bank regarding a new lending agreement to begin upon the expiration of the current agreement with G.E. Capital. The Company has received a commitment from the bank for an unsecured line of credit in the amount of $100,000,000, subject to a final agreement being signed by both parties.

The Company's Canadian subsidiary, Breaker Technology Ltd., ("BTL") has available a credit facility issued by General Electric Capital-Canada ("GEC Canada") dated May 14, 2003, with a term of four years for $5,000,000 to finance short-term working capital needs, as well as to cover the short-term establishment of letter of credit guarantees. Interest rates are based on applicable index rates plus a sliding scale of applicable index margins from two percent (2.0%) to two and three-fourths percent (2.75%) based on a level of total funded debt ratio. At December 31, 2006 and 2005, BTL did not have any outstanding balance under the credit facility but did have approximately $322,000 and $294,000, respectively, in letter of credit guarantees under the facility. The Company is the primary guarantor to GEC Canada of payment and performance for this $5,000,000 credit facility. The term of the guarantee is equal to the related debt. The maximum potential amount of future payments the Company would be required to make under its guarantee at December 31, 2006 and 2005 was $322,000 and $294,000, respectively.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd., ("Osborn") has available a credit facility of approximately $2,842,000 (ZAR 20,000,000) to finance short-term working capital needs, as well as to cover the short-term establishment of letter of credit performance guarantees. As of December 31, 2006, Osborn had no outstanding debt under the credit facility, but approximately $1,956,000 in performance and retention bonds were guaranteed under the facility. The facility is secured by Osborn's accounts receivable and retention balances. The available facility fluctuates monthly based upon fifty percent (50%) of Osborn's accounts receivable, retention and cash balances at the end of the prior month. As of December 31, 2006, Osborn Engineered Products had available credit under the facility of approximately $722,000.

9. Product Warranty Reserves

The Company warrants its products against manufacturing defects and performance to specified standards. The warranty period and performance standards vary by market and uses of its products, but generally range from six months to one year or up to a specified number of hours of operation. The Company estimates the costs that may be incurred under its warranties and records a liability at the time product sales are recorded. The warranty liability is primarily based on historical claim rates, nature of claims and the associated costs.

Changes in the Company's product warranty liability during the year are as follows:

	2006	2005
Reserve balance at beginning of period	$ 5,666,123	$ 4,788,558
Warranty liabilities accrued during the period	11,712,690	10,432,651
Warranty liabilities settled during the period	(10,194,867)	(9,555,086)
Reserve balance at end of period	$ 7,183,946	$ 5,666,123

10. Accrued Loss Reserves

The Company accrues reserves for losses related to known workers' compensation and general liability claims that have been incurred but not yet paid or are estimated to have been incurred but not yet reported to the Company. The reserves are estimated based on the Company's evaluation of the type and security of individual claims and historical information primarily its own claim experience, along with assumptions about future events. Changes in assumption, as well as changes in actual experience, could cause these estimates to change in the future. Total accrued loss reserves at December 31, 2006 were $7,437,176 compared to $6,453,655 at December 31, 2005.

11. Pension and Post-retirement Benefits

Prior to December 31, 2003, all employees of the Company's Kolberg-Pioneer, Inc. subsidiary were covered by a defined benefit pension plan. After December 31, 2003, all benefit accruals under the plan ceased and no new employees could become participants in the plan. Benefits paid under this plan are based on years of service multiplied by a monthly amount. In addition, the Company also sponsors two post-retirement medical and life insurance plans covering the employees of its Kolberg-Pioneer, Inc. and Telsmith, Inc. subsidiaries and a life insurance plan covering retirees of its former Barber-Greene subsidiary. The Company's funding policy for all plans is to make the minimum annual contributions required by applicable regulations.

The Company's investment strategy for the Kolberg-Pioneer, Inc. pension plan is to earn a rate of return sufficient to match or exceed the long-term growth of pension liabilities. The investment policy states that the Plan Committee in its sole discretion shall determine the allocation of plan assets among the following four asset classes: cash equivalents, fixed-income securities, domestic equities and international equities. The Company attempts to ensure adequate diversification of the invested assets through investment over several asset classes, investment in a portfolio of diversified assets within an asset class or the use of multiple investment portfolios.

The following provides information regarding benefit obligations, plan assets and the funded status of the plans:

	Pension Benefits		Post-retirement Benefits	
	2006	**2005**	**2006**	**2005**
Change in benefit obligation				
Benefit obligation at beginning of year	$10,071,182	$ 9,671,161	$ 1,590,330	$ 1,546,230
Service cost	--	--	56,442	103,737
Interest cost	544,410	535,757	53,176	79,690
Actuarial (gain) loss	(222,657)	338,433	(355,052)	(33,723)
Benefits paid	(406,821)	(474,169)	(358,797)	(105,604)
Benefit obligation at end of year	9,986,114	10,071,182	986,099	1,590,330
Accumulated benefit obligation	9,986,114	10,071,182	--	--
Change in plan assets				
Fair value of plan assets at beginning of year	6,722,524	6,535,560	--	--
Actual return on plan assets	799,995	405,031	--	--
Employer contribution	701,741	256,102	--	--
Benefits paid	(406,821)	(474,169)	--	--
Fair value of plan assets at end of year	7,817,439	6,722,524	--	--
Funded status at end of year	(2,168,675)	(3,348,658)	(986,099)	(1,590,330)
Amounts recognized in the consolidated balance sheets				
Current liabilities	--	--	(155,105)	--
Noncurrent liabilities	(2,168,675)	(3,348,658)	(830,992)	(1,761,071)
Accumulated other comprehensive (gain) loss	2,043,068	2,656,173	(464,974)	--
Net amount recognized	(125,607)	(692,485)	(1,451,071)	(1,761,071)
Amounts recognized in accumulated other comprehensive income consist of				
Net loss (gain)	2,043,068	2,656,173	(624,741)	--
Prior service credit	--	--	(41,433)	--
Transition obligation	--	--	201,200	--
Net amount recognized	$ 2,043,068	$ 2,656,173	$ (464,974)	$ --
Weighted-average assumptions used to determine benefit obligations as of December 31				
Discount rate	5.72%	5.41%	5.72%	5.41%
Expected return on plan assets	8.00%	8.00%	--	--
Rate of compensation increase	--	--	--	--

The measurement date used for all plans was December 31, 2006.

As discussed in Note 1, the Company adopted SFAS 158 in 2006. The incremental effect of applying SFAS 158 on individual line items in the balance sheet is as follows:

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Other accrued liabilities	$ 23,185,697	$ 155,105	$ 23,340,802
Accrued retirement cost	2,189,783	809,884	2,999,667
Deferred income tax assets	8,248,438	(368,700)	7,879,738
Accumulated other comprehensive income	3,082,547	(596,289)	2,486,258

The Company's expected long-term rate of return on assets was 8.0% for both 2006 and 2005. In determining the expected long-term rate of return, the historical experience of the plan assets, the current and expected allocation of the plan assets and the expected long-term rates of return were considered.

The Company's pension plan asset allocation as of the measurement date (December 31) and the target asset allocation ranges by asset category were as follows:

	Actual Allocation		2006 & 2005 Target
Asset Category	2006	2005	Allocation Ranges
Equity securities	63.6%	61.3%	53 - 73%
Debt securities	30.8%	29.9%	21 - 41%
Money market funds	5.6%	8.8%	0 - 15%
Total	100.0%	100.0%	

The weighted average annual assumed rate of increase in per capita health care costs is nine percent (9.0%) for 2006 and is assumed to decrease gradually to five and three-quarter percent (5.75%) for 2014 and remain at that level thereafter. A one-percentage point change in the assumed health care cost trend rate for all years to, and including, the ultimate rate would have the following effects:

	2006	2005
Effect on total service and interest cost		
1% Increase	$ 5,700	$ 12,000
1% Decrease	(5,500)	(11,000)
Effect on accumulated post-retirement benefit obligation		
1% Increase	20,000	43,000
1% Decrease	(21,900)	(44,000)

Net periodic benefit cost for 2006, 2005 and 2004 included the following components:

	Pension Benefits			Post-retirement Benefits		
	2006	2005	2004	2006	2005	2004
Components of net periodic benefit cost						
Service cost	$ --	$ --	$ --	$ 56,442	$103,737	$ 93,630
Interest cost	544,410	535,757	534,445	53,176	79,690	85,519
Expected return on plan assets	(546,362)	(515,810)	(483,075)	--	--	--
Amortization of prior service cost (credit)	--	--	--	4,275	(5,225)	(5,225)
Amortization of transition obligation	--	--	--	24,200	33,700	33,700
Amortization of net (gain) loss	136,815	96,253	48,774	(89,294)	(37,719)	(44,503)
Net periodic benefit cost	$134,863	$116,200	$100,144	$ 48,799	$174,183	$163,121
Other changes in plan assets and benefit obligations recognized in other comprehensive income						
Net loss (gain)	$(476,290)	$449,212	$502,549	$(714,035)	$ --	$ --
Amortization of net (gain) loss	(136,815)	(96,253)	(48,774)	89,294	--	--
Prior service credit	--	--	--	(46,658)	--	--
Amortization of prior service credit	--	--	--	5,225	--	--
Transition obligation	--	--	--	234,900	--	--
Amortization of transition obligation	--	--	--	(33,700)	--	--
Total recognized in other comprehensive income	(613,105)	352,959	453,775	(464,974)	--	--
Total recognized in net periodic benefit cost and other comprehensive income	$(478,242)	$469,159	$553,919	$(416,175)	$ 174,183	$163,121
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31						
Discount rate	5.41%	5.66%	6.25%	5.41%	5.66%	6.25%
Expected return on plan assets	8.00%	8.00%	9.00%	--	--	--

The Company expects to contribute approximately $700,000 to the pension plan and approximately $155,000 to the other benefit plans during 2007.

	Pension Benefits	Post-retirement Benefits
Amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost in 2007:		
Amortization of net (gain) loss	$ 78,000	$ (70,300)
Amortization of prior service credit	--	(5,225)
Amortization of transition obligation	--	34,000

The following estimated future benefit payments are expected to be paid in the years indicated:

	Pension Benefits	Post-retirement Benefits
2007	$ 437,000	$ 155,000
2008	430,000	154,000
2009	440,000	140,000
2010	456,000	127,000
2011	492,000	141,000
2012 - 2016	3,027,000	721,000

The Company sponsors a 401(k) defined contribution plan to provide eligible employees with additional income upon retirement. The Company's contributions to the plan are based on employee contributions. The Company's contributions totaled $3,150,802 in 2006, $2,362,000 in 2005 and $2,155,000 in 2004.

The Company maintains a supplemental executive retirement plan (“SERP”) for certain of its executive officers. The plan is a non-qualified deferred compensation plan administered by the Board of Directors of the Company, pursuant to which the Company makes quarterly cash contributions of a certain percentage of executive officers’ annual compensation. The SERP previously invested cash contributions in Company common stock that it purchased on the open market; however, under a plan amendment effective November 1, 2004, the participants may self-direct the investment of their apportioned plan assets. Upon retirement, executives may receive their apportioned contributions of the plan assets in the form of cash.

Assets of the supplemental executive retirement plan consist of the following:

	December 31, 2006			December 31, 2005		
	Shares	**Cost**	**Market**	**Shares**	**Cost**	**Market**
Company stock	118,435	$2,081,095	$4,157,056	118,983	$ 1,894,507	$ 3,885,989
Equity securities	523,997	1,696,523	1,716,687	110,466	1,006,079	1,056,126
Total	642,432	$3,777,618	$5,873,743	229,449	$ 2,900,586	$ 4,942,115

The total fair market values of all assets are included in other liabilities of the consolidated balance sheets. The fair market values of the equity securities are included in other assets of the consolidated balance sheets. The Company stock held by the plan is carried at cost and included in the shareholders equity section of the consolidated balance sheets.

Investment income on equity securities held in the SERP for the years ended in December 31, 2006, 2005 and 2004, consists of the following:

	Year Ended December 31,		
	2006	**2005**	**2004**
Dividend and interest income	$ 109,477	$ 58,872	$ 97,639
Gross realized gains from sale of trading securities	12,729	--	--
Net unrealized holding gains	93,026	16,070	22,899
Net investment income	$ 215,232	$ 74,942	$ 120,538

In May 2004, the FASB issued FSP No. 106-2, Accounting and Disclosure Requirements Related to the Prescription Drug, Improvement and Modernization Act of 2003, (“FSP 106-2”) which provides authoritative guidance on accounting for the Medicare Act. The Medicare Act provides for a possible federal subsidy of certain prescription drug claims for sponsors of retiree health care plans with drug benefits, beginning in 2006. The Company has determined that the Company’s two post retirement medical insurance plans, which provide prescription drug benefits are not entitled to the federal subsidy under the Medicare Act. Therefore, the application of the provisions of FSP 106-2 did not have a significant impact on the Company’s consolidated financial statements.

12. Income Taxes

For financial reporting purposes, income before income taxes and minority interest includes the following components:

	December 31,		
	2006	**2005**	**2004**
United States	$ 55,925,244	$ 39,938,485	$ 29,023,551
Foreign	4,382,708	3,009,410	3,388,014
Income before income taxes and minority interest	$ 60,307,952	$ 42,947,895	$ 32,411,565

The provision for income taxes consists of the following:

	December 31, 2006	2005	2004
Current provision	$ 19,623,296	$ 16,244,834	$ 8,303,436
Deferred provision (benefit)	1,014,445	(1,496,468)	4,943,606
Total income tax provision	$ 20,637,741	$ 14,748,366	$ 13,247,042

The Company's income tax provision is computed based on the federal statutory rates and the average state statutory rates, net of related federal benefit.

The provision for income taxes differs from the amount computed by applying the statutory federal income tax rate to income before income taxes.

A reconciliation of the provision for income taxes at the statutory federal income tax rate to the amount provided is as follows:

	December 31, 2006	2005	2004
Tax at the statutory federal income tax rates	$ 21,033,019	$ 15,031,763	$ 11,343,994
Benefit from foreign sales	(621,982)	(357,511)	(347,978)
State income tax, net of federal income tax benefit	1,146,925	66,511	866,358
Goodwill and intangibles	--	--	853,336
Other permanent differences	307,814	146,976	358,634
R&D credit	(367,771)	(570,416)	--
Change in valuation allowance	(233,431)	(28,606)	269,369
Other items	(626,833)	459,649	(96,671)
Income tax provision	$ 20,637,741	$ 14,748,366	$ 13,247,042

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of the Company's deferred tax assets and liabilities are as follows:

	December 31, 2006	2005
Deferred tax assets:		
Inventory reserves	$ 2,915,356	$ 3,198,076
Warranty reserves	2,348,851	1,787,384
Bad debt reserves	569,937	608,796
State tax loss carryforwards	1,450,667	1,608,604
Other	4,905,323	6,497,237
Valuation allowance	(1,056,953)	(1,290,384)
Total deferred tax assets	11,133,181	12,409,713
Deferred tax liabilities:		
Property and equipment	7,932,135	8,079,506
Other	1,653,164	1,767,880
Total deferred tax liabilities	9,585,299	9,847,386
Net deferred tax asset	$ 1,547,882	$ 2,562,327

As of December 31, 2006, the Company has state net operating loss carryforwards of approximately $36.7 million for tax purposes, which will be available to offset the future taxable income. If not used, these carryforwards will expire between 2010 and 2022. The valuation allowance for deferred tax assets specifically relates to the future utilization of state net operating loss carryforwards. Future utilization of these net operating loss carryforwards is evaluated by the Company on an annual basis and the valuation allowance is adjusted accordingly. In 2006, the valuation allowance has been reduced by $233,431 based upon the projected ability of certain entities to utilize their state net operating loss carryforwards.

Undistributed earnings of Astec's Canadian subsidiary, Breaker Technology, Ltd., are considered to be indefinitely reinvested; accordingly, no provision for U.S. federal and state income taxes has been provided thereon. Upon repatriation of those earnings, in the form of dividends or otherwise, Astec would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to Canada. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable due to the complexities associated with the hypothetical calculation; however, unrecognized foreign tax credit carryforwards would be available to reduce some portion of the U.S. liability. Withholding taxes would be payable upon remittance of previously unremitted earnings.

13. Contingent Matters

Certain customers have financed purchases of Company products through arrangements in which the Company is contingently liable for customer debt of approximately $2,755,000 and for residual value guarantees aggregating approximately $147,000 at December 31, 2006 and contingently liable for customer debt of approximately $10,185,000 and for residual value guarantees aggregating approximately $315,000 at December 31, 2005. The Company's credit facility with General Electric Capital Corporation dated May 14, 2003 limits contingent liabilities or guaranteed indebtedness created after May 14, 2003 to an aggregate total of $5,000,000 at any time, or to $2,000,000 for any one customer. As of December 31, 2006, guaranteed indebtedness created under the current loan agreement dated May 14, 2003 was $382,000. At December 31, 2006, the maximum potential amount of future payments for which the Company would be liable is equal to $2,902,000. Because the Company does not believe it will be called on to fulfill any of these contingencies, the carrying amounts on the consolidated balance sheets of the Company for these contingent liabilities are zero.

In addition, the Company is contingently liable under letters of credit of approximately $5,990,000. Under the Company's credit facility, the terms of letters of credit are limited to one year. Under the credit facility of the Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd., the Company is contingently liable for approximately $1,956,000 in performance and retention bonds. As of December 31, 2006, the maximum potential amount of future payments for which the Company would be liable is approximately $7,946,000, none of which is recorded as debt in the accompanying consolidated balance sheet.

The Company is currently a party to various claims and legal proceedings that have arisen in the ordinary course of business. If management believes that a loss arising from such claims and legal proceedings is probable and can reasonably be estimated, the Company records the amount of the loss (including estimated legal costs), or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As management becomes aware of additional information concerning such contingencies, any potential liability related to these matters is assessed and the estimates are revised, if necessary. If management believes that a loss arising from such claims and legal proceedings is either (i) probable but cannot be reasonably estimated or (ii) reasonably possible but not probable, the Company does not record the amount of the loss, but does make specific disclosure of such matter. Based upon currently available information and with the advice of counsel, management believes that the ultimate outcome of its current claims and legal proceedings, individually and in the aggregate, will not have a material adverse effect on the Company's financial position, cash flows or results of operations. However, claims and legal proceedings are subject to inherent uncertainties and rulings unfavorable to the Company could occur. If an unfavorable ruling were to occur, there exists the possibility of a material adverse effect on the Company's financial position, cash flows or results of operations.

14. Shareholders' Equity

Under terms of the Company's stock option plans, officers and certain other employees may be granted options to purchase the Company's common stock at no less than 100% of the market price on the date the option is granted. The Company has reserved shares of common stock for exercise of outstanding non-qualified options and incentive options of officers and employees of the Company and its subsidiaries at prices determined by the Board of Directors. In addition, a Non-employee Directors Stock Incentive Plan has been established to allow non-employee directors to have a personal financial stake in the Company through an ownership interest. Directors may elect to receive their compensation in cash, common stock, deferred stock or stock options. Options granted under the Non-employee Directors Stock Incentive Plan and the Executive Officer Annual Bonus Equity Election Plan vest and become fully exercisable immediately. Generally, other options granted vest over 12 months. All stock options have a ten-year term. The shares reserved under the various stock option plans are as follows: (1) 1998 Long-term Incentive Plan - 1,193,316, (2) Executive Officer Annual Bonus Equity Election Plan - 7,228 and (3) 1998 Non-employee Directors Stock Plan - 16,665.

In August 2006, the Compensation Committee of the Board of Directors implemented a five-year plan to award key members of management restricted stock units each year. The details of the plan were formulated under the 2006 Incentive Plan approved by the Company's shareholders in their annual meeting held in April, 2006. The plan allows up to 700,000 shares to be granted to employees over the next five years. Units granted each year will be determined based upon individual subsidiaries and consolidated annual financial performance. Each award will vest at the end of five years from the date of grant, or at the time a recipient reaches age 65, if earlier. No awards have been granted to date, but based upon performance for 2006, management estimates that 69,500 will be granted in March, 2007. Compensation expense of $419,000 has been recorded in 2006 to reflect the fair value of the 69,500 shares amortized over the portion of the vesting period occurring during 2006. The fair value of the restricted stock units was $35.10 per share at December 31, 2006. Based upon the December 31, 2006 fair value of these restricted stock units, $1,898,000 of compensation costs will be recognized in future periods through 2012. The fair value of these restricted stock units will be adjusted to the market value of the Company's stock on the grant date in March, 2007.

Effective January 1, 2006, the Company adopted Statement of Financial Standards No. 123R, Accounting for Stock-Based Compensation (SFAS 123R), using the modified prospective method. SFAS 123R requires the recognition of the cost of employee services received in exchange for an award of equity instruments in the financial statements and is measured based on the grant date calculated fair value of the award. SFAS 123R also requires the stock option compensation expense to be recognized over the period during which an employee is required to provide service in exchange for the award (the vesting period). Prior to the adoption of SFAS 123R on January 1, 2006, the Company accounted for stock-based compensation plans in accordance with the provisions of Accounting Principles Board Opinion No. 25 (APB 25), and applied the disclosure only provision of SFAS 123R. Under APB 25, generally no compensation expense was recorded when the terms of the award were fixed and the exercise price of the employee stock option equaled or exceeded the market value of the underlying stock on the date of grant. The Company did not record compensation expense for option awards in periods prior to January 1, 2006.

A summary of the Company's stock option activity and related information for the year ended December 31, 2006 follows:

	Options	Weighted Average Exercise Price	Remaining Contractual Life	Intrinsic Value
Options outstanding at December 31, 2005	1,737,429	$ 21.51		
Options granted at market price	1,686	30.52		
Options forfeited	(4,900)	19.74		
Options exercised	(517,006)	19.03		
Options outstanding at December 31, 2006	1,217,209	22.58	3.9 Years	$ 15,240,000
Options exercisable at December 31, 2006	1,217,209	$ 22.58	3.9 Years	$ 15,240,000

The weighted average grant-date fair value of options granted during the years ended December 31, 2006, 2005 and 2004 was $16.61, $9.61, and $7.76, respectively. The total fair value of stock options that vested during the years ended December 31, 2006, 2005 and 2004 was $2,153,000, $173,000, and $90,000 respectively. The total intrinsic value of stock options exercised during the years ended December 31, 2006, 2005 and 2004 was $8,695,000, $14,326,000 and $1,562,000, respectively.

The Company has adopted an Amended and Restated Shareholder Protection Rights Agreement and declared a distribution of one right (the "Right") for each outstanding share of Company common stock, par value $0.20 per share (the "Common Stock"). Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share (a "Unit") of Series A Participating Preferred Stock, par value $1.00 per share (the "Preferred Stock"), at a purchase price of $72.00 per Unit, subject to adjustment. The Rights currently attach to the certificates representing shares of outstanding Company Common Stock, and no separate Rights certificates will be distributed. The Rights will separate from the Common Stock upon the earlier of ten business days (unless otherwise delayed by the Board) following the: 1) public announcement that a person or group of affiliated or associated persons (the "Acquiring Person") has acquired, obtained the right to acquire, or otherwise obtained beneficial ownership of fifteen percent (15%) or more of the then outstanding shares of Common Stock, or 2) commencement of a tender offer or exchange offer that would result in an Acquiring Person beneficially owning fifteen percent (15%) or more of the then outstanding shares of Common Stock. The Board of Directors may terminate the Rights without any payment to the holders thereof at any time prior to the close of business ten business days following announcement by the Company that a person has become an Acquiring Person. The Rights, which do not have voting power and are not entitled to dividends, expire on December 22, 2015. In the event of a merger, consolidation, statutory share exchange or other transaction in which shares of Common Stock are exchanged, each Unit of Preferred Stock will be entitled to receive the per share amount paid in respect of each share of Common Stock.

15. Financial Instruments

Fair Value of Financial Instruments - The book value of the Company's financial instruments approximates their fair value. Financial instruments include cash, accounts receivable, finance receivables, accounts payable, short- and long-term debt. The Company's short- and long-term debt is floating rate debt and, accordingly, book value approximates its fair value.

Derivative Financial Instruments - The Company only uses derivatives for hedging purposes. Until its termination on May 13, 2003, the Company had a cash flow hedge, which required that the effective portion of the change in the fair value of the derivative instrument be recognized in other comprehensive income ("OCI"), a component of shareholders' equity, and reclassified into earnings in the same period, or periods during which the hedged transaction affected earnings. The ineffective portion of the hedge, if any, was recognized in current operating earnings during the period of change in fair value.

Astec Financial Services, Inc. entered into an interest rate swap agreement on April 6, 2000, to fix interest rates on variable rate debt. The swap agreement, originally effective for five years with a notional amount of $7,500,000, was terminated on May 13, 2003, requiring a cash payment of $881,500. The objective of the hedge was to offset the variability of cash flows relating to the interest payments on the variable rate debt outstanding under the Company's revolving credit facility. The sole source of the variability in the hedged cash flows resulted from changes in the benchmark market interest rate, which was the three-month LIBOR.

Under guidance of SFAS 133 amended by SFAS 138 for termination of a cash flow hedge, net derivative gain or loss related to a discontinued cash flow hedge is to be accounted for prospectively. The Company continued to pay variable rate interest under its new debt agreement. The $881,500 in OCI at the swap termination date was amortized into earnings through interest expense over the remaining life of the original hedge because the variable-rate interest obligations continued to exist. Amortization of OCI through interest expense during 2004 was approximately $460,000. The remaining balance of OCI related to the swap agreement of approximately $134,000 was amortized through interest expense during 2005. There was no interest expense related to amortization of OCI in 2006.

16. Operations by Industry Segment and Geographic Area

The Company has four reportable operating segments. These segments are combinations of business units that offer different products and services. The business units are each managed separately because they manufacture and distribute distinct products that require different marketing strategies. A brief description of each segment is as follows:

Asphalt Group - This segment consists of three operating units that design, manufacture and market a complete line of portable, stationary and relocatable hot-mix asphalt plants and related components and a variety of heaters, heat transfer processing equipment and thermal fluid storage tanks. The principal purchasers of these products are asphalt producers, highway and heavy equipment contractors and foreign and domestic governmental agencies.

Aggregate and Mining Group - This segment consists of six operating units that design, manufacture and market a complete line of rock crushers, feeders, conveyors, screens and washing equipment. The principal purchasers of these products are open-mine and quarry operators.

Mobile Asphalt Paving Group - This segment consists of two operating units that design, manufacture and market asphalt pavers, asphalt material transfer vehicles, milling machines and paver screeds. The principal purchasers of these products are highway and heavy equipment contractors and foreign and domestic governmental agencies.

Underground Group - This segment consists of two operating units that design, manufacture and market auger boring machines, directional drills, fluid/mud systems, chain and wheel trenching equipment, rock saws, and road miners. The principal purchasers of these products are pipeline and utility contractors.

All Others - This category consists of the Company’s other business units, including the parent company, Astec Industries, Inc., that do not meet the requirements for separate disclosure as an operating segment. Revenues in this category are derived primarily from operating leases owned by the Company’s former finance subsidiary.

The Company evaluates performance and allocates resources based on profit or loss from operations before federal income taxes and corporate overhead. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Intersegment sales and transfers are valued at prices comparable to those for unrelated parties. For management purposes, the Company does not allocate federal income taxes or corporate overhead (including interest expense) to its business units. The 2004 amounts have been restated to reflect the sale of Superior Industries of Morris, Inc.

Segment information for 2006

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	$186,656,861	$289,470,523	$129,385,414	$105,094,015	$ --	$710,606,813
Intersegment revenues	9,069,815	13,626,818	3,864,530	2,925,366	--	29,486,529
Interest expense	5,060	188,224	3,639	9,190	1,465,739	1,671,852
Depreciation and amortization	3,487,982	3,834,284	1,684,789	2,500,605	383,431	11,891,091
Segment profit (loss)	24,386,850	33,263,355	14,368,409	4,866,484	(36,439,102)	40,445,996
Segment assets	215,265,761	256,142,482	131,879,605	69,521,666	233,291,974	906,101,488
Capital expenditures	4,792,573	15,343,183	7,588,091	1,719,057	1,436,210	30,879,114

Segment information for 2005

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	$170,205,277	$242,515,086	$112,946,897	$90,400,463	$ --	$616,067,723
Intersegment revenues	10,438,255	23,390,486	2,851,302	36,582	1,097,618	37,814,243
Interest expense	18,205	714,975	48,032	18,826	3,409,008	4,209,046
Depreciation and amortization	3,366,087	3,262,543	1,573,755	2,310,423	337,214	10,850,022
Segment profit (loss)	16,099,291[1]	22,554,539	12,291,303	6,300,698[2]	(28,820,624)	28,425,207
Segment assets	176,629,169	208,815,853	109,131,715	65,998,995	231,066,768	791,642,500
Capital expenditures	1,873,125	4,000,586	1,401,871	3,878,375	475,640	11,629,597

Segment information for 2004

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	$141,050,411	$207,397,262	$ 91,390,222	$64,385,668	$ 330,188	$504,553,751
Intersegment revenues	8,225,604	6,806,099	1,531,132	68,310	614,000	17,245,145
Interest expense	16,527	486,576	59,694	16,171	4,453,910	5,032,878
Depreciation and amortization	3,539,385	3,064,374	1,702,429	1,846,189	416,116	10,568,493
Segment profit (loss)	8,109,409	19,684,515	7,554,097	(1,652,769)	(21,204,134)	12,491,118
Segment assets	157,441,648	230,161,294	92,085,043	70,525,756	210,705,197	760,918,938
Capital expenditures	1,003,961	4,954,756	944,942	1,956,424	2,307,689	11,167,772

1 Asphalt Group segment profit includes a real estate impairment charge of $1,183,421.

2 Underground Group segment profit includes the gain on the sale of its Grapevine, Texas facility in the amount of $7,714,305.

	Year Ended December 31, 2006	2005	2004
Sales:			
Total external sales for reportable segments	$ 710,606,813	$ 616,067,723	$ 504,223,563
Intersegment sales for reportable segments	29,486,529	36,716,625	16,631,145
Other sales	--	1,097,618	944,188
Elimination of intersegment sales	(29,486,529)	(37,814,243)	(17,245,145)
Total consolidated sales	$ 710,606,813	$ 616,067,723	$ 504,553,751
Net Income:			
Total profit for reportable segments	$ 76,885,098	$ 57,245,831	$ 33,695,252
Other (loss)	(36,439,102)	(28,820,624)	(21,204,134)
Minority interest in earnings of subsidiary	(82,368)	(105,308)	(111,260)
(Elimination) recapture of intersegment profit	(775,785)	(225,678)	102,874
Income from discontinued operations, net of tax	--	--	1,164,307
Gain on disposal of discontinued operations, net of tax	--	--	5,406,224
Total consolidated net income	$ 39,587,843	$ 28,094,221	$ 19,053,263
Assets:			
Total assets for reportable segments	$ 672,809,514	$ 560,575,732	$ 550,213,741
Other assets	233,291,974	231,066,768	210,705,197
Elimination of intercompany profit in inventory and leased equipment	(1,157,018)	(381,234)	(155,556)
Elimination of intercompany receivables	(310,941,290)	(253,558,866)	(254,374,494)
Elimination of investment in subsidiaries	(101,255,392)	(133,283,656)	(146,869,258)
Other eliminations	(70,885,253)	(57,836,070)	(34,701,663)
Total consolidated assets	$ 421,862,535	$ 346,582,674	$ 324,817,967
Interest expense:			
Total interest expense for reportable segments	$ 206,113	$ 800,038	$ 578,968
Other interest expense	1,465,739	3,409,008	4,453,910
Total consolidated interest expense	$ 1,671,852	$ 4,209,046	$ 5,032,878
Depreciation and amortization:			
Total depreciation and amortization for reportable segments	$ 11,507,660	$ 10,512,808	$ 10,152,377
Other depreciation and amortization	383,431	337,214	416,116
Depreciation from discontinued operations	--	--	550,977
Total consolidated depreciation and amortization	$ 11,891,091	$ 10,850,022	$ 11,119,470
Capital expenditures:			
Total capital expenditures for reportable segments	$29,442,904	$ 11,153,957	$ 8,860,083
Other capital expenditures	1,436,210	475,640	2,307,689
Total consolidated capital expenditures	$ 30,879,114	$ 11,629,597	$ 11,167,772

Sales by major geographic region were as follows:

	Year Ended December 31,		
	2006	2005	2004
United States	$ 518,455,721	$ 499,837,874	$ 381,937,896
Asia	7,867,141	1,895,473	5,735,725
Southeast Asia	6,660,597	6,555,077	12,150,466
Europe	36,128,754	13,059,057	21,163,574
South America	13,670,468	11,231,342	8,478,688
Canada	41,527,458	20,729,916	15,498,076
Australia	10,891,367	6,600,885	6,106,948
Africa	38,059,309	31,733,472	25,562,020
Central America	13,721,178	8,757,345	9,431,789
Middle East	18,251,651	8,525,253	10,068,121
West Indies	2,442,514	6,635,443	1,786,012
Other	2,930,655	506,586	6,634,436
Total	$ 710,606,813	$ 616,067,723	$ 504,553,751

Long-lived assets by major geographic region were as follows:

	Year Ended December 31,		
	2006	2005	2004
United States	$ 126,887,083	$ 109,535,396	$ 115,600,440
Canada	9,154,708	8,661,016	8,458,294
Africa	2,802,784	2,358,072	2,274,794
Total	$ 138,844,575	$ 120,554,484	$ 126,333,528

17. Other Comprehensive Income

The balance of related after-tax components comprising accumulated other comprehensive income is summarized below:

	Year Ended December 31,	
	2006	2005
Foreign currency translation adjustment	$ 3,475,610	$ 4,278,596
Post-retirement benefits, net of tax	291,505	--
Minimum pension liability adjustment, net of tax	(1,280,857)	(1,673,920)
Accumulated other comprehensive income	$ 2,486,258	$ 2,604,676

18. Assets Held for Sale

The Trencor, Inc. manufacturing operations formerly located in Grapevine, Texas were relocated to the Loudon, Tennessee facility during the fourth quarter of 2002. On September 27, 2005, the Company closed on the sale of the vacated Grapevine, Texas facility to Great Wolf Resorts, Inc. for approximately $13,200,000. The assets sold had previously been classified on the consolidated balance sheet as assets held for sale with a book value of approximately $4,886,000. The related gain, net of closing costs, on the sale of the property of approximately $7,714,000 is included in operating expenses as a component of “gain on sale of real estate, net of real estate impairment charge” in the 2005 Statement of Operations. The assets sold and the related gain is included in the Underground Group for segment reporting purposes.

19. Other Income (Expense) - Net

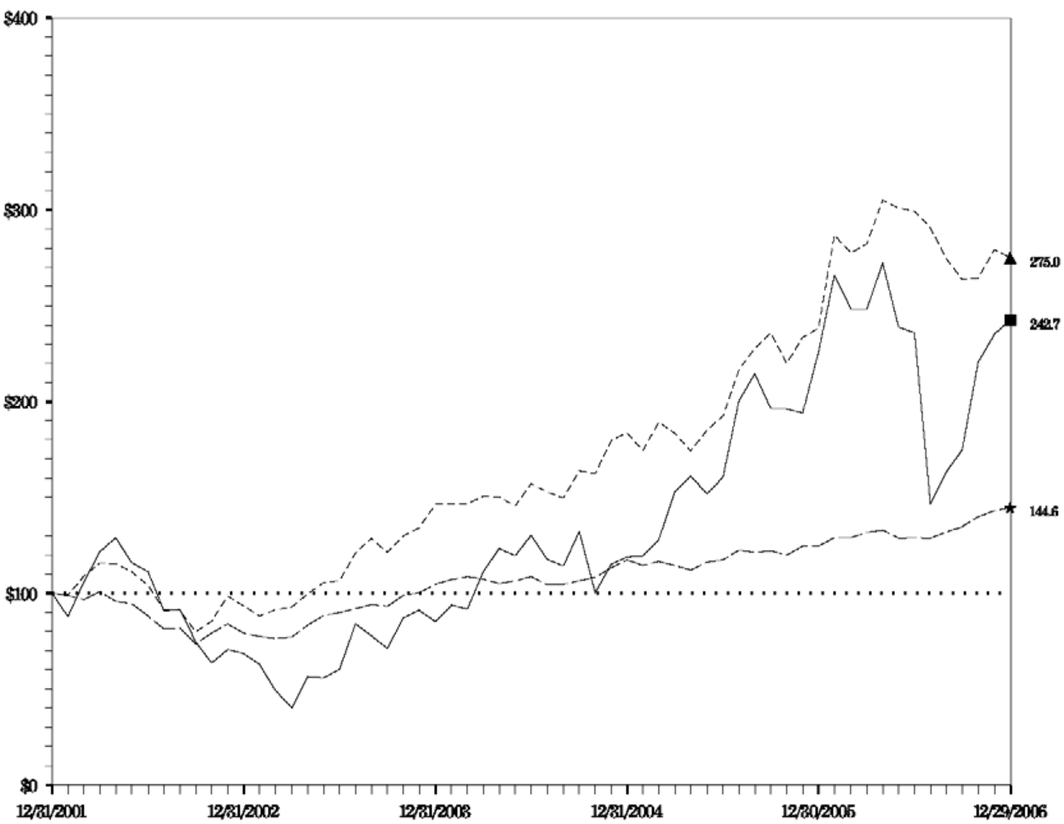
Other income (expense) - net consisted of the following:

	Year Ended December 31, 2006	2005	2004
Loss on foreign currency transactions	$ (167,478)	$ (120,374)	$ (294,674)
Other	334,635	330,268	227,052
Total	$ 167,157	$ 209,894	$ (67,622)

Comparison of Five-Year Cumulative Total Returns
Performance Graph for Astec Industries, Inc.

Note: We have selected a new market index to use as our comparison market index. Historically, we have compared our cumulative total shareholder returns with the Nasdaq Stock Market. This year we are comparing our cumulative total shareholder returns with the NYSE, AMEX and Nasdaq Stock Markets. The reason for this change was to compare our experience to indexes that included a broader base of manufacturing companies. We have also selected a new industry index to use as our comparison industry index. Historically, we have compared our cumulative total shareholder returns with Nasdaq stocks within SIC range 3500-3599. This year we are comparing our cumulative total shareholder returns with NYSE, AMEX and Nasdaq stocks within SIC range 3530-3539. Our SIC is 3531 (construction machinery and equipment). We believe that the more narrow SIC range selected for this year's comparison may provide our shareholders and potential investors with a comparison against companies with businesses more closely comparable to our business than the more broad SIC range used in prior years.

Performance Graph #1: Illustrating the Comparison of Five-Year Cumulative Total Returns for Astec Industries, Inc. using the new market index and new industry index described above.



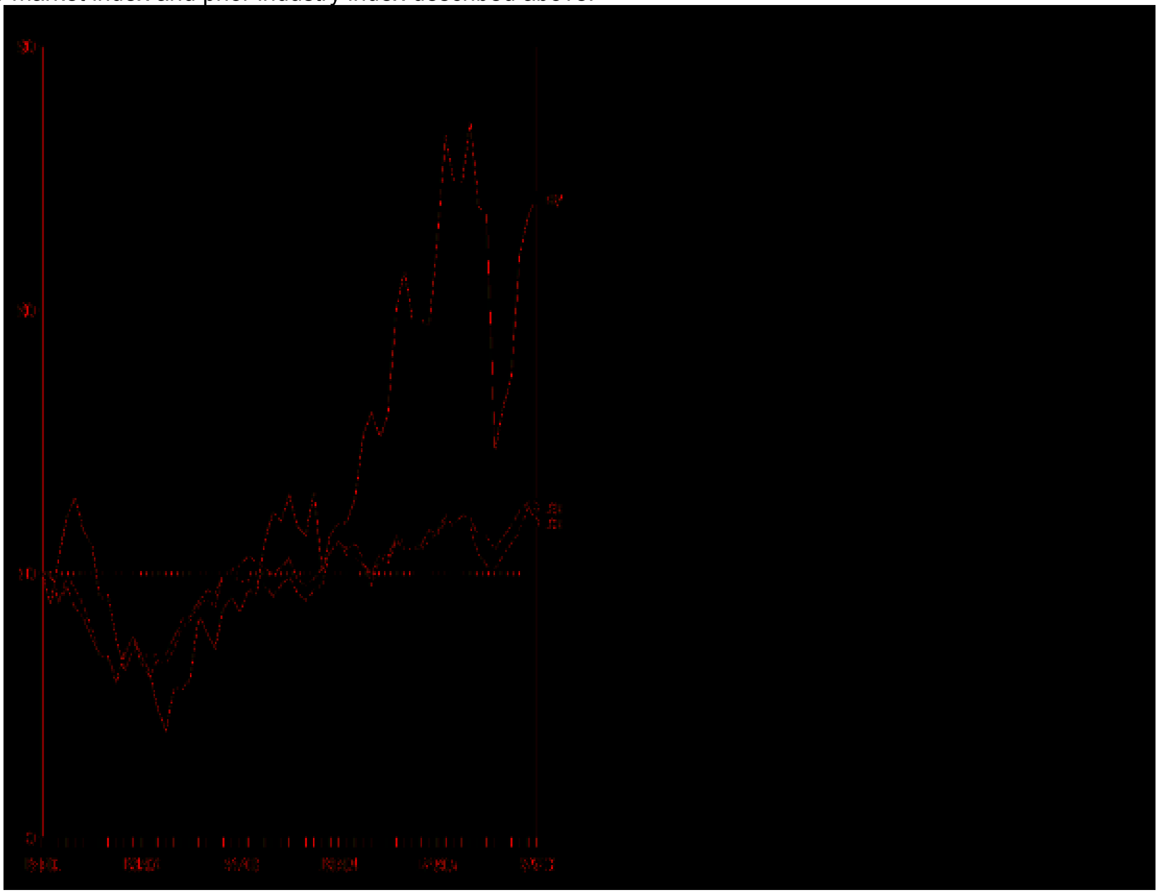
Legend

Symbol		CRSP Total Returns Index for:	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006
■	– – – – –	Astec Industries, Inc	100.0	68.7	85.1	119.0	225.9	242.7
★	- - - - - - -	NYSE/AMEX/Nasdaq Stock Market (US Companies)	100.0	79.4	104.6	117.5	124.7	144.6
▲	________	NYSE/AMEX/NASDAQ Stocks (SIC 3530 – 3539 US Companies) Construction, mining, and materials handling machinery and equipment	100.0	93.4	146.3	183.7	238.3	275.0

Notes:

A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
C. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
D. The index level for all series was set to $100.0 on 12/31/2001.

Performance Graph #2: Illustrating the Comparison of Five-Year Cumulative Total Returns for Astec Industries, Inc. using the prior market index and prior industry index described above.



Legend

Symbol		CRSP Total Returns Index for:	12/2001	12/2002	12/2003	12/2004	12/2005	12/2006
■	– – – – –	Astec Industries, Inc	100.0	68.7	85.1	119.0	225.9	242.7
★	- - - - - - -	Nasdaq Stock Market (US Companies)	100.0	69.1	103.4	112.5	114.9	126.2
▲	________	NASDAQ Stocks (SIC 3500 – 3599 US Companies) Industrial and commercial machinery and computer equipment	100.0	66.2	96.4	111.9	115.8	120.2

Notes:

A. The lines represent monthly index levels derived from compounded daily returns that include all dividends.
B. The indexes are reweighted daily, using the market capitalization on the previous trading day.
C. If the monthly interval, based on the fiscal year-end, is not a trading day, the preceding trading day is used.
D. The index level for all series was set to $100.0 on 12/31/2001.

BOARD OF DIRECTORS AND 2006 COMMITTEES

J. Don Brock, Ph.D
Chairman of the Board, President and CEO
Astec Industries, Inc.
Member of Executive Committee

Phillip E. Casey
Chairman of the Board
Gerdau Ameristeel Corp.
Member of Audit Committee and
Compensation Committee

Daniel K. Frierson
Chairman and CEO
Dixie Group, Inc.
Member of Executive Committee and
Nominating Committee

William D. Gehl
Chairman of the Board and CEO
Gehl Company
Member of Audit Committee and
Compensation Committee

Ronald F. Green
Chairman
Advatech, LLC
Member of Nominating Committee, and
Compensation Committee

Albert E. Guth
Astec Industries, Inc. (retired)
Member of Executive Committee

William B. Sansom
Chairman and CEO
The H.T. Hackney Company
Member of Audit Committee and
Nominating Committee

W. Norman Smith
Group Vice President, Asphalt
Astec Industries, Inc.
Member of Executive Committee

Robert G. Stafford
Vice President, Corporate Research and
Development
Astec Industries, Inc.

Glen E. Tellock
President
Manitowoc Crane Group
Member of Audit Committee and
Nominating Committee

CORPORATE EXECUTIVE OFFICERS

J. Don Brock, Ph.D
Chairman of the Board, President and CEO

J. Neal Ferry
Chief Operating Officer
Executive Vice President
Group Vice President - Aggregate and Mining

Stephen C. Anderson
Corporate Secretary
Director of Investor Relations

F. McKamy Hall, CPA
Vice President, CFO and Treasurer

W. Norman Smith
Group Vice President, Asphalt

Robert G. Stafford
Corporate Vice President of Research and
Development

Thomas R. Campbell
Group Vice President, Mobile Asphalt Paving
and Underground

David C. Silvious, CPA
Corporate Controller

SUBSIDIARY OFFICERS

Michael A. Bremmer
President, CEI Enterprises, Inc.

Benjamin G. Brock
President, Astec, Inc.

Frank D. Cargould
President, Breaker Technology, Ltd. and Breaker Technology, Inc.

Richard J. Dorris
President, Heatec, Inc.

Jeffery J. Elliott
President, Johnson Crushers International, Inc.

Timothy D. Gonigam
President, Astec Mobile Screens, Inc.

Tom Kruger
Managing Director, Osborn Engineered Products SA (Pty) Ltd.

Alan Odgers
President, Astec Underground, Inc.

Richard A. Patek
President, Telsmith, Inc.

James F. Pfeiffer
President, American Augers, Inc.

Jeffrey L. Richmond
President, Roadtec, Inc.

Joseph P. Vig
President, Kolberg-Pioneer, Inc.

David L. Winters
VP/General Manager, Carlson Paving Products, Inc.

OTHER INFORMATION

Transfer Agent	Mellon Investor Services, LLC 480 Washington Blvd., Jersey City, NJ 07310 800.851.9677, www.melloninvestor.com
Stock Exchange	NASDAQ, National Market - ASTE
Auditors	Ernst & Young LLP, Chattanooga, TN
General Council and Litigation	Chambliss, Bahner & Stophel, P.C., Chattanooga, TN
Securities Council	Alston & Bird, LLP, Atlanta, GA
Investor Relations	Stephen C. Anderson, Director, 423.553.5934
Corporate Office	Astec Industries, Inc., 1725 Shepherd Rd., Chattanooga, TN 37421 423.899.5898, Fax 423.899.4456, www.astecindustries.com

The form 10-K, as filed with the Securities and Exchange Commission, may be obtained at no cost by any shareholder upon written request to Astec Industries, Inc., Attention: Investor Relations.

The Annual Meeting will be held on May 1, 2007 at 10:00 A.M. EST in the Training Center at Astec, Inc. located at 4101 Jerome Avenue, Chattanooga, TN 37407.

ASTEC INDUSTRIES, INC.

CORPORATE HEADQUARTERS
1725 Shepherd Road
Chattanooga, Tennessee 37421 USA
Tel: 423.899.5898 Fax: 423.899.4456
www.astecindustries.com

Listed on the NASDAQ as ASTE