GREEN: Taking a Balanced Approach

ASTEC INDUSTRIES, INC.

2007 Annual Report

Astec Industries, Inc. is a family of companies, each a leader in its field, that manufactures equipment for building and restoring the world's infrastructure. Manufacturing sectors include: rock breaking, crushing and screening equipment for the mining and quarry industry; facilities and components for the asphalt mixing industry; equipment and components for the asphalt paving industry; trenching, drilling, and boring equipment; and waste wood processing and grinding equipment.

COMPANY GROUPS

Asphalt

Mobile Asphalt

Aggregate and Mining

Underground

Green

Keeping with the theme, GREEN: A Balanced Approach, Astec Industries has made special considerations in our choice of paper for the 2007 Annual Report.

The annual report section is printed on Sappi's® Lustro Offset Environment (LOE) paper. LOE is made from 30% Post Consumer Waste, three times the industry standard. LOE paper has been certified by the Sustainable Forestry Initiative (SFI) and the Forest Stewardship Council (FSC) Chain of Custody. 100% of the electricity used to manufacture Lustro Offset Environment paper is Green-e certified renewable energy.

The Financial pages are printed on Neenah's Environment® paper. Environment® paper is made with 100% Post Consumer Waste and is made with 100% Green Energy.

ASTEC Industries, Inc.

Financial Overview

	2007	2006	2005	2004	2003
Operating Results (In thousands, except noted*)					
Net Sales	**$869,025**	$710,607	$616,068	$505,554	$402,066
Net Income	**56,797**	39,588	28,094	19,053	(28,964)
Financial Position					
Total Assets	**$542,570**	$421,863	$346,583	$324,818	$319,973
Working Capital	**204,839**	178,148	137,981	106,489	81,001
Long-term debt, less current maturities	-	-	-	25,857	38,696
Shareholders equity	**376,589**	296,166	242,742	191,256	167,517
Per Common Share*					
Net Income (loss)					
Basic	**$2.59**	$1.85	$1.38	$0.96	(1.47)
Diluted	**2.53**	1.81	1.34	0.95	(1.47)
Book value per common share at year end	**16.78**	13.51	11.57	9.52	8.49
Other Data					
Weighted average number of common shares outstanding					
Basic	**21,968**	21,429	20,334	19,741	19,672
Diluted	**22,445**	21,917	20,977	20,079	19,672
Associates*	**3,886**	3,214	2,946	2,657	2,547

Listed ASTE on NASDAQ

Letter to Shareholders

Dear Fellow Shareholders:

We are pleased with the performance of our company for 2007. Revenues for 2007 were $869.0 million as compared to revenues of $710.6 million in 2006, a historic high for our company. This represents an increase year over year of 22.3%. Net income for the year was $56.8 million as compared to net income of $39.6 million in 2006, also a historic high for our company. This represents a 43.4% increase year over year. Net income per diluted share in 2007 was $2.53 compared to $1.81 in 2006. We produced a 40 basis point improvement in our gross margins through Focus Groups, Lean Manufacturing, and more effective purchasing initiatives. These improvements were achieved during a period of continued inflation in steel and component prices.

We continue to see volatility in the markets that we serve. During 2007, oil prices reached historic highs in the United States; however, there was a substantial disconnect between oil and asphalt prices. Generally, prices of heavy crude oil are $10.00 per barrel less than light crude oil. This year, however, we have seen a spread between heavy crude and light crude as much as $35.00 to $45.00 per barrel. The bulk of the asphalt produced in the United States is from heavy crude. As a result of producing more gasoline and fuel oil, oil refineries that refine heavy crude often produce an excess amount of asphalt causing the prices to remain depressed relative to the price of light crude. We continue to encourage State DOT's and our customers to increase the amount of recycled asphalt which requires less liquid asphalt to produce new mix.

Toward the end of the year, we installed several new pulverized coal burners which reduce the drying cost of the asphalt plants. Also during the year, we developed the Double Barrel® Green System that expands the liquid asphalt as it enters into the mixing section of the plant. This will allow the production of asphalt at much lower temperatures, improve the workability of the mix and allow the use of higher percentages of recycled material. The Green System process eliminates smoke and smell, reduces fuel consumption by 14% to 20% and allows the production of a higher percentage of recycled material without changing the grade of asphalt. Due to the fact that less oxidation of the asphalt occurs during the mixing process, the asphalt pavement will last much longer and, with the use of higher percentages of recycled material, is less expensive. We believe this process will revolutionize the production of hot mix asphalt and become the industry standard over the next several years.

In 2007, we placed into operation the first of our new drill rigs that allows drilling oil and gas horizontally at more shallow depths. Because the rig has the ability to push the drill pipe, it can turn at depths as shallow as 200 to 300 feet. Recently, one well was drilled in Illinois where the contractor drilled down 379 feet and turned horizontally for 4,800 feet. Then he drilled nine additional wells in a wagon-wheel pattern, reaching many pay zones that were previously not obtainable. Currently, we have sold five of these drilling rigs and anticipate this to be a very large, growing market. We also continue to be optimistic about the utilization of large Trencor trenchers due to the increased number of pipelines being built worldwide to move both oil and gas. We believe the demand for these large machines will continue to grow.

"We believe this process will revolutionize the production of hot mix asphalt and become the industry standard over the next several years."

- Dr. J. Don Brock referring to Astec Inc.'s new Double Barrel® Green System.

The market continues to expand in track mounted jaws, impactors, cones and screening units as the use of recycled materials to replace virgin aggregates becomes more common. Kolberg-Pioneer, Inc., Johnson Crushers International, Inc. and Astec Mobile Screens, Inc. continue to increase the production of these products. These products are being applied on construction jobs processing building rubble, crushed concrete and for processing recycled asphalt.

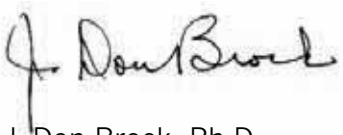
During 2007, we have seen substantial growth in our international business driven by the weak dollar and by an increased international sales force. Many countries around the world are spending large sums of money to build and re-build their infrastructure. The advancement in technology of our equipment and the weak dollar has helped the growth in this area substantially. During the fourth quarter, our international sales were 38.4% of the overall business. During the year, we acquired additional modern and higher speed machine tools, along with laser and plasma cutting equipment. We continue to reorganize our plants for continuous flow type production and lean manufacturing techniques. We are working to improve our products while reducing our costs through our Focus Groups and purchasing initiatives.

In July 2007, we purchased Peterson Pacific Corp. which is a premier manufacturer of woodchipping and recycling equipment. Their products are used in the wood and energy market to produce mulch, compost and other products from waste wood. Their large blower trucks allow the automated placement of mulch for high volume and large commercial jobs. Recycling machines are also used for processing roofing shingles which can be recycled into asphalt pavement, substantially reducing the cost of the liquid asphalt. We are very pleased to have Peterson become a part of our company and look forward to the continued growth of this business.

As we enter 2008, we continue to have historically high backlogs which give us confidence that we will have a strong first and second quarter. It is quite difficult to see beyond the first half of the year. There is a significant need for continued improvement in America's infrastructure; however, the leadership in Washington is not very consistent with the allocation of funds to maintain our infrastructure. Across the United States, we see about half of the states continuing to increase funding for roads and the other half decreasing funding. Overall domestically, we see a flat year; however, we see substantial growth in the international market. As a result, we expect 2008 to see a continued growth in our business.

We appreciate the support of our employees, our customers and most of all, our shareholders.

Yours very truly,



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

Innovations: Taking a Balanced Approach

Dr. J. Don Brock
CEO, Astec Industries, Inc.

Over the years, Astec Industries, Inc. and its subsidiary companies have led their individual industries in the innovation of new products that meet customer needs and solve industry problems. Increasingly, both environmental and economic concerns have played a part in demand for and development of more efficient products. During 2007, our company developed several new products that reduce costs for our customers, enhance equipment performance and improve processes to be more environmentally friendly.

Our companies continue to develop new products that serve our customers well. Occasionally, we develop major industry-changing products that cause shifts in the way the industry operates and substantially reduce operational costs of the equipment. In 2007, we are pleased to say that two such major breakthroughs in the development of new processes and products occurred. Astec, Inc. developed the Double Barrel® Green System that allows the reduction of mixing temperature for hot mix asphalt and American Augers unveiled the new Penetrator Series oil and gas drilling rig that utilizes the technology in horizontal direction drill rigs.

The revolutionary Astec Double Barrel Green System totally eliminates the smoke and smell of the asphalt, helps producers reduce fuel consumption, increases the production of the plant and allows an increase in the amount of recycle used without changing the grade of liquid asphalt. With this warm mix process, the asphalt can be compacted with much less energy thus eliminating one asphalt roller. The lower temperature of the mix also makes it easier to produce a better, long-lasting pavement. Within six short months of this product's introduction, over 70 units had been sold to modify existing asphalt plants. It has become known as the "Green Tsunami". The excitement of our customers and the demand for this product is overwhelming. It is not an expensive modification to the Astec Double Barrel Asphalt Plant; however, in our opinion it will revolutionize the industry over the next several years. By reducing the emission of volatile organic compounds, reducing fuel consumption and at the same time, increasing the amount of reclaimed asphalt product (RAP) that can be used, it has a significant environmental and economic effect. By increasing the use of RAP in this country from 15% to 50% and applying the green system process, our industry will be able to eliminate one week of imported oil per year (84,000,000 barrels). At the same time, the re-use of mix that was placed on roads years before reduces the need for aggregate that may be scarce in various areas of the country.

The second new revolutionary product is the American Augers Penetrator Series oil and gas drilling rig that allows access to oil and natural gas pockets with minimal disturbance to the surrounding area. This new rig design utilizes the technology developed over the past 15 years in our horizontal directional drill rigs. A thrust frame with a rack and pinion pushes the drill string. This results in drilling at a much faster rate and more importantly, allows the turning and steering of the drill pipe at much more shallow depths. Approximately 43% of the oil in this country has been passed by because conventional drill rigs are unable to turn until they reach depths of 3,000 to 5,000 feet. With the American Augers Penetrator Series drill rigs, the drill can be turned at depths as shallow as 300 feet and then drill horizontally for over a mile, reaching pockets and pay zones of oil that have previously been passed with vertical drilling. One customer produced a well in Indiana that went down 379 feet and then turned horizontally for 4,800 feet. More wells were then drilled in a wagon-wheel pattern. In this manner, approximately two square miles were efficiently covered from a single location. Using this technique reduces the

American Augers VR-330
Vertical Drilling Rig

environmental impact on the drill site by reducing the number of roads and drill points. The ability to push the drill pipe at shallow depths increases the speed of drilling and decreases the number of days needed to reach the pay zone. For example, the well in Indiana required only three days for drilling, versus over 20 days for a comparable well using traditional rigs. One of these drill rigs along with a pictorial drill pattern is shown below.

In 2007, Astec Industries acquired Peterson Pacific, Corp. in Eugene, Oregon. Peterson builds equipment that transforms wood waste into fuel and other usable products. As efforts increase to clean our national forests and more completely utilize wood in the lumber industry, the demand for Peterson products will grow. Peterson adds to our continued effort to build products that help our country become more sustainable.

We are also pleased that our Astec Underground, Inc. equipment could be used in the building of the World Trade Center Freedom Tower. Unable to use blasting to remove the rock for preparation of the new foundation, the Port Authority of New York and New Jersey contacted Astec Underground. A Trencor 1660 – 250,000 lb. trencher cut slots 36" wide in the rock, leaving an area 36" wide to support the trencher tracks. Hydraulic breakers then removed the rock. In this way, the 12' deep rock excavation was completed without drilling and blasting.

Astec Industries continues to foster the development of products that will improve our infrastructure and become more energy efficient. We believe that it is essential that our country continue to search and find more domestic energy sources to reduce our dependence on foreign oil. At the same time, we believe that it is equally necessary to reduce our energy consumption by developing more efficient processes and products. We will continue to develop products that strike the balance between these two objectives. We believe the products that we have developed this year and especially those mentioned above, have certainly helped lead to achieving these objectives in the industries we serve.

One of the first Astec Double Barrel Green Systems installed at a asphalt facility in Vancouver, Canada.

Roadtec paving demo with mix from the new Double Barrel Green System. The demo successfully demonstrated how the mix can be applied without the volatile emissions or smell commonly associated with standard hot mix.

Peterson's 5710C wood grinder transforms wood waste into usable products.

Astec Underground's Trencor 1660 being used in New York City at the construction site of the new World Trade Center Freedom Tower. The use of the 1660 allowed the Port Authority of New York and New Jersey to move a large amount of rock from the area without drilling or blasting.

ASPHALT GROUP

The Asphalt Group (Astec, Heatec and CEI) has earned a reputation for high quality products and customer service. These three companies form a cohesive unit that designs and manufactures a complete line of portable, relocatable and stationary asphalt mixing facilities and related components as well as a variety of heaters, heat transfer processing equipment and thermal fluid storage tanks. The Asphalt Group is focused on providing the widest range of products for the hot mix asphalt industry. The Asphalt Group enjoys a reputation for engineering products with the most advanced and innovative technologies available. The products of the Asphalt Group utilize advanced technologies to help customers maximize performance and safety.

GREEN FACTS:

Astec, Inc. introduced its Double Barrel® Green System in 2007. This warm mix asphalt system generates mix at a lower temperature, thereby reducing fuel consumption by 14% and virtually reducing the emissions that are generally associated with conventional hot mix asphalt.

Heatec's FIRESTORM™ direct-contact water heaters have extremely high thermal efficiency: up to 99%. The FIRESTORM heaters produce virtually no unwanted atmospheric emissions.

CEI's asphalt rubber blending system utilizes discarded rubber tires as an additive to hot mix asphalt. The mixing system is also available with a low emissions oil heater.

COMPANIES

Astec, Inc.

Heatec, Inc.

CEI Enterprises, Inc.


ASTEC
ASTEC
ASTEC
DOUBLE BARREL

Astec, Inc.

Chattanooga, Tennessee

Astec, Inc. is the world leader in Hot Mix Asphalt (HMA) equipment technology, support and training. Astec manufactures a complete line of stationary, relocatable and portable continuous mix HMA, and soil remediation equipment. Core products include the Double Barrel® drum mixer, TCII PC-based computer control system, the Phoenix® high-efficiency burner series, the Six Pack® portable HMA facility and New Generation long-term storage silos.

When it was introduced in 1986, the Double Barrel combination aggregate drying and HMA mixing drum was ahead of its time. Since then, the Double Barrel drum has been proven through millions of tons of operation to consistently produce high-quality mixes. Its ability to produce mixes with up to 50% reclaimed asphalt pavement (RAP) content without added emissions or fuel costs makes the Double Barrel drum mixer one of the most important pieces of equipment for HMA producers today.

ASTEC

The innovations from Astec continue with the Double Barrel Green system. Adding the Green System to a Double Barrel drum mixer allows producers to reduce fuel consumption, increase production, eliminate smoke and smell and use a higher percentage of reclaimed asphalt product (RAP) by producing mix at a lower temperature. The Double Barrel Green System is a major break through in warm mix asphalt technology because it does not require the addition of expensive commercial additives. Instead, water is injected into the mix along with the liquid asphalt cement. The injection of water causes the liquid asphalt to foam and expand in volume. The foaming action helps the liquid asphalt coat the aggregate at a lower temperature.

The Double Barrel Green System is yet another innovation from Astec that is poised to become an industry standard. Astec founder Dr. J. Don Brock notes that, "acceptance in the field is no less than a green tsunami."

In addition to designing and manufacturing HMA facilities, Astec is committed to providing excellent customer service. Astec's service and parts teams are always available to assist plant owners. And the company's annual Advanced Customer Training Schools teach plant operators the skills they need to maximize plant efficiency and productivity. In 2007, Astec began an expansion of its training facility. The additional 11,000 square feet of space houses an exhibit hall, classrooms and office space. With this new facility, Astec will continue to grow its customer schools and enhance its reputation for customer service.

Portable Hot Mix Asphalt Plant

The Astec Six Pack® hot mix asphalt facility, introduced in the early eighties, was the first truly portable facility available to hot mix asphalt producers and quickly became the world's best selling portable asphalt facility.

Double Barrel® Drum Mixer

The innovative design of Astec's Double Barrel® drum mixer makes perfect sense for today's hot mix asphalt facilities. It significantly improves the quality of all mixes and is able to run up to 50% reclaimed asphalt pavement (RAP) without using more fuel.

Double Barrel® Green System

The latest innovation from Astec saves energy and eliminates smoke and emissions without compromising mix quality. The Double Barrel Green System uses water to produce a foamed warm mix asphalt that is odorless, smokeless and longer lasting.

Phoenix® Talon Burner

The Astec Phoenix Talon delivers very low emissions combined with energy efficiency. Only the Phoenix Talon series uses precise, high quality mixing of air and gaseous fuel to achieve an advanced emission reduction method called lean burn premix. The use of Variable Frequency Drives (VFD) helps provide precise firing rate and uses less electrical energy while also ensuring quieter operation.

TCII Control System

The TCII is the most powerful PC-based system ever designed to control hot mix asphalt facilities. With these centralized controls, operators have instant and accurate control of all facility operations. No other system provides more flexibility and expansion options.


HEATEC
HEATEC
HEATEC
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ASTEC

Heatec, Inc.

Chattanooga, Tennessee

Heatec designs, manufactures and markets a wide variety of heating and storage equipment for numerous industries.

The majority of Heatec products go to manufacturers of products made with asphalt. Chief among those producers are HMA (hot mix asphalt) plants. Other major users of Heatec asphalt heating, mixing and storage equipment include asphalt terminals, roofing plants and asphalt emulsion plants.

We also make similar equipment for industries unrelated to asphalt. Recent sales to the concrete, oil and gas, liquified natural gas, bio-diesel, plastics, chemical, polymer and food industries have been substantial.

You will also find Heatec products on off-shore platforms, on barges, at power generation plants, at wood product manufacturers, at textile factories, at pharmaceutical companies and others.

We currently have orders for several polymer asphalt systems for deliveries in 2008. These polymer systems are for asphalt terminals. The typical system blends Styrene

HEATEC

Butadiene Styrene (SBS) polymer with virgin asphalt cement to make what is known as PMAC (polymer-modified asphalt cement). PMACs are used to make PG (Performance-Graded) asphalt, which has significantly improved durability compared to hot mix asphalts used in the past. Most states now mandate the use of PG mixes.

A typical system incorporates storage tanks, mixing tanks, holding tanks, a hopper and a mill. The system makes PMAC by introducing granules of polymer into a heated tank of liquid asphalt cement. The combined materials are then stirred and pumped through a precision mill that reduces the granules to fine particles so it will blend thoroughly with the asphalt cement. The finished material is then pumped into a holding tank for load-out.

Our new Firestorm water heater for the ready-mix concrete industry is generating a lot of interest. It is a high efficiency water heater that is used to heat mix water for concrete that is poured in cold weather. It is expected to replace older, less efficient heaters in current use.

Stationary Polymer Blending Systems

Heatec polymer blending systems blend SBS polymer with liquid asphalt to produce polymer-modified asphalt cement (PMAC). Use of PMAC in roadbuilding produces more durable roads. Heatec is a known leader in polymer blending systems.

Mixing Tanks

Heatec mixing tanks are specifically designed to keep concentrated mixtures of polymer-modified asphalt cement in suspension. In addition to their use in roadbuilding, these tanks are also used in the roofing industry.

Industrial Thermal Fluid Heaters

Heatec designs and manufactures thermal fluid heaters used in a wide variety of industrial processes. Here, Heatec supplied a heater, pump and piping system to a major manufacturer of asphalt roofing materials.

Firestorm™ Water Heaters

Heatec introduced this direct-contact water heater to the concrete industry in 2006. During 2007, the industry's response to the heater was very strong, and continues to grow. Heatec is preparing to promote this heater into other markets.

New Training Facility

In 2007, Heatec completed a 7,000 square foot addition to its offices. The addition includes this training facility, designed specifically for training customers in the use and maintenance of Heatec products.


ASTEC

CEI Enterprises, Inc.

Albuquerque, New Mexico

CEI Enterprises started as a small and focused manufacturer of asphalt storage tanks and hot oil heaters for the hot mix industry. Equipment users quickly realized the exceptional performance and quality and began requesting additional products with innovative design features. CEI Enterprises continues to grow in product scope within the industry and has become a major domestic and worldwide equipment supplier.

An example of CEI Enterprise's innovative design and engineering capability is the development of the NOMAD® HMA hot mix asphalt plants. The 80 and 130 ton per hour plants were developed primarily for emerging countries where transportation of equipment is an issue due to limited road sizes. These two plants are transportable in four loads each and can be set up in just a few hours allowing the ultimate in portability. The Nomad continues to be a great success with over 60 units in operation throughout the world.

CEI ENTERPRISES

The Rap King™ is an 180 TPH counter flow design HMA plant capable of processing up to 50% RAP. The merits of its unique design are greater fuel efficiency along with lower hydrocarbon and VOC (Volatile Organic Compounds) emissions. The Rap King can meet the most stringent emissions standards. It can be equipped with multiple cold feed bins, self-erecting or stationary silo's, truck scales and load out printing stations, and in a portable or relocatable design.

CEI Enterprises is the leader in the design and supply of portable crumb rubber blending plants. The design features for these plants includes the latest in control technology, the most efficient emission reduction capabilities and highest continuous tons per hour to the hot mix plant that is available in the market. CEI Enterprises has supplied over 30 of these specialized crumb rubber mixing plants. Current models feature high temperature hot oil heaters to boost virgin asphalt temperatures up to 425F˚, dual sided connections for asphalt and hot oil lines, fully automated controls, mixing augers for high agitation and triple compartment reaction tanks to maximize production rates.

To support the industry in the residential arena, CEI Enterprises has developed a 12,000 gallon water tank. The tank is transported in a lowered position and easily raised to an operational position with an integrally mounted gasoline engine. For the customers with special local requirements, CEI Enterprises provides liquid Additive Systems for the storage and metering of anti-strip, etc. Equipment is also available for the production of polymer modified asphalts. And for those air quality districts, CEI Enterprises has delivered blue smoke control systems that can exhaust asphalt tank fumes at temperatures under 120˚ F.

Jacketed Firebox Heater

The CEI Jacketed Firebox heater leads the field with a highly efficient design. Helical rings in the jacket of the firebox control circulation of thermal fluid in the jacket to eliminate hot spots and ensure optimum heat transfer.

NOMAD® Asphalt Plant

A low-cost plant for production of hot mix asphalt (HMA), designed for the international market. Fully meets the needs of contractors who do a lot of small projects such as driveways and parking lots. But it is also well suited for secondary roads, especially those in rural areas. And it can also be used effectively when widening existing freeways. The plant produces up to 130 tons (118 metric tons) of hot mix asphalt an hour.

RAP King Asphalt Plant

The sturdy, efficient, cost-effective CEI RAP King hot mix asphalt facility allows smaller producers to make high recycled asphalt pavement (RAP) content mixes without added emissions or increased operating expenses.

Asphalt Rubber Blending System

CEI is the premier manufacturer of durable systems for blending Ground Tire Rubber (GTR) into asphalt cement. This portable system mixes GTR with liquid asphalt, then holds and agitates the mixture in a reaction tank until it is properly cured for use in making hot mix asphalt (HMA).

Rubber Reaction Tank

This high quality tank is designed for use with an asphalt rubber blending system. The tank includes an auger to agitate the mix and keep the crumb rubber in suspension.

ASTEC

MOBILE ASPHALT PAVING GROUP

The Astec Mobile Asphalt Paving Group (Roadtec and Carlson) produces machinery for road builders worldwide. The group's customers come from the highway construction segment and range in size from family-owned companies to multi-national concerns. The group's customers primarily handle projects involving the maintenance and construction of public roads. These companies typically value long-lasting and reliable equipment and equipment features that can give them an edge in their competitive environment. They also demand a high level of customer support. High-end, innovative products and support for its customers have been key to the Astec Mobile Asphalt Paving Group's growth and continues to be its focus.

Roadtec, Inc.

Carlson Paving Products, Inc.

GREEN FACTS:

Asphalt is America's most recycled product. Roadtec's line of cold planers remove and grind the old asphalt pavement for use in new mixes. Up to 50% of Reclaimed Asphalt Product (RAP) can be added to new mixes.

Roadtec installs CAT® ACERT Tier III diesel engines in its products. In addition to lower emissions, the new engines feature lower bare engine noise by up to 5 decibles. Tier III engines reduce the amount of nitrogen oxide, particulate matter, carbon monoxide and hydrocarbons released into the air.

Electrically heated Carlson screeds produce no emissions.

COMPANIES


CARLSON


ROADTEC
SB25000
CALL
SOS


ROADTEC
RP195
ROADTEC

Roadtec, Inc.

Chattanooga, Tennessee

Roadtec builds road building equipment. Four core product lines are cold planers, pavers, material transfer vehicles, and reclaimers/stabilizers. Roadtec enjoyed healthy growth in 2007 in new product sales as well as in parts and rebuild sales. International sales have been especially strong for the company.

Two upgraded eight-foot paver models were introduced in 2007, the RP-170 and the RP-175. They feature environmentally friendly Tier III engines and an improved operator environment, including slide-out seats for better visibility and reduced engine noise. Roadtec's entire paver line enjoys a good reputation in the market place and was able to gain market share in 2007.

Roadtec cold planers are considered to be among the most productive machines available and feature competitive advantages such as higher horsepower engines, bi-directional drum options and a range of choices for the cutter system. Featuring environmentally friendly engines, they are recognized as having higher productivity than any other cold planers available today. Roadtec replacement parts are non-

ROADTEC

proprietary and easy to find, and customers value that. This product line was also able to increase market share in 2007.

Roadtec manufactures the well know Shuttle Buggy® material transfer device, a machine which allows road builders to meet state DOT smoothness specifications with ease. Users of Shuttle Buggy material transfer devices consistently win quality awards for smoothness. The device is firmly entrenched in the U.S. as the only machine to battle material and temperature segregation in hot mix asphalt and continues to efficiently gain acceptance in international markets, especially Europe.

The Roadtec stabilizer/reclaimer is used to prepare the roadbed before pavement is laid. The machine can work in many types of materials ranging from soil to old pavement and features the greatest cut depth in the industry. Torque to the cutter drum is rated the highest in the industry at over 500,000 pound-force inches in first gear. This is the newest addition to the Roadtec product offering. Sales are expected to grow as the product continues to prove itself in the market.

Roadtec acquired a new robotic welding system in 2007 to manufacture cold planer cutter drums. The addition of this machine will reduce cycle times for cutter drums by approximately 50%. Other 2007 manufacturing department upgrades include two new Whitney burn tables, a new CNC machining center and a Kinetic plate-processing machine. The substantial investment in new manufacturing equipment is enhancing the lean manufacturing concept, which Roadtec has fully embraced.

Two new CNC machining centers have also been placed at the Roadtec Riverside facility in Chattanooga, where Roadtec parts are made. Thanks to new partnerships with OEM parts suppliers, Roadtec is seeing its parts business grow substantially, and these machines are providing the additional capacity required.

RX-900 Cold Planer
At 950 horsepower this machine is the most powerful cold planer on the market. Producing more milled surface per hour than competing machines this product is an important part of getting projects done quickly to avoid long periods of construction delays.

RP-190 Asphalt Paver
One of four different Roadtec paver models, the RP-190 provides Roadtec heavy-duty construction for reliable performance. Exclusive Roadtec design features allow asphalt mix moving through Roadtec pavers with minimal segregation to form a smoother road surface.

The SB-2500D Shuttle Buggy® Material Transfer Vehicle

The SB-2500D Shuttle Buggy material transfer vehicle (MTV) can store and transfer hot-mixed asphalt material from a truck to a paver for continuous paving. A patented anti-segregation auger remixes materials just before they are delivered to the asphalt paver. The 25-ton surge capacity of the Shuttle Buggy MTV allows trucks to unload material immediately and return to the asphalt plant.

SX-7 Soil Stabilizer/Reclaimer

Used to stabilize the roadbed before pavement construction, the SX-7 works in many materials from soil to old pavement. This powerful 700 horsepower machine can cut deeper than any other, and its tight turning radius makes it the most maneuverable available.

VCS Variable Cutter System

With the variable cutter system Roadtec customers can use their cold planers to cut different widths without time-consuming cutter housing change-outs. This is one of many exclusive product enhancements available to Roadtec customers.


ROADTEC
RP195
ROADTEC

Carlson Paving Products, Inc.

Tacoma, Washington

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.

CARLSON

During 2007, Carlson continued to lead the field of paver screed technology in the asphalt paving industry. With a tradition of customer driven product enhancements Carlson kept ahead of the competition. Carlson continues to develop and improve core product lines, including a popular line of screeds, without abandoning a tradition of easily operated and maintained equipment.

EZIII Asphalt Screed

The screed is responsible for laying the asphalt mix down flat, level, and at the correct thickness. Among the screeds Carlson makes, this EZIII model is ideal for the builder who works in the commercial market. It has all the features of a highway-class screed, such as electrically heated, vibratory screed plates and adjustable extension, but is lighter in weight.

EZIV Asphalt Screed

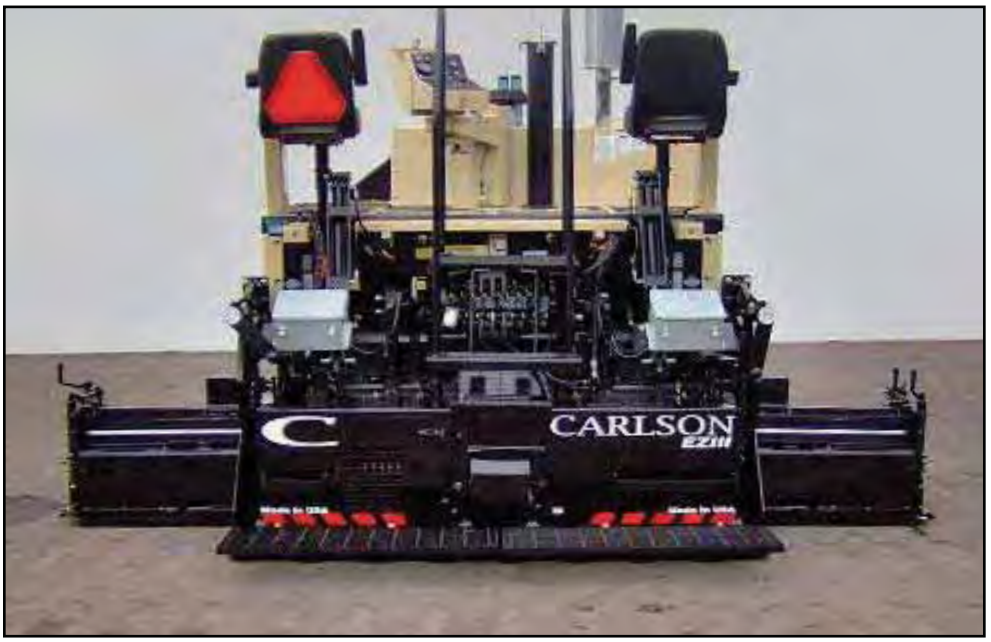
Hydraulic, vibratory extensions are supported on heavy-duty, high-strength slide tracks of this popular model. Like all Carlson screeds the EZIV features front-mounted extensions. The patented, tapered Carlson screed plate design assures optimal material flow for a smooth surface of even density. The optional angle of attack adjustment on the extension is another Carlson exclusive valued by road builders.

Windrow Pick-Up Machine

The Carlson WP-800 Windrow Pick-up Machine is designed to couple to the front of an asphalt paver and transfer hot mix asphalt (HMA) from windrows laid in the paving track to the hopper via its elevating conveyor. The WP-800 can be adapted for use on almost any paver, and can be used with or without a hopper insert unit.

EZIII Asphalt Screed

A unique feature of the Carlson EZIII Screed is the extension support system, which uses brass wear plates to maintain tight control and prevent vertical movement. Two versions of different widths are offered. Maximum paving width of the 8' (2.4 m) model is 13'-6" (4.1 m) and 19' (5.8 m) with additional bolt-on extensions. Maximum paving width of the 10' (3 m) model is 17' (5.2 m) and 24' (7.3 m) with additional bolt-on extensions.



EZIV Asphalt Screed

The Carlson EZIV Screed extension support system uses high strength chrome rods with adjustable composite bushings to tightly hold the extensions and to prevent vertical movement. Two versions of different widths are offered. Maximum paving width of the 8' model is 15' (4.6 m) and 19' (5.8 m) with additional bolt-on extensions. Maximum paving width of the 10' model is 19' (5.8 m) and 25' (7.6 m) with additional bolt-on extensions

ASTEC

AGGREGATE & MINING GROUP

The Aggregate and Mining Group provides innovative solutions for the material handling, mining, quarry, recycling, construction and demolition industries. Superior customer support is a key element to the success of the Aggregate and Mining Group. The group is determined to satisfy customers by offering high quality and by listening to customers to better understand and meet their needs. The companies of the Aggregate and Mining Group design, manufacture and market a complete, world-class line of rock crushers feeders, conveyors, screens and washing equipment for open-mine and quarry operations. Through innovative technology the Aggregate and Mining Group is able to offer equipment that helps our customers perform better, safer and achieve maximum return on their investment.

GREEN FACTS:

The Kolberg-Pioneeer FT 4250, uses a Tier III compliant engine from Cummins or Caterpillar. Tier III engines significantly reduce emissions of nitrous oxide and unburned hydrocarbons while offering improved fuel economy compared to engines used just a few years ago. In addition, the FT 4250 uses programmable logic controls (PLC) to control overload conditions to the engine to prevent huge variations in engine horsepower which helps improve fuel efficiency.

Telsmith's three new RAP (Reclaimed Asphalt Product) crushers allow asphalt producers to increase the amount of RAP used in the mix and significantly reduces the need for virgin oil products.

COMPANIES

Kolberg-Pioneer, Inc.

Johnson Crushers Intl., Inc.

Astec Mobile Screens, Inc.

Telsmith, Inc.

Breaker Technology, Ltd.

Osborn Engineered Products SA (Pty) Ltd.

Telsmith, Inc.

Mequon, Wisconsin

Telsmith Inc. was founded over one hundred years ago to manufacture a new type of rock crusher. In the 1930's, Telsmith began marketing cone crushers and other products into international markets. In 2007, with strong brand acceptance around the world, Telsmith was able to take advantage of growing international demand for USA made products, shipping into 34 countries on 5 continents.

Telsmith designs, manufacturers, markets and services a full line of processing equipment for the aggregate, concrete recycle and asphalt recycle industries. Included in the product offering 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.

Offering advanced solutions, Telsmith has also developed track mobile, wheeled portable and modular plant systems to deliver turnkey aggregate processing solutions. Combining consulting services, manufacturing and construction

TELSMITH
an Astec company

management, Telsmith has been successful providing complete new plant installations.

Superior customer support is a differentiating element to Telsmith growth. Focused parts inventories and expert service technicians continue to build a loyal customer base.

New product development resulted in two successful product launches in 2007. The Quarry-Trax model TJ3258 track mobile jaw crushing plant and model PA6060 Primary Andreas style impact crusher add to the breadth of the Telsmith product line. Each of these products is uniquely designed to service both the quarried stone and growing recycled concrete markets.

2007 brought targeted investment into the Telsmith Mequon manufacturing facility. As part of an ongoing commitment to lean manufacturing, several manufacturing lines have been reorganized, including new machine tools, streamlining the focus on individual product quality, shortening build cycles and reducing costs.

Packaging innovative designs, quality manufacturing, superior customer support, systems capability and experience, Telsmith is able to provide long term solutions for today's aggregate producers. Creating advantages for our customers is how we deliver the Telsmith Difference.

Modular Screening Towers

Modular screening towers, equipped with Vibro-King screens, are capable of processing in excess of 1000 tons per hour of stone. Utilizing modular construction, these towers erect on site in a few days, reducing the expense and time delay associated with installing traditional plant designs.

VibroKing® Screen

Telsmith VibroKing screens are the most dependable and versatile screens available today. Shown below, this screen is set up with urethane screening media and washing spray bars, designed to scrub the stone clean and improve product quality.

Quarry Trax®

Telsmith introduced the new QuarryTrax model TJ3258 during 2007. Designed to operate near the quarry face, the QuarryTrax reduces operating costs by eliminating haul trucks. Incorporating state of the art features like chamber clearing and automated operation, the TJ3258 is the safest and most productive track plant in its class.

PA6060 Primary Crusher

Incorporating a heavier rotor than competitive designs, the new PA6060 is a productive and reliable primary Andreas style impact crusher. Utilizing automated hydraulic apron adjustment, the PA6060 delivers consistent product sizing control to optimize plant efficiency.

SBS Cone Crusher

Telsmith SBS model cone crushers have continued to gain acceptance throughout the world, achieving record unit production levels in 2007. Combining modern crushing principles and TRAC10 automation controls, the SBS crushers are recognized for high performance that is safe and reliable.


KPI-JCI

Kolberg-Pioneer, Inc.

Yankton, South Dakota

Kolberg Pioneer, Inc designs, manufactures and markets full lines of washing, conveying, crushing, screening, classifying, portable and mobile plant equipment under the KPI-JCI brand. Simple solutions for all aggregate and recycling needs delivered through an unmatched resource of knowledge and experience, innovative products and systems and a world class support system, all exemplify a lifetime of value for the customer through the KPI-JCI brand. 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.

In 2007, Kolberg Pioneer introduced the new Automatic Setting System to its full line of KPI-JCI Vanguard jaw crushers. The value of this system is realized through increased functionality, reduced labor and increased production. In addition, Kolberg-Pioneer has expanded its current line of KPI-JCI Fast Trax® mobile plants by introducing the

KPI-JCI
ASTEC COMPANIES

FT3055 jaw crushing plant targeting the quarry producers and recycling contractors.

The new KPI-JCI Fast Trax® model FT36136 extendable conveyor moves processed in-pit blast materials from the primary mobile plant to the secondary processing plant system. This extendable conveyor is configured to handle higher output primary crushers and offers self-sustained onboard power and hydraulic systems.

The KPI-JCI line of extendable stackers along with Wizard Touch® automated control system for Kolberg Pioneer continues to be the only practical solution for stockpiling today's stringent non-segregated aggregate needs. These highly portable stackers produce stockpiles up to 35% larger than those produced by more conventional non-extendable stackers. These stackers can also be used in applications such as precision bin loading, barge loading and unique stockpiling configurations.

The KPI-JCI line of washing and classifying products continue to lead the industry with innovative equipment and systems with an in-house resource of industry Knowledge and Experience. Kolberg-Pioneer produces over 48 models of fine and coarse material washers, blade mills, log washers and classifying tanks, along with 17 models of portable plants and two industry leading Spec Select control systems, all positioned to increase the end user's profitability by decreasing operating costs.

The new PRO Series Training program represents a World Class Support initiative from KPI-JCI to facilitate field sales and service training to its distribution and customer base. This industry leading program will utilize both directed and self-directed programs to facilitate 21 regional sales and five national service events throughout 2008.

Cable Stackers

Heavy-duty stationary stacking application challenges are best conquered by KPI-JCI Cable Stackers. In addition to being highly durable, these stackers offer you extreme flexibility by lowering to almost a zero degree angle. Multiple widths are available with lengths up to 150 feet.

Fast Pack® Jaw Crusher Plant

No cribbing required. Fast Pack Jaw Crusher Plants deliver rapid setups and tear-downs. Fast Pack Jaw Crusher Plants give mobile producers required speed through increased portability. Stationary producers benefit from a plant capable of short setup and tear down times to supplement multiple facilities. Available with multiple sized jaws and feeders.

Blademills

KPI-JCI blademills are completely customizable. The arrangement of the paddles and flights are set up to meet your exact need. Operating at little to no incline, these units remove sticky clay and other undesirables in front of wet screening and washing equipment. Sizes range from 24" to 48" diameter. Each size is available as a single or double.

Vertical Shaft Impact Crushers

Kolberg-Pioneer's vertical shaft impact crushers are designed for ease of service and adjustment while producing the maximum amount of spec material in a single pass with the lowest cost.

Track Mount Impact Plant

The highly portable FT4250 track-mounted Horizontal Shaft Impactor (HSI) is designed to simply drive off the transport trailer and begin crushing. With innovative features and options, the FT4250 provides maximum production and application flexibility.


KOMATSU
PC200
540H

Johnson Crushers International, Inc.

Eugene, Oregon

Johnson Crushers International, Inc. designs, manufactures and markets full lines of cone crushing, screening, portable and mobile plant equipment under the KPI-JCI brand throughout the world. JCI 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.

JCI continues its tradition of offering new innovative products. The KPI-JCI Kodiak® cone crusher family utilizes a PLC-based interface for increased crusher operation, troubleshooting and monitoring. This new system simplifies the operator’s management and maximizes crusher performance and efficiency.

The new line of KPI-JCI Combo® multi-angle screens from JCI address the aggregate industry’s need for increased screening capacity and efficiency of fine materials. The Fast Pack® rapid-deployment production system continues to redefine industry standards for productivity and profitability. The Fast Pack system can replace several

KPI-JCI ASTEC COMPANIES

under-utilized portable or stationary production facilities, converting days of costly down time into highly profitable production time. Ultimately the end-user can significantly drive down production costs by improving safety performance, reducing dependency on auxiliary support equipment, consuming less liquid fuels, reducing freight expenses, and/or decommissioning antiquated or under-utilized assets while spreading fixed costs over more tons produced.

In addition, JCI has expanded its current line of KPI-JCI Fast Trax® mobile plants by introducing the FT5162 incline screening plants. A new plant design is planned for development in 2008. Both plants target the production requirements of our quarry producers as well as rental recycling contractors. These products are designed to address the demand for increased availability, flexibility, and for performance in a diverse array of applications.

In 2008, JCI will also launch the next generation in the Kodiak family of cone crushers. The evolution on the successful design will implement product enhancements to the maintenance and replacement wear parts features and overload systems. In addition, a refined base frame design provides both a more durable assembly with higher portability characteristics.

Fast Trax® Horizontal Screening Plants

The Fast Trax FT5162 offers extreme mobility and versatility with features like minimal prep time after delivery or before travel. Also, a removable rear feed hopper allows for feed via multiple methods. Fast Trax Horizontal Screen Plants come in open and closed circuit configurations with 2 or 3 deck screens ranging in size from 5x16 to 6x20.

Fast Trax® Horizontal Screening Plants

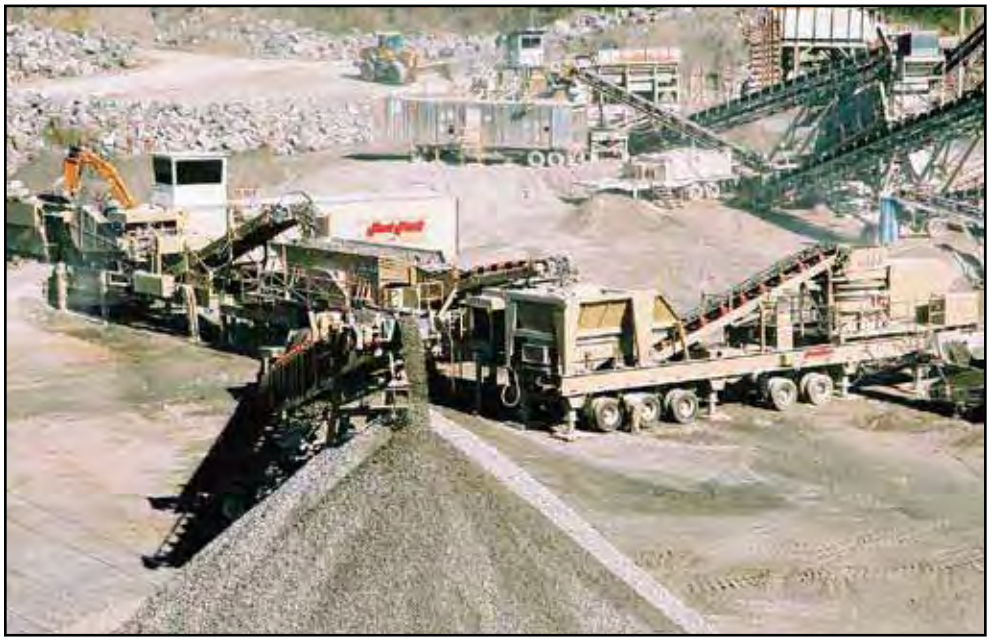
The Fast Trax FT6203 offers extreme mobility and versatility with features like minimal prep time after delivery or before travel. Also, a removable rear feed hopper allows for feed via multiple methods.

Fast Trax® Jaw Crusher Feeding a Fast Trax JCI Screening Unit

Fast Trax's are the only track mount crushers engineered and manufactured in the USA. Designed for rock and recycle applications, Fast Trax Jaw Crusher Plants offer the ultimate in portability. You simply drive off of a lowboy trailer and immediately begin crushing up to 400 tph.

Fast Pack® Crushing Plants

No cribbing required. Fast Pack Jaw Crusher Plants deliver rapid setups and teardowns. Fast Pack Jaw Crusher Plants give mobile producers required speed through increased portability. Stationary producers benefit from a plant capable of short setup and tear down times to supplement multiple facilities. Available with multiple sized jaws and feeders, your exact need is fulfilled.



FT 200 Cone Crushing Plant

The FT200 Fast Trax Cone Crusher Plants are highly mobile and self-contained. Simply drive off of a low-boy trailer, and you are ready to crush 460 tph within minutes. Fast Trax Cone Crushers are perfect for contractors, as well as aggregate producers in need of in-pit mobility or supplemental production at multiple locations.


ProSizer
Recycling Series

Astec Mobile Screens, Inc.

Sterling, Illinois

Astec Mobile Screens is the world's premier supplier of innovative screening solutions. The full line of products include mobile screening plants, portable and stationary screen structures and the PEP line of high frequency screens for the quarry, recycle, sand & gravel, mining and other material processing industries. Each screening plant is designed, built and marketed to meet the highest demands in all kinds of applications.

Operating conditions for the material producer can vary and the company recognizes this fact by offering a broad range of operating systems. For the portable material producer, Astec Mobile Screens offers self-contained track and wheel operating systems in all vibrating incline screens to include the PEP high frequency screens and traditional two-bearing conventional screens. For stationary operations, high frequency screens are available in modular and traditional I-Beam structures for pre-screening and/or post-screening applications.

In 2007, Astec Mobile Screens continued its focus on the growing reclaimed asphalt pavement (RAP)

ASTEC MOBILE SCREENS
an Astec Industries, Inc. Company

market with the introduction of the ProSizer™ recycling plant that features a PEP high frequency screen and on-board crusher. Prices of liquid asphalt and virgin aggregates have continued to climb which is leading the industry to re-evaluate the use of RAP in hot mix asphalt (HMA) designs. The ProSizer provides one portable processing system for screening and crushing (re-sizing) RAP back to its original size for maximum usage. By increasing RAP in mix designs, asphalt producers can reduce other ingredients, such as liquid asphalt and virgin aggregate, and overall operating costs.

Astec Mobile Screens continued its dominance in the fine screening market with its PEP Vari-Vibe® and Duo-Vibe® line of high frequency screens this past year. For material producers seeking the highest screen capacity in the market for fines removal, chip sizing and more, high frequency screens continue to be the choice. By removing fines dry, without the utilization of water, environmental concerns and operating costs can be significantly reduced. Fines material sizing and removal is a critical factor in aggregate operations so that more saleable product is produced versus creating waste stockpiles and slurry ponds.

Demand for portable operating systems increased again this past year in both the aggregate and contractor markets. This growth has allowed Astec Mobile Screens' line of track mounted screening plants to continue gaining market share in the domestic and international markets. The Fold 'n Go 2516KT, introduced in late 2006, has been well received and 2-3 more track mounted additions are expected to be released in early 2008.

Also, this past year Astec Mobile Screens had a successful plant expansion that doubled the manufacturing capacity. This expansion, along with continuous market share growth, are a good sign that the company's product quality and service performance is being recognized throughout the industry.

Fold 'n Go 2516KT

A new addition to Astec Mobile Screens line of screening plants, the Fold 'n Go 2516KT mobile track screening plant that features a double deck screen for processing sand & gravel, top soil, slag, crushed stone and recycled materials. For producers looking to increase screen efficiency, this plant has the extra length to meet processing demands.

KDS 710T

Designed for construction and recycling contractors, the KDS 710T track mounted mobile screening plant is easy to operate and highly reliable in processing recycled materials, crushed stone, demolition waste, top soil and more. Capable of processing on site, this remote controlled track unit can easily move around the site and in tight construction areas.

High Frequency Screens

Multiple configurations for the screens are available in both stationary and portable structures. There are many advantages a high frequency screen provides the material producer from higher production capabilities to more efficient sizing as compared to conventional screens. The twin 2618VM screens in the modular structure shown here are post screening a conventional crushing and screening circuit.

ProSizer 2612V

Another new addition to the Astec Mobile Screens line of screening plants, the ProSizer 2612v is the complete solution for processing RAP (Reclaimed Asphalt Product) millings for the asphalt producer. This closed circuit mobile plant incorporates a double deck PEP Vari-Vibe high frequency screen with a horizontal shaft impactor (HSI) crusher. Using a ProSizer to fractionate RAP allows the producer to increase RAP usage while adding the flexibility and improved control in mix designs.

Modular 2618VM Structure

PEP Vari-Vibe high frequency screens can be designed to be a part of any crushing/screening system, for either pre or post screening. The high level of vibrating RPMs allow for material to stratify and separate at a much faster rate as compared to conventional screens.


BTi
VZ50
www.rockbreaker.com

Breaker Technology, Ltd.

Ontario, Canada
Solon, Ohio
Riverside, California

Breaker Technology (BTI) a manufacturer and distributor of a wide range of mining, quarry, construction, demolition and recycling equipment is expanding its facilities to accommodate a growing demand for equipment catering to these industries. Current sales volumes and anticipated future growth have identified the need for expansion. Underway is a significant addition at the Canadian manufacturing facility, in conjunction with a complete reorganization of the workflow which will add to the efficiency of the operation. Safety, a key factor in all decision-making and activities at this operation will be enhanced with the new process flow and equipment upgrades. The manufacturing facility expansion is on the heels of relocation to a larger service/distribution facility in Riverside, California and expansion of the technical service department.

A broad 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.

BTI BREAKER TECHNOLOGY, INC.
an Astec company

A specialty for the company is the comprehensive range of rock breaker systems; stationary, portable and mobile. Models are offered in six series, with 132 boom/breaker combinations for breaking oversized material 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 stationary rock breaker system was completed in 2007, incorporating benefits of fewer parts and improved componentry and maintainability.

BTI also specializes in a full line of rugged, low profile, underground utility vehicles including mobile scalers, mobile rock breakers, scissor lifts, crane trucks, fuel/lube trucks, ammonium nitrate fuel oil (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 QS Scaler Series has been enhanced with a new 50' reach model and optional tilt cab, and incorporates the revolutionary vibratory pick scaling head. These scalers have met with great enthusiasm from the industry and have proven to increase production up to 50% while reducing maintenance costs in very demanding applications.

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

2008 marks BTI's 50th anniversary. The worldwide success of this operation is a testament to the dedication of the employees, the customers and the consistent quality and innovation in the products. Commitment to customer service and continuous improvement are high priorities.

MRH Boom System

The new MRH Series of boom systems encompasses all of the important design elements of application, structure, connection, performance and serviceability, while offering enhanced coverage, optimal structural design, intelligent systems designs and commonality of cylinders for hoist, dipper and tilt on all three models.

MBS Series

The MBS Series is ideal for contractors who seek portable, cost effective, safe, high capacity, multi-application production from site to site. The boom systems are designed to remain on the plant due to an exclusive low profile design, which allows the boom to be lowered flat onto the feeder, below the height of the flywheel, for road transportation.

TM Mobile Rock Breakers

The key to efficient tramming is keeping the rock at a manageable size. The TM Series of Mobile Rockbreaker pulverizes large chunks of muck rather than the time consuming and often risky procedure of blasting. The machine can be sent on radio control, keeping the operator away from any bad ground conditions and can break material up to six feet thick.

Stationary Boom System

Boom systems in stationary applications will quickly, efficiently and safely rake and break material that is jamming/bridging in the feeder, eliminating the need to selectively sort the material during the loading operation and keeping personnel out of the crusher and feeder. Boom systems are available ranging from 10 ft to 45 ft reach, combined with 21 hydraulic breaker attachment options, providing 132 possible boom/breaker combinations.

BT Hydraulic Breaker Series

Designed for stable high-speed percussion, the BT Series of Hydraulic Breakers offers high value and durability for all aggregate, mining, construction and demolition material breaking jobs. A narrow profile allows for trenching in confined spaces as well as optimal visibility and access when working in tight quarters.

BT Series are available in 10 models ranging from 550 to 10,000 ft lb class.

Osborn Engineered Products SA (Pty) Ltd.

Johannesburg, South Africa

The continued world wide rise in basic commodity prices in 2007 has resulted in previously unexploited mineral deposits being proclaimed as new mining ventures. The expansions of existing mines and quarries has resulted in a demand for machinery and expertise not seen for many years in the South African mining and aggregate industry.

In addition, there has been a worldwide increase in the demand for energy. South Africa produces approximately a third of its gasoline requirement and 90% of its electricity from coal, this has resulted in the fast track expansion of existing facilities and the export of these technologies abroad. The demand for energy has also seen a renewed interest and investment in uranium, both in South Africa and our neighboring countries.

South Africa will host the FIFA world cup in 2010 and has embarked on the construction of new, and the revamping of existing soccer stadiums, along with the supporting infrastructure to transport and accommodate the expected fans from abroad.

OSBORN

Osborn's performance in 2007 shows the effect of these demands, where with our 88 years of experience and expertise in the quarrying and mining industries we continue to offer process equipment including new machines, factory warranted rebuilds, replacement parts, conveyor idlers and project management to the South African industry and the world at large.

To cope with the demand, Osborn continues factory expansion, investment in additional production machinery and employment.

Product development will see the launch of the updated OT 3042 mk 2 jaw crusher track in January 2008, while renewed demand for mills, rotary breakers and scrubbers have required re-engineering of mature designs. Coupled to our offering of locally built Jaw, Cone, Double Roll and Rolling Ring crushers, vibrating screens and feeders, apron feeders and track or rubber mounted mobile equipment, Osborn can offer a turnkey solution to its customers' needs.

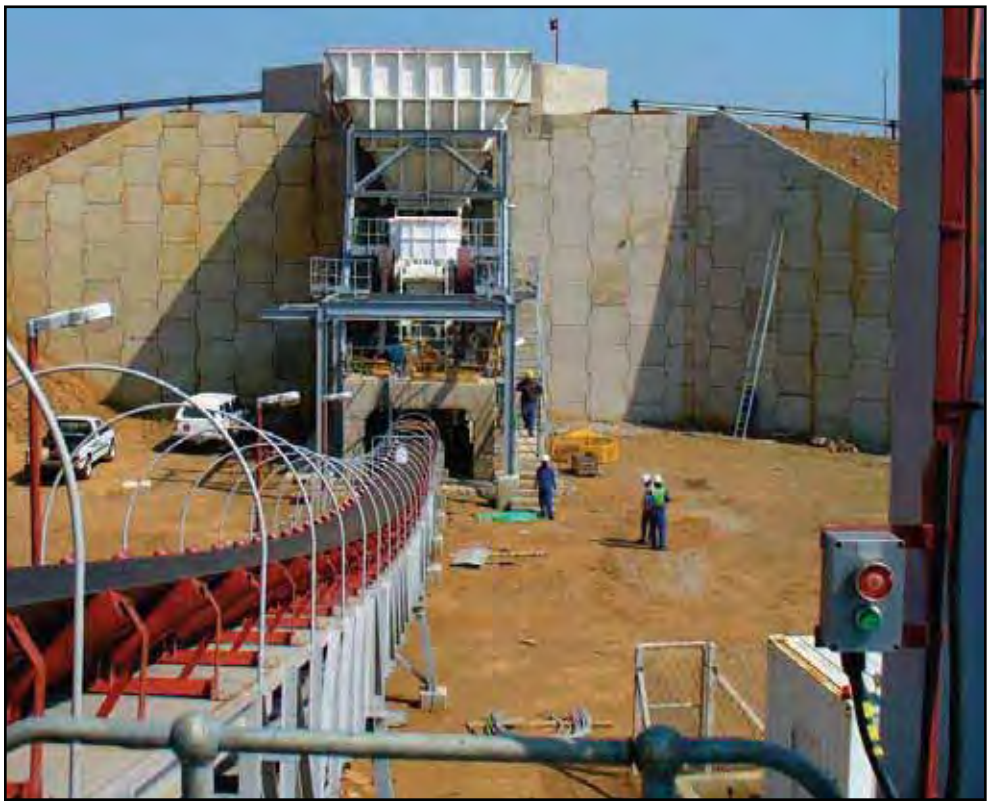
Osborn remains proud of its continued accreditation as an integrated ISO 9001 – 2000, 14001 and 18000 manufacturer and supplier.

SuperKing Screen

An Osborn new generation SuperKing Screen - simplified grease lubricated vibrator mechanism with adjustable counterweights improves performance.

4248 Jaw Crusher

Primary 4248 Jaw Crusher tip for mine operation. Rugged design and heavy deep chamber jaw crusher provides better life of liners and machine availability.



Washing and Dewatering Screen

Osborn Obex Washing & Dewatering Screens - easy to maintain vibrating motor drive system with adjustable stroke. Made in single deck format and can operate at an incline to improve drainage.

Conveyor System

Conveyor and Classifier System - to de-slime aggregate in a lime plant.

SBS Cone Crusher

Osborn 44 SBS installation in an aggregate plant showing the simplified upper frame design. This design reduces possible leak points and items to be damaged.

ASTEC

UNDERGROUND GROUP

As the Underground Group of Astec Industries, Astec Underground and American Augers offer their customers the broadest range of breakthrough solutions in the underground construction industry. The companies' product mix includes utility trenchers, horizontal directional drills (HDDs), drilling fluid systems, horizontal auger boring machines, downhole tooling, and accessories. Astec Underground and American Augers provide their customers the best value, productivity, and return on investment in the industry by combining top-notch service with application expertise and innovative, high-quality American Augers and Trencor products along with the proven value of the Astec line of utility trenchers and compact HDDs. Customers seek out these brands for their reputation of dependability and innovation when tackling the toughest underground jobs throughout the world.

GREEN FACTS:

Astec Underground continues to develop its line of horizontal directional drills for installing residential utilities with minimal impact on the surrounding landscape and environment.

American Augers introduced the Penetrator vertical and high angle drilling rig created specifically to support the oil and gas industry by more efficiently accessing pay zones with less impact and damage to the surrounding environment.

COMPANIES

Astec Underground, Inc.

American Augers, Inc.


DD-3238


TRENCOR

Astec Underground, Inc.

Loudon, Tennessee

Astec Underground provides specialized equipment to meet the varied underground construction needs of a diverse mix of customers involved in the pipeline industry and the installation of infrastructure like utility and communication lines. The company offers Trencor high performance rock trenchers and road miners and the Astec line of utility trenchers and horizontal directional drills. Astec Underground products are manufactured at the company's state-of-the-art,360,000-square-foot facility in Loudon, Tenn.

For more than 60 years, Trencor has manufactured high-quality, innovative machines for heavy-duty rock trenching, and milling needs. This tough, ruggedly built equipment is a favorite of the demanding construction and oil and gas markets. With the world's growing energy needs, these markets will continue to increase demand for these reliable, specialized workhorses.

The Trencor brand features eight different trencher models, including the world's largest, most powerful trencher.

In response to customer demand in 2007, Trencor revived and updated

ASTEC™
UNDERGROUND

the wheel trencher design with the latest technology and design to develop the Trencor T1360 Wheel Trencher. This current unit combines the latest technology and modern design with the heritage of Capitol and Barber-Greene machines. Demand for these machines has been strong. Their high-production capability has earned them a spot on five of the seven segments of the Rockies Express Pipeline project that began this year.

Trencor products are also a popular choice for international customers, including many in the oil-rich Middle East. Almost 40 percent of the company's products are sold to customers outside the United States.

The Astec line of walk-behind and utility trenchers and compact horizontal directional drills benefit from the same technology and attention to design that makes the large-scale Trencor machines so popular. Since the company purchased the product mix from Case in 2002, it has continued to enhance the line's reputation for performance and durability. Newly engineered units are steadily being added to the product mix.

The Astec compact horizontal directional drills complement the trencher lineup to meet customers' underground construction needs and are a particularly bright spot in the company's vision for the future. These units utilize technology and engineering derived from the maxi drills produced by Astec Underground's sister company, American Augers. Two new compact horizontal directional drills were introduced in 2007 — the DD-2024 and the DD-1215. These machines are sized for working in tight conditions, but boast plenty of power to keep production high. These machines are popular with the growing utility and cable installation industry.

RT1160

The new Astec RT1160 made its debut at ICUEE in October. This trencher represents the company's vision for the future of its utility trencher line with features and styling cues developed through extensive customer feedback. The 115-horsepower trencher offers unmatched performance and reliability with features like an open platform design and an optional tilt frame.

RT66011

The Astec RT660II received an update in 2007 with the addition of a more powerful 75 horsepower engine and a new body style. The popular RT660 has long been a favorite of utility contractors needing a powerful, versatile machine.

T1660

Trencor trenchers like this Trencor T1660 tackle some of the toughest job sites in the underground construction industry. Contractors in the construction and pipeline industries have come to rely on these heavy-duty mechanical drive track trenchers and their proven performance.

RT60

The Astec RT60 received a fresh look in 2007 with the addition of a sleek sloped hood. The RT60 is one of four walk-behind units in the Astec lineup that offer plenty of appeal to rental customers who seek simplicity, flexibility and dependability when considering machines for their fleets.

Maxi Sneaker Series D

Easily recognized as the most seasoned model in the Astec lineup, the venerable Maxi-Sneaker Series D celebrated its 35th birthday in 2007. This year's innovation was the addition of a heavy-duty saw attachment with a quick-attach mechanism for additional versatility of this veteran machine.

American Augers, Inc.

West Salem, Ohio

Since 1970, customers worldwide have come to know American Augers as a dedicated manufacturer of underground technology equipment, which includes state-of-the-art horizontal directional drills, earth boring machines, mud pump and cleaning systems, and various product tooling or accessory items. Each of these categories produce products that maintain rugged, unsurpassed power, and industry leading designs.

American Augers was the first HDD manufacturer to eliminate chain and introduce a rack and pinion carriage design, which is now the industry standard. American Augers still maintains the distinction of manufacturing the largest maxi-rig system available on the market today with 1,100,000 lbs of thrust and pullback capabilities. Innovations like these have been important to staying current with marketplace needs where the ability to perform larger pipeline, utility installation, and crossing projects are vitally important to being successful in today's industry.

AMERICAN AUGERS

American Augers changed auger boring when it introduced its new line of "Next Generation" boring machines. These machines are equipped with the fast return system known as "Quik Tran", and the "Quik Split" design, which allows the machine to be separated into sections to allow for lighter and faster lifts into and out of the auger boring pit.

American Augers also continues to design and manufacturer mud pumps and cleaning systems. American Augers recognizes the essential part that drilling fluid (mud) plays in successful directional drilling/auger boring, so we have designed mud equipment for jobs of every size, including stand-alone mud pumps that can be used to power the biggest mud motor. American Augers mud cleaners use linear shakers, instead of the random shakers used in competitor systems. This increases the efficiency the driller has in being able to recycle mud.

American Augers has begun to diversify its product offerings and in 2007 launched its first introduction into the oil and gas marketplace when it introduced the VR-330 vertical drilling rig. American Augers designed the VR-330 through its can-do workforce which created a product that puts an emphasis on speed, performance, and safety for an industry which continues to experience exponential growth.

American Augers is committed to manufacturing equipment that helps preserve the sanctity of the global environment. American Augers does so by reducing noise and/or emission outputs, and emphasizing the fact that trenchless technology equipment requires little or no open cutting, and has very minimal impact on natural surfaces, features or habitats.

DD-210 Directional Drill

Introduced in 2007, the DD-210 is the smallest of the American Augers maxi-rig product line, and is a track mounted machine, which is capable of 210,000 lbs of thrust/pullback. The DD-210 satisfies contractors, as the ideal piece of equipment for short distance utility construction and smaller diameter pipeline installation projects.

DD-1100 Direction Drill

As the largest tri-axle mounted maxi-rig available in the market today, complete with a best-in-industry 1,100,000 lbs of thrust/pullback and a 700 horsepower diesel engine, the DD-1100 is the premier piece of horizontal directional drilling equipment that personifies shear power, reliable innovation, and field proven versatility.

48/54-900 NG Boring Unit

Always popular with customers, the mid-range 48/54-900 NG auger boring unit was reintroduced in 2007 with an upgrade in total horsepower (174HP), increased torque (119,095 ft- lbs) and increased overall speed. Complete with 400,000 lbs. of total thrust and a working range of 24 - 54 inch casing diameter, American Augers knows the 48/54-900 NG has the potential to always be a best-in-class product offering.

MPR-6000 Mud System

The MPR-6000 is the latest innovation in drilling fluid systems and is the perfect compliment for all American Augers drilling products. This versatile mud system, which debuted in 2007 has the ability to mix, pump and provide large volumes of mud down hole, and is great for use with mud motors or large reamers. Also, improvements in overall recycling and cleaning capacities make this unit a must-have when working in threatening ground conditions or when undertaking long-reach, large diameter bores.

DD-440T Directional Drill

The newest addition to American Augers maxi-rig product line, the DD-440T is becoming widely recognized by customers as the essential track mounted unit that combines optimum mid-size power with jobsite mobility. In today's competitive underground technology marketplace, this surface launched, fluid assisted, mechanical directional drilling system has the distinction of being the only track mounted directional drill that offers the highest range of thrust/pullback power.

ASTEC

GREEN GROUP

The Green Group (Peterson Pacific) specializes in developing processing and delivery equipment that turns low-grade organic materials into high-value products. For 25 years, Peterson has been the industry leader in innovative design of reliable machines that build profit for companies. Peterson provides solutions for a variety of industries such as construction, paper, wood-based energy generation and landscaping.

Peterson leads the industry in sales of heavy-duty grinders and our pulpwood tree processors and blower trucks are the best of the best.

Peterson Pacific Corp.

GREEN FACTS:

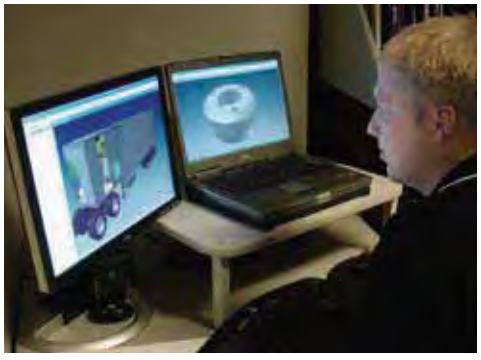
Peterson Horizontal Grinders are widely used in reclaiming wood fiber that previously would be considered waste material. Stumps, branches, and other by-products from land clearing and forestry are processed through Peterson grinders and are then usable as mulch, compost, hog (co-generation) fuel and other products. This not only reclaims the fiber, but it removes the material from the waste stream that fills our landfills, thus extending the life of existing landfills.

COMPANIES


Peterson


Peterson


PC
200
LC
710C
Peterson




Peterson
0C

Peterson Pacific Corp.

Eugene, Oregon

Peterson is known for manufacturing industry-leading Whole Tree Pulpwood Chippers, Horizontal Grinders and Blower Trucks.

Peterson Pacific Corp. has been an Oregon Corporation since 1981. The company began as Wilbur Peterson & Sons, a heavy construction company. In July of 2007, Peterson was purchased by Astec Industries, Inc., opening a new chapter in their corporate history.

Peterson expanded into manufacturing to develop equipment to suit their land clearing / construction needs. A portable chain flail Delimber-Debarker was designed first, the Model DD 4800. The Model DDC 5000, a portable Delimber-Debarker-Chipper, was developed next followed by the development of other portable equipment for the paper pulp industry. In 1990 Peterson developed its first wood waste recycling machine.

Continuous development of wood grinders has led to the current line of horizontal feed wood grinders. These models have been very well received in the U.S. with production rates up to 150 tons per hour.

Peterson
an Astec Industries Co.

With the 2001 acquisition of manufacturing rights for the BloTech line of blower trucks, Peterson has extended its reach into the soil erosion and landscape markets, building trucks designed for distributing bark, mulch, compost and soil amendments.

The company has rapidly grown with the demands of the industry and in 1993 built their 60,000 sq. ft. manufacturing plant in Eugene, Oregon. In 2000 they expanded again, adding an additional 50,000 sq. ft. manufacturing facility.

5900 Whole Tree Disc Chipper

The Peterson whole tree disc chippers are built to produce high quality chips. The model 5900 chipper can produce fuel chips, and produces premium grade pulpwood chips when combined with a model 4800 debarker.

5000H Horizontal Grinder

Peterson developed one of the first commercially successful Horizontal Grinders. Continuous development has led to the current line of horizontal feed grinders. These models have been very well received both in the U.S. and overseas, with production rates up to 150 tons per hour.

5710C Horizontal Grinder

Peterson 5710C Horizontal Grinders produce high quality products from a wide variety of waste wood feedstocks. Pallets can be converted to mulch or boiler fuel. Land clearing debris can become a component of soil enriching composts.

BTR70 Blower Truck

Peterson Blower Trucks and Trailers are designed to deliver and apply materials, including mulches, compost and soil mixes. They are used by contractors in the erosion control, development, and landscape sectors.

6700B Horizontal Grinder

Reducing volume and increasing density of material in municipal landfills is a perfect application for Peterson Horizontal Grinders. In addition to extending the life of the landfill, some materials can be diverted from the waste stream and converted into alternative daily cover.

J. Don Brock, Ph. D.

Dr. J. Don Brock is Chairman and CEO of Astec Industries, Inc. (Chattanooga, TN). Dr. Brock founded Astec Industries in 1972 and has overseen its growth into a family of 14 companies located throughout the United States and abroad. Dr. Brock earned a BS degree from the University of Tennessee in Mechanical Engineering. He then attended the Georgia Institute of Technology and obtained an MS in Mechanical Engineering in 1963 and a Ph.D. in Mechanical Engineering during 1965. Dr. Brock presently holds approximately ninety (90) U.S. and foreign patents on construction machinery and drying equipment.

Member of Executive Committee.

Phillip E. Casey

Phillip E. Casey is a Director and the Non-executive Chairman of the board of Gerdau Ameristeel. Mr. Casey joined Gerdau Ameristeel as President and Chief Executive Officer in June 1994. Mr. Casey was formerly Chairman of the Steel Manufacturers Association (SMA), an industry trade organization comprised of 45 North American steel producers accounting for over 60% of U.S. steel production. Mr. Casey completed the Advanced Management Program of the Harvard Business School and holds a Master of Business Administration Degree from Thunderbird School of Global Management, and a Bachelor of Business Administration Degree in Finance from the University of Georgia.

Member of Audit and Compensation Committees.

Daniel K. Frierson

Daniel K. Frierson is President and Chairman of the Board for The Dixie Group, Inc. (Chattanooga, TN). Mr. Frierson began his career with Dixie Yarns Inc. (now The Dixie Group, Inc.) in 1966, moving to the Candlewick division in 1969. Before becoming President of the Dixie Group, Mr. Frierson held positions as sales manager at Candlewick, Vice President of the Candlewick Division, and President of the Candlewick Division and Executive Vice President of Dixie Yarns, Inc.

Member of Executive and Nominating Committees.

BOARD OF DIRECTORS 2007

Left to Right: William B. Sansom, William D. Gehl, Ronald F. Green, Daniel K. Frierson, Dr. J. Don Brock, Phillip E. Casey, W. Norman Smith, Glen E. Tellock, Robert G. Stafford

William D. Gehl

William D. Gehl is Chairman and Chief Executive Officer of Gehl Company (West Bend, WI). Prior to joining Gehl, he served as Executive Vice President, Chief Operating Officer, General Counsel and Secretary of The Ziegler Companies, Inc., a financial services holding company. He held various positions with The Ziegler Companies, Inc. since 1978 and was in private law practice prior to that time.

Member of Audit and Compensation Committees.

W. Norman Smith

W. Norman Smith is Astec Corporate Group Vice President, Asphalt. Mr. Smith is a native of Chattanooga, Tennessee. He received a bachelor's degree in Mechanical Engineering from the University of Tennessee in Knoxville, a 1961 graduate. Mr. Smith also attended Georgia Tech 1962 – 1963 for his graduate study.

A founding member of Astec Industries, Inc., Mr. Smith began his career as a design engineer from August 1972 to December 1976; became the President of Heatec, Inc., when the company was formed in January 1977 to November 1994. Mr. Smith became President of Astec, Inc. in November 1994. In November of 2006 Mr. Smith was named Corporate Group Vice President over Astec, Inc., Heatec, Inc. and CEI Enterprises, Inc.

Member Executive Committee.

Ronald F. Green

Ronald F. Green is the Chairman of ADVATECH, LLC a leading supplier of pollution control systems for coal-fired power plants. Prior to that Mr. Green was Senior Vice-President of the US Enrichment Corporation. He has also been the President of FPL Energy and President/CEO of Duke Engineering and Service, Duke Solutions and Duke/Fluor Daniel.

Member of Nominating and Compensation Committees.

Robert G. Stafford

Robert G. Stafford is Corporate Vice President in charge of Research and Development for Astec Industries. Bob began his career with Jeffrey Galion Division of Dresser Industries where he held various managerial and engineering positions. In May 1978, Bob was hired as the Chief Engineer of the Barber-Greene Company, Telsmith Division and in July 1984 was promoted to Vice-President, Operations of Barber-Greene and General Manager of Telsmith Division. In January 1987, Mr. Stafford became President of Telsmith, Inc. when Astec Industries acquired Barber-Greene Company. In 1999, Bob was appointed Group Vice-President-Aggregate over Astec Industries' aggregate companies.

William B. Sansom

William B. Sansom is Chairman and Chief Executive Officer of the H.T. Hackney Co. He began his career with American Limestone Company in 1964 as an engineer, and served as president American Limestone from 1974 until being named as Commissioner of Transportation for the state of Tennessee in 1979. In July of 1981, Mr. Sansom was named as Tennessee's Commissioner of Finance and Administration. In 1983 he left state government to become Chairman and Chief Executive Officer of H.T. Hackney Co. Mr. Sansom currently serves as Chairman of the Tennessee Valley Authority, the nation's largest public power corporation.

Member of Audit and Compensation Committees.

Glen E. Tellock

Glen E. Tellock is President and Chief Executive Officer of The Manitowoc Company, Inc. (Manitowoc, WI). Mr. Tellock joined the company in 1991 as director of accounting and held several positions in the company before becoming President and CEO. Prior to joining Manitowoc, Mr. Tellock was financial planning manager of The Denver Post Corporation, a privately held newspaper located in Denver, CO. Prior to The Denver Post, Mr. Tellock served as an audit manager with the public accounting firm of Ernst & Whinney in Denver, CO.

Member of Audit and Nominating Committees.

FINANCIAL INFORMATION

SELECTED CONSOLIDATED FINANCIAL DATA

(in thousands, except as noted*)

	2007	2006	2005	2004	2003
Consolidated Income Statement Data					
Net sales	$869,025	$710,607	$616,068	$504,554	$402,066
Selling, general and administrative expenses	107,095	93,999	81,839	69,777	63,890
Goodwill impairment	--	--	--	--	16,261
Gain on sale of real estate, net of real estate impairment charge	--	--	6,531	--	--
Research and development	15,449	13,561	11,319	8,580	7,669
Income (loss) from operations	86,728	60,343	46,303	24,382	(23,006)
Interest expense	853	1,672	4,209	5,033	9,095
Senior note termination expense	--	--	--	--	3,837
Income (loss) from continuing operations	56,797	39,588	28,094	12,483	(30,712)
Income from discontinued operations, net of tax	--	--	--	1,164	1,748
Gain on disposal of discontinued operations, net of tax of $5,071	--	--	--	5,406	--
Net income (loss)	56,797	39,588	28,094	19,053	(28,964)
Earnings (loss) per common share*					
Income (loss) from continuing operations:					
Basic	2.59	1.85	1.38	0.63	(1.56)
Diluted	2.53	1.81	1.34	0.62	(1.56)
Income from discontinued operations:					
Basic	--	--	--	0.33	0.09
Diluted	--	--	--	0.33	0.09
Net income (loss):					
Basic	2.59	1.85	1.38	0.96	(1.47)
Diluted	2.53	1.81	1.34	0.95	(1.47)
Consolidated Balance Sheet Data					
Working capital	$204,839	$178,148	$ 137,981	$106,489	$ 81,001
Total assets	542,570	421,863	346,583	324,818	319,973
Total short-term debt	--	--	--	11,827	36,685
Long-term debt, less current maturities	--	--	--	25,857	38,696
Shareholders' equity	376,589	296,166	242,742	191,256	167,517
Book value per diluted common share at year-end*	16.78	13.51	11.57	9.52	8.49

SELECTED CONSOLIDATED FINANCIAL DATA (CONTINUED)

(in thousands, except as noted*)

Quarterly Financial Highlights (Unaudited)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2007	Net sales	$215,563	$226,414	$206,239	$220,810
	Gross profit	54,373	58,943	48,561	47,901
	Net income	15,334	18,505	11,574	11,384
	Earnings per common share*				
	Net income:				
	Basic	0.71	0.85	0.52	0.51
	Diluted	0.69	0.83	0.51	0.50
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
Common Stock Price *					
2007 High		$40.90	$45.24	$59.36	$60.40
2007 Low		32.94	39.43	42.53	33.75
2006 High		$39.61	$42.25	$34.76	$35.98
2006 Low		29.31	27.68	19.95	24.10

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 3,850.

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 88.

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, wood chipping and grinding; and
- manufacture and sell replacement parts for equipment in each of its product lines.

The Company has 14 manufacturing companies, 13 of which 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, directional drills and auger boring machines 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 Peterson Pacific Corp. ("Peterson"), 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, changes in the price of crude oil (fuel costs and liquid asphalt) and changes in the price of steel.

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 highways and other 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 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 December 26, 2007 a funding bill for the 2008 fiscal year, which fully funds the highway program at $40.2 billion.

The public sector spending described above is needed to fund road, bridge and mass transit improvements. The Company believes that increased funding is unquestionably 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 for such improvements are significantly above amounts approved, and funding mechanisms such as the federal usage fee per gallon of gasoline, which has not been increased in fourteen 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. When interest rates rise, they typically have the effect of negatively impacting customers' attitudes toward purchasing equipment. Although the Federal Reserve has recently made significant reductions to interest rates, primarily in response to weakness in the housing sector, the Company expects only slight changes in interest rates in 2008 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 is oil. An increase 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. While increasing oil prices may have an impact on the Company's customers, the Company's equipment can use a significant amount of recycled asphalt pavement, thereby mitigating the cost of asphalt for the customer. The Company continues to develop products and initiatives to reduce the amount of oil and related products required to produce asphalt mix. Oil price volatility makes it difficult to predict the costs of oil-based products used in road construction such as liquid asphalt and gasoline. The Company's customers appear to be adapting their prices in response to the fluctuating oil prices and the fluctuations did not appear to significantly impair equipment purchases in 2007. The Company expects this trend to continue in 2008.

Steel is a major component in the Company's equipment. Steel prices retracted somewhat during 2005 and 2006 from record highs during 2004 but returned to historically high levels during 2007. Although the Company has instituted price increases in response to rising steel costs, purchased parts and component prices, if the Company is not able to raise the prices of its products enough to cover the increased costs, the Company's financial results will be negatively affected. The Company believes that steel prices in 2008 will rise moderately in the first six months but will then begin to decrease in the second half of the year. If the Company sees increases in upcoming steel prices it will take advantage of buying opportunities to offset such future pricing where possible. 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 reduced 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 the Company's international sales.

In the United States and internationally, the Company's equipment is marketed directly to customers as well as through dealers. During 2007, approximately 75% to 80% of equipment sold by the Company was sold directly to the end user.

The Company is operated on a decentralized basis and there is a complete management team for each operating 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 non-union 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 the subsidiary's return on capital employed, cash flow on capital employed and safety. The bonuses for subsidiary presidents are paid from a separate corporate pool.

Results of Operations; 2007 vs. 2006

The Company generated net income for 2007 of $56,797,000, or $2.53 per diluted share, compared to net income of $39,588,000, or $1.81 per diluted share, in 2006. The weighted average number of common shares outstanding at December 31, 2007 was 22,444,866 compared to 21,917,123 at December 31, 2006.

Net sales for 2007 were $869,025,000, an increase of $158,418,000, or 22.3%, compared to net sales of $710,607,000 in 2006. The increase in net sales in 2007 occurred in both domestic and international sales and was primarily due to the continued weakness of the dollar against foreign currencies and strong economic conditions internationally and domestically.

In 2007, international sales increased $86,185,000, or 44.9%, to $278,336,000 compared to international sales of $192,151,000 in 2006. International sales increased the most in Australia, followed by Canada and South America. These increases are due primarily to continued weakness of the dollar against these currencies and improving local economic conditions in these geographic areas.

In 2007, domestic sales increased $72,234,000 or 13.9%, to $590,690,000 compared to domestic sales of $518,456,000 in 2006. 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.

Parts sales were $186,146,000 in 2007 compared to $165,487,000 in 2006 for an increase of 12.5%. The increase of $20,659,000 was generated mainly by the Underground Group and the Aggregate and Mining Group. The increase was primarily due to improving economic conditions both domestically and abroad and increased parts marketing efforts.

Gross profit increased from $168,287,000 in 2006 to $209,778,000 in 2007. As a result, the gross profit as a percentage of net sales increased 40 basis points from 23.7% in 2006 to 24.1% in 2007. The primary factors that caused this increase in gross profit were increased international sales, increased parts sales, price increases and the impact of the Company's cost and design initiative programs. These improvements in gross profit were offset by an increase in overhead of $3,214,000 in 2007 as compared to 2006. The increase in overhead is due primarily to the facility expansion projects at certain subsidiaries. As these improvement projects occurred, the flow of production was disrupted and certain production resources were used to complete the projects, thus creating inefficiencies which resulted in excess production costs.

In 2007 selling, general and administrative ("SG&A") expenses increased $13,096,000 or 13.9% to $107,095,000, or 12.3% of 2007 net sales from $93,999,000 or 13.2% of net sales in 2006. The increase in SG&A in 2007 compared to 2006 was primarily due to increases in personnel related expenses of $4,462,000, profit sharing bonus expense of $1,842,000, sales commissions of $1,745,000, travel, lodging and meals expense of $1,780,000 and depreciation of $814,000. Each of these expenses increased in anticipation of or as a result of increased sales volumes.

Research and development expenses increased by $1,888,000, or 13.9%, from $13,561,000 in 2006 to $15,449,000 in 2007. The increase is related to the development of new products and improvement of current products.

Interest expense for 2007 decreased by $819,000, or 49.0%, to $853,000 from $1,672,000 in 2006. This equates to 0.1% of net sales in 2007 compared to 0.2% of net sales for 2006. During April, 2007 the Company entered into a new credit agreement which reduced the interest charged related to the revolving credit line and letters of credit.

Interest income increased $1,264,000, or 86.0%, to $2,733,000 in 2007 from $1,469,000 in 2006. The increase is primarily due to a higher investment of excess cash in interest yielding investments in 2007 compared to 2006.

Other income (expense), net was an expense of $202,000 in 2007 compared to income of $167,000 in 2006. The net change in other income from 2006 to 2007 was due primarily to an increase in losses on foreign currency transactions.

For 2007, the Company had an overall income tax expense of $31,398,000, or 35.5% of pre-tax income compared to the 2006 tax expense of $20,638,000, or 34.2% of pre-tax income. The primary reason for the increase in the effective tax rate in 2007 compared to 2006 is the repeal of the Extra-Territorial Income Exclusion for 2007.

Earnings per share for 2007 were $2.53 per diluted share compared to $1.81 per diluted share for 2006, resulting in a 39.8% increase.

The backlog at December 31, 2007 was $272,422,000 compared to $246,240,000, including Peterson, at December 31, 2006, a 10.6% increase. The backlog increased $13,804,000 in the Asphalt Group, followed by increases of $3,661,000 in the Aggregate and Mining Group, and $3,638,000 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 dollar and strong foreign economies along with the impact of federal funding under SAFETEA-LU.

Asphalt Group: During 2007, this segment had sales of $240,229,000 compared to $186,657,000 for 2006, an increase of $53,572,000, or 28.7%. Asphalt Group sales increased both domestically and internationally. The international sales increased primarily in Australia and South America. Segment profits for 2007 were $37,707,000 compared to $24,387,000 for 2006, an increase of $13,320,000, or 54.6%. The focus on product improvement and cost reduction through the Company's focus group initiative as well as price increases and increased international sales impacted gross profits and segment income during 2007.

Aggregate and Mining Group: During 2007, sales for this segment increased $48,712,000, or 16.8%, to $338,183,000 compared to $289,471,000 for 2006. The primary increase in sales was attributable to increased international sales. Domestic sales for the Aggregate and Mining Group were flat compared to 2006. International sales increased primarily in Canada, South America and the Middle East. Segment profits for 2007 increased $5,629,000, or 16.9%, to $38,892,000 from $33,263,000 for 2006. Profits improved due to increased international sales and increased parts sales.

Mobile Asphalt Paving Group: During 2007, sales for this segment increased $17,104,000, or 13.2%, to $146,489,000 from $129,385,000 in 2006. The increase in sales in 2007 compared to 2006 was almost evenly split between international and domestic sales. International sales improved in Australia, Southeast Asia, Europe and South America. Segment profits for 2007 increased $3,517,000, or 24.5%, to $17,885,000 from $14,368,000 for 2006. Segment profits were positively impacted by both improved machine sales volume and parts sales volume.

Underground Group: During 2007, sales for this segment increased $9,284,000, or 8.8%, to $114,378,000 from $105,094,000 for 2006. This increase is due primarily to increased sales of large trenchers, directional drills and auger boring machines. International sales for this group increased slightly compared to 2006. Segment profits for 2007 increased $2,482,000 from $4,866,000 in 2006 to $7,348,000 in 2007.

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 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 improved 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 improved economic conditions and an increased effort to sell competitive parts. The largest percentage of improvement in order of magnitude was in the Asphalt Group, Underground Group, Mobile Asphalt Group, and Aggregate Group.

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 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. 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. This real estate was sold in 2006.

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.

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 was 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.

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 due to increased international sales and increased parts sales.

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.

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, overhead decreased $1,143,000 from 2005 to 2006.

Liquidity and Capital Resources

Cash available for operating purposes was $34,636,000 at December 31, 2007. The Company had no borrowings under its credit facility with Wachovia Bank, National Association ("Wachovia") at December 31, 2007. Net of letters of credit of $6,825,000, the Company had borrowing availability of $93,175,000 on its revolver at December 31, 2007.

During April 2007, Astec Industries, Inc. and certain of its subsidiaries entered into an unsecured credit agreement with Wachovia whereby Wachovia has extended to the Company an unsecured line of credit of up to $100,000,000 including a sub-limit for letters of credit of up to $15,000,000. The Wachovia credit agreement replaced the previous $87,500,000 secured credit facility the Company had in place with General Electric Capital Corporation and General Electric Capital-Canada.

The Wachovia credit facility is unsecured and has an original term of three years (which is subject to further extensions as provided therein). The interest rate for borrowings is a function of the Adjusted LIBOR Rate or Adjusted LIBOR Market Index Rate, as defined, as elected by the Company, plus a margin based upon a leverage ratio pricing grid ranging between 0.5% and 1.5%. As of December 31, 2007, if any loans would have been outstanding, the applicable margin based upon the leverage ratio pricing grid would equal 0.5%. The Wachovia credit facility requires no principal amortization and interest only payments are due, in the case of loans bearing interest at the Adjusted LIBOR Market Index Rate, monthly in arrears and, in the case of loans bearing interest at the Adjusted LIBOR Rate, at the end of the applicable interest period. The Wachovia credit agreement contains certain financial covenants related to minimum fixed charge coverage ratios, minimum tangible net worth and maximum allowed capital expenditures. No amounts were outstanding under the credit facility at December 31, 2007.

The Company was in compliance with the financial covenants under its credit facility as of December 31, 2007.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd., (Osborn) has available a credit facility of approximately $4,916,000 (ZAR 33,000,000) 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, 2007, Osborn had no outstanding borrowings under the credit facility, but approximately $3,342,000 in performance and retention bonds were guaranteed under the facility. The facility is secured by Osborn's account receivables retention and cash balances and a $2,000,000 letter of credit issued by the parent Company. The portion of the available facility not secured by the $2,000,000 letter of credit fluctuates monthly based upon fifty percent (50%) of Osborn's accounts receivable, and retention plus total cash balances at the end of the prior month. As of December 31, 2007, Osborn Engineered Products had available credit under the facility of approximately $1,574,000.

Net cash provided by operating activities for the year ended December 31, 2007 was $45,744,000 compared to $39,024,000 for the year ended December 31, 2006. This increase is primarily due to an increase in net income of $17,209,000, an increase in cash provided by customer deposits of $4,267,000, an increase in accounts payable of $3,848,000, an increase in depreciation of $3,069,000, an increase in cash from the self insurance loss reserves of $3,918,000 and an increase in cash provided by income taxes payable of $4,684,000. These 2007 increases in cash were offset by an increase in cash used by inventories of $15,780,000, the purchase of trading securities of $7,868,000 and a reduction in cash provided by other accrued liabilities of $6,365,000.

Cash flows used by investing activities for the year ended December 31, 2007 were $68,261,000 compared to $29,538,000 used for the year ended December 31, 2006. During 2007 the Company purchased Peterson Pacific Corp. using net cash of $19,656,000. In addition, the Company purchased investment securities using $10,305,000 of cash and increased expenditures for property and equipment $7,572,000 in 2007 over 2006.

Cash provided by financing activities was $11,935,000 in 2007 compared to $12,979,000 in 2006. The primary reason for the difference in the financing cash flows from 2006 to 2007 was the repayment of $7,500,000 of debt assumed in the Peterson acquisition. This was offset by an increase of $3,662,000 in proceeds from the issuance of common stock related to stock option exercises during 2007 over 2006.

Capital expenditures in 2008 are budgeted to be approximately $31,944,000. The Company expects to finance these expenditures using cash currently available, the available capacity under the Company's revolving credit facility and internally generated funds. Capital expenditures for 2007 were $38,452,000 compared to $30,879,000 in 2006.

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, 2008.

Market Risk and Risk Management Policies

The Company is exposed to changes in interest rates, primarily from its revolving credit agreements. At December 31, 2007 and 2006, 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, 2007 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 9.0% of total assets at both December 31, 2007 and 2006, respectively, and 7.4% and 6.9% of total revenue for the years ended December 31, 2007 and 2006, respectively. Assuming foreign exchange rates decreased 10% from the December 31, 2007 and 2006 levels, the December 31, 2007 and 2006 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, 2007:

	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	$ 4,084,000	$ 1,947,000	$ 2,109,000	$ 28,000	$ 37,000
Real estate purchase obligation	7,000,000	--	7,000,000	--	--
Total	$11,084,000	$ 1,947,000	$ 9,109,000	$ 28,000	$ 37,000

The table excludes our liability for unrecognized tax benefits, which totaled $1,191,000 as of January 1, 2007 and $1,873,000 as of December 31, 2007, since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

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

In 2007 the Company made contributions of approximately $796,000 to the pension plan and $264,000 to the post-retirement benefit plans, for a total of $1,060,000, compared to $1,061,000 in 2006. The Company estimates that it will contribute a total of approximately $832,000 to the pension and post-retirement plans during 2008. 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 $776,000 and $2,902,000 at December 31, 2007 and 2006, respectively. These obligations have average remaining terms of two years with minimal risk.

The Company is contingently liable under letters of credit of approximately $6,825,000, primarily for performance guarantees to customers or insurance carriers.

Off-balance Sheet Arrangements

As of December 31, 2007 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 to maintain reserves for environmental matters.

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 twelve of the thirteen domestic manufacturing subsidiaries, the Company is self-insured for health and prescription claims under its Group Health Insurance Plan. These subsidiaries account for approximately eighty-five percent (85%) 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. subsidiary is covered under a fully insured group health plan. 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 $4.0 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 Long-Term Liabilities 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 manufacturer's 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.

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 or 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.

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 and Other Intangible Assets: In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," we classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization, and (3) goodwill. We test intangible assets with definite lives for impairment if conditions exist that indicate the carrying value may not be recoverable. Such conditions may include an economic downturn in a geographic market or a change in the assessment of future operations. We record an impairment charge when the carrying value of the definite lived intangible asset is not recoverable by the cash flows generated from the use of the asset.

Intangible assets with indefinite lives and goodwill are not amortized. We test these intangible assets and goodwill for impairment at least annually or more frequently if events or circumstances indicate that such intangible assets or goodwill might be impaired. We perform our impairment tests of goodwill at our reporting unit level. Such impairment tests for goodwill include comparing the fair value of the respective reporting unit with its carrying value, including goodwill. We use a variety of methodologies in conducting these impairment tests, including discounted cash flow analyses. When the fair value is less than the carrying value of the intangible assets or the reporting unit, we record an impairment charge to reduce the carrying value of the assets to fair value.

We determine the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement, the history of the asset, the Company's long-term strategy for the use of the asset, any laws or other local regulations which could impact the useful life of the asset, and other economic factors, including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized, generally on a straight-line basis, over their useful lives, ranging from 3 to 13 years. Intangible assets with definite lives have estimated remaining useful lives ranging from 3 to 13 years. Refer to Note 5.

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, Shareholders' Equity. 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 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.

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 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.

As previously discussed, the Company adopted SFAS 123R related to share-based payments. See Note 14, Shareholders' Equity for further details.

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 is effective for fiscal years beginning after December 15, 2006. The Company presents these transactions on a net basis, and therefore the adoption of this standard had 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" ("FIN 48"). FIN 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. FIN 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. FIN 48 is effective for fiscal years beginning after December 15, 2006 and the Company began applying its provisions effective January 1, 2007. The impact of adopting this statement is detailed in Note 12, Income Taxes.

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. Portions of SFAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007 and the Company will begin applying those provisions effective January 1, 2008. The Company does not expect the adoption to have a significant impact 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.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"), and Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. This standard also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statement of income. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. Both statements will be effective for financial statements issued for fiscal years beginning after December 15, 2008.

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;
- pricing and availability of steel;
- pricing of scrap metal;
- condition of the economy;
- the success of new product lines;
- 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;
- presence in the international marketplace;
- suitability of our current facilities;
- future payment of dividends;
- competition in our business segments;
- product liability and other claims;
- protection of proprietary technology;
- future fillings of backlogs;
- employees;
- tax assets;
- the impact of account changes;
- the effect of increased international sales on our backlog;
- critical account policies;
- ability to satisfy contingencies;
- contributions to retirement plans;
- supply of raw materials; and
- inventory.

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, 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.

In order to ensure that the Company's internal control over financial reporting is effective, management regularly assesses such controls and did so most recently as of December 31, 2007. This assessment was based on criteria for effective internal control over financial reporting described in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management believes the Company maintained effective internal control over financial reporting as of December 31, 2007. Ernst & Young LLP, the Company's independent registered public accounting firm, has issued an attestation report on the Company's internal control over financial reporting as of December 31, 2007.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Astec Industries, Inc. and subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2007. 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Astec Industries, Inc. and subsidiaries at December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the two years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 of the consolidated financial statements, the Company 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), Astec Industries, Inc. and subsidiaries internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2008 expressed an unqualified opinion thereon.

Chattanooga, Tennessee
February 27, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of operations, shareholders' equity and cash flows of Astec Industries, Inc. (a Tennessee corporation) and subsidiaries for the year ended December 31, 2005. 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated results of Astec Industries, Inc. and subsidiaries' operations and cash flows for the year ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Greensboro, NC
March 7, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Astec Industries, Inc. and subsidiaries internal control over financial reporting as of December 31, 2007, 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 included in the accompanying Management Assessment Report. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

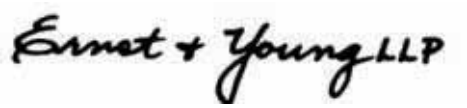
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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, Astec Industries, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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 sheets of Astec Industries, Inc. and subsidiaries as of December 31, 2007 and 2006 and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2007 and our report dated February 27, 2008 expressed an unqualified opinion thereon.



Chattanooga, Tennessee
February 27, 2008

CONSOLIDATED BALANCE SHEETS

	December 31,	
Assets	**2007**	**2006**
Current assets:		
Cash and cash equivalents	$ 34,636,472	$ 44,878,128
Trade receivables, less allowance for doubtful accounts of $1,713,000 in 2007 and $1,781,000 in 2006	84,197,596	64,590,673
Notes and other receivables	3,289,200	2,082,588
Inventories	210,818,628	157,835,438
Prepaid expenses	6,420,092	5,532,405
Deferred income tax assets	8,864,181	7,879,738
Other current assets	505,471	218,990
Total current assets	348,731,640	283,017,960
Property and equipment, net	141,527,620	113,914,165
Other assets:		
Investments	18,528,745	1,716,687
Goodwill	26,415,979	19,383,826
Other long-term assets	7,365,533	3,829,897
Total other assets	52,310,257	24,930,410
Total assets	$ 542,569,517	$ 421,862,535
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 54,840,478	$ 42,561,181
Customer deposits	37,751,174	22,485,579
Accrued product warranty	7,826,820	7,183,946
Accrued payroll and related liabilities	12,556,033	9,297,981
Accrued loss reserves	2,858,854	2,976,204
Other accrued liabilities	28,059,694	20,364,598
Total current liabilities	143,893,053	104,869,489
Deferred income tax liabilities	8,361,165	6,331,856
Other long-term liabilities	12,842,785	13,796,303
Total other liabilities	21,203,950	20,128,159
Total liabilities	165,097,003	124,997,648
Minority interest	883,410	699,195
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 - 22,299,125 in 2007 and 21,696,374 in 2006	4,459,825	4,339,275
Additional paid-in capital	114,255,803	93,759,957
Accumulated other comprehensive income	5,186,045	2,486,258
Company shares held by SERP, at cost	(1,705,249)	(2,081,095)
Retained earnings	254,392,680	197,661,297
Total shareholders' equity	376,589,104	296,165,692
Total liabilities and shareholders' equity	$ 542,569,517	$ 421,862,535

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2007	**2006**	**2005**
Net sales	$ 869,025,354	$ 710,606,813	$ 616,067,723
Cost of sales	659,247,203	542,319,968	482,850,057
Gross profit	209,778,151	168,286,845	133,217,666
Selling, general and administrative expenses	107,095,343	93,999,318	81,839,049
Research and development expenses	15,449,493	13,560,572	11,319,280
Gain on sale of real estate, net of real estate impairment charge	--	--	6,530,884
Amortization	504,900	383,793	287,454
Income from operations	86,728,415	60,343,162	46,302,767
Other income (expense)			
Interest expense	(852,994)	(1,671,852)	(4,209,046)
Interest income	2,733,224	1,469,485	644,280
Other income (expense), net	(202,263)	167,157	209,894
Income before income taxes and minority interest	88,406,382	60,307,952	42,947,895
Income taxes	(31,398,049)	(20,637,741)	(14,748,366)
Income before minority interest	57,008,333	39,670,211	28,199,529
Minority interest	211,225	82,368	105,308
Net income	$ 56,797,108	$ 39,587,843	$ 28,094,221
Earnings per Common Share			
Net income:			
Basic	$ 2.59	$ 1.85	$ 1.38
Diluted	2.53	1.81	1.34
Weighted average number of common shares outstanding:			
Basic	21,967,985	21,428,738	20,333,894
Diluted	22,444,866	21,917,123	20,976,966

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2007	2006	2005
Cash Flows from Operating Activities			
Net income	$ 56,797,108	$ 39,587,843	$ 28,094,221
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	14,576,053	11,507,298	10,562,568
Amortization	504,900	383,793	287,454
Provision for doubtful accounts	512,816	374,748	190,984
Provision for inventory reserves	3,271,024	3,721,613	3,088,515
Provision for warranty	12,496,960	11,712,690	10,432,651
Deferred compensation provision	452,152	325,159	1,863,359
Deferred income tax provision (benefit)	99,766	1,014,445	(1,496,468)
Impairment charge on real estate not being used	--	--	1,183,421
Gain on disposition of assets held for sale	--	--	(7,714,305)
(Gain) loss on disposition of fixed assets	67,259	74,637	(11,079)
Tax benefit from stock option exercises	(4,388,696)	(2,955,103)	5,039,320
Purchase of trading securities, net	(7,868,131)	(445,329)	(263,190)
Stock-based payments	1,557,384	974,826	--
Minority interest	(211,225)	(82,368)	(105,308)
(Increase) decrease in, net of amounts acquired:			
Trade and other receivables	(10,844,976)	(13,955,658)	(8,867,559)
Notes receivables	258,500	(89,993)	253,310
Inventories	(42,594,820)	(26,815,069)	(11,291,802)
Prepaid expenses	(402,340)	1,555,495	1,423,566
Other assets	(36,112)	(417,318)	493,710
Increase (decrease) in, net of amounts acquired:			
Accounts payable	6,823,822	2,976,010	4,679,391
Customer deposits	14,912,509	10,645,675	1,637,973
Accrued product warranty	(12,454,573)	(10,168,800)	(9,551,048)
Refundable income taxes	--	--	181,662
Income taxes payable	5,877,019	1,193,460	(4,013)
Accrued retirement benefit costs	(966,057)	(1,425,494)	281,636
Self insurance loss reserves	439,438	(3,478,566)	(1,038,702)
Other accrued liabilities	6,235,730	12,601,026	2,401,906
Other	628,651	209,143	354,796
Net cash provided by operating activities	45,744,161	39,024,163	32,106,969
Cash Flows from Investing Activities			
Purchase of Peterson Pacific Corp., net of $1,701,715 cash acquired	(19,655,696)	--	--
Proceeds from sale of property and equipment	186,139	1,247,475	166,945
Expenditures for property and equipment	(38,451,380)	(30,879,114)	(11,629,597)
Proceeds from sale of assets held for sale	--	--	12,589,218
Purchase of available for sale securities	(10,304,855)	--	--
Cash from sale (acquisition) of minority shares	(34,931)	93,292	(18,835)
Net cash provided (used) by investing activities	(68,260,723)	(29,538,347)	1,107,731

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year Ended December 31,		
	2007	2006	2005
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	$ 13,632,057	$ 9,970,201	$ 18,846,357
Tax benefit from stock option exercise	4,388,696	2,955,103	--
Net repayments under revolving credit loans	--	--	(8,517,253)
Principal repayments of industrial bonds, loans and notes payable	(7,500,000)	--	(29,167,104)
Sale (purchase) of company shares by Supplemental Executive Retirement Plan, net	1,414,105	54,092	(84,199)
Net cash provided (used) by financing activities	11,934,858	12,979,396	(18,922,199)
Effect of exchange rates on cash	340,048	(184,780)	(43,498)
Increase (decrease) in cash and cash equivalents	(10,241,656)	22,280,432	14,249,003
Cash and cash equivalents, beginning of year	44,878,128	22,597,696	8,348,693
Cash and cash equivalents, end of year	$ 34,636,472	$ 44,878,128	$ 22,597,696
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	$ 493,657	$ 895,650	$ 2,559,165
Income taxes, net of refunds	$ 23,419,302	$ 18,437,778	$ 8,176,320

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2007, 2006 and 2005

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Company Shares Held by SERP	Total Shareholders' Equity
	Shares	Amount					
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 $172,434					(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, net			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 SFAS 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, net			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**
Net income				56,797,108			56,797,108
Other comprehensive income:							
Change in unrecognized pension and post retirement cost, net of income taxes of $291,949					497,729		497,729
Foreign currency translation adjustments					3,126,704		3,126,704
Unrealized loss on available for sale investment securities, net of income taxes of $558,209					(924,646)		(924,646)
Comprehensive income							59,496,895
FIN 48 adjustment				(65,725)			(65,725)
Stock-based payments	2,532	506	1,556,878				1,557,384
Exercise of stock options, including tax benefit	600,219	120,044	17,900,709				18,020,753
Sale (Purchase) of Company stock held by SERP, net			1,038,259			375,846	1,414,105
Balance December 31, 2007	**22,299,125**	**$4,459,825**	**$114,255,803**	**$254,392,680**	**$5,186,045**	**$(1,705,249)**	**$376,589,104**

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2007, 2006 and 2005

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, 2007 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.	Peterson Pacific Corp.

All 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.

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

Cash and Cash Equivalents - All highly liquid investments with an original maturity of three months or less when purchased or that are readily saleable are considered to be cash and cash equivalents.

Investments - Investments consist primarily of investment-grade marketable securities. Available-for-sale securities are recorded at fair value, and unrealized holding gains and losses are recorded, net of tax, as a separate component of accumulated other comprehensive income. Unrealized gains and losses are charged against net income when a change in fair value is determined to be other than temporary. Trading securities are carried at fair value, with unrealized holding gains and losses, if any, reported in net income. Realized gains and losses are accounted for on the specific identification method. Purchases and sales are recorded on a trade date basis. Management determines the appropriate classification of its investments at the time of acquisition and reevaluates such determination at each balance sheet date.

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, 2007, 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 and Other Intangible Assets - In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," we classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization, and (3) goodwill. We test intangible assets with definite lives for impairment if conditions exist that indicate the carrying value may not be recoverable. Such conditions may include an economic downturn in a geographic market or a change in the assessment of future operations. We record an impairment charge when the carrying value of the definite lived intangible asset is not recoverable by the cash flows generated from the use of the asset.

Intangible assets with indefinite lives and goodwill are not amortized. We test these intangible assets and goodwill for impairment at least annually or more frequently if events or circumstances indicate that such intangible assets or goodwill might be impaired. We perform our impairment tests of goodwill at our reporting unit level. Such impairment tests for goodwill include comparing the fair value of the respective reporting unit with its carrying value, including goodwill. We use a variety of methodologies in conducting these impairment tests, including discounted cash flow analyses. When the fair value is less than the carrying value of the intangible assets or the reporting unit, we record an impairment charge to reduce the carrying value of the assets to fair value.

We determine the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement, the history of the asset, the Company's long-term strategy for the use of the asset, any laws or other local regulations which could impact the useful life of the asset, and other economic factors, including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized, generally on a straight-line basis, over their useful lives, ranging from 3 to 13 years. Intangible assets with definite lives have estimated remaining useful lives ranging from 3 to 13 years. Refer to Note 5.

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 is 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. Market value is estimated using discounted cash flows, prices for similar assets or other valuation techniques.

Revenue Recognition - Revenue is generally recognized on sales at the point in time when persuasive evidence of an arrangement exists, the price is fixed or 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 is expensed as incurred. The Company incurred approximately $3,334,000, $2,794,000 and $2,690,000 in advertising costs during 2007, 2006 and 2005, respectively, which is included in selling, general and administrative expenses.

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, Shareholders' Equity. 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 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.

All granted options were vested prior to December 31, 2006, therefore no stock option expense was recorded in 2007. 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 years ended December 31, 2007 and 2006, respectively totaled $13,632,000 and $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 $4,389,000 and $2,955,000 for the years ended December 31, 2007 and 2006, respectively. The stock option compensation expense was included in selling, general and administrative expenses in the accompanying consolidated statement of operations. As of December 31, 2007 and 2006, there was 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 has 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 for the year ended December 31, 2005 had the Company recorded stock-based employee compensation cost using the fair value method of accounting set forth under SFAS 123.

	2005
Net income, as reported	$ 28,094,221
Stock compensation expense under SFAS 123, net of taxes	(618,206)
Adjusted net income	$ 27,476,015
Basic earnings per share, as reported	$ 1.38
Stock compensation expense under SFAS 123, net of taxes	(0.03)
Adjusted basic earnings per share	$ 1.35
Diluted earnings per share, as reported	$ 1.34
Stock compensation expense under SFAS 123, net of taxes	(0.03)
Adjusted diluted earnings per share	$ 1.31

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. No options were granted in 2007.

	2006 Grants	2005 Grants
Expected life	5.5 years	6 years
Expected volatility	55.1%	47.5%
Risk-free interest rate	4.53%	3.77%
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. 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,		
	2007	2006	2005
Numerator:			
Net income	$ 56,797,108	$ 39,587,843	$ 28,094,221
Denominator:			
Denominator for basic earnings per share	21,967,985	21,428,738	20,333,894
Effect of dilutive securities:			
Employee stock options and restricted stock units	382,006	371,477	524,740
Supplemental executive retirement plan	94,875	116,908	118,332
Denominator for diluted earnings per share	22,444,866	21,917,123	20,976,966
Net income:			
Basic	$ 2.59	$ 1.85	$ 1.38
Diluted	2.53	1.81	1.34

For the year ended December 31, 2007, there were no antidilutive options. For the years ended December 31, 2006 and 2005 options of approximately 169,000 and 810,000, 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. There were no derivatives that qualified for hedge accounting at December 31, 2007 and 2006.

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 - In the 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, Contingent Matters, as of December 31, 2007, 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.

Business Combinations - In accordance with SFAS No. 141, "Business Combinations," we account for all business combinations by the purchase method. Furthermore, we recognize intangible assets apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill.

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 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.

As previously discussed, the Company adopted SFAS 123R related to share-based payments. See Note 14, Shareholders' Equity for further details.

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 is effective for fiscal years beginning after December 15, 2006. The Company presents these transactions on a net basis, and therefore the adoption of this standard had 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" ("FIN 48"). FIN 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. FIN 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 began applying its provisions effective January 1, 2007. The impact of adopting this statement is detailed in Note 12, Income Taxes.

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. Portions of SFAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007 and the Company will begin applying those provisions effective January 1, 2008. The Company does not expect the adoption of this statement to have a significant impact 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.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "Business Combinations" ("SFAS 141R"), and Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. This standard also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. Consolidated net income should include the net income for both the parent and the noncontrolling interest with disclosure of both amounts on the consolidated statement of income. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. Both statements will be effective for financial statements issued for fiscal years beginning after December 15, 2008.

Reclassifications - Certain amounts for 2006 and 2005 have been reclassified to conform with the 2007 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Inventories

Inventories consisted of the following:

	December 31, 2007	2006
Raw materials and parts	$ 96,718,726	$ 77,228,812
Work-in-process	54,127,870	43,227,002
Finished goods	51,027,368	27,992,334
Used equipment	8,944,664	9,387,290
Total	$ 210,818,628	$ 157,835,438

The above inventory amounts are net of reserves totaling $13,714,000 and $11,146,000 in 2007 and 2006, respectively.

3. Investments

The Company's investments consist of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value (Net Carrying Amount)
December 31, 2007				
Available-for-sale equity securities	$10,305,000	$ --	$ 1,483,000	$ 8,822,000
Trading equity securities	3,011,012	102,709	167,420	2,946,301
Trading debt securities	6,861,402	49,363	1,437	6,909,328
	$20,177,414	$ 152,072	$ 1,651,857	$ 18,677,629
December 31, 2006				
Trading equity securities	$ 1,696,523	$ 69,513	$ 49,349	$ 1,716,687
	$ 1,696,523	$ 69,513	$ 49,349	$ 1,716,687

Management reviews several factors to determine whether a loss is other than temporary, such as the length of time a security is in an unrealized loss position, the extent to which fair value is less than amortized cost, the financial condition and near term prospects of the issuer and the Company's intent and ability to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value. Management determined that the gross unrealized loss on available-for-sale equity securities is considered temporary and, therefore, the net unrealized holding loss of $1,483,000 for the year ended December 31, 2007 has been included in accumulated other comprehensive income.

Trading equity securities are comprised mainly of marketable equity mutual funds that approximate a portion of the Company's liability under their Supplemental Executive Retirement Plan ("SERP"), an unqualified defined contribution plan. See footnote 11, Pension and Post-Retirement Benefits, for additional information on these investments and the SERP.

Trading debt securities are comprised mainly of marketable debt securities held by Astec Insurance Company. At December 31, 2007, $148,884 of trading debt securities was due to mature within twelve months and, accordingly, is included in other current assets.

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 2007, 2006, and 2005 indicated no impairment of goodwill.

The changes in the carrying amount of goodwill by operating segment for the years ended December 31, 2007, 2006, and 2005 are as follows:

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	Other	Total
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**
Business acquisition, see Note 19, Business Combinations	--	--	--	--	5,814,219	5,814,219
Foreign currency translation	--	1,217,934	--	--	--	1,217,934
Balance, December 31, 2007	**$1,156,818**	**$17,798,551**	**$1,646,391**	**$ --**	**$5,814,219**	**$26,415,979**

5. Long-lived and 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 years ended December 31, 2007 and 2006, the Company concluded that there had been no significant events that would trigger an impairment review of its long-lived and intangible assets. No impairment was recorded in 2007 or 2006. 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. 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 $356,068, $234,961 and $287,454 for 2007, 2006 and 2005, respectively. Other intangible assets, which are included in other long-term assets on the accompanying consolidated balance sheets, consisted of the following at December 31, 2007 and 2006:

	Gross Carrying Value Dec. 31, 2006	Accumulated Amortization Dec. 31, 2006	Net Carrying Value Dec. 31, 2006	Gross Carrying Value Dec. 31, 2007	Accumulated Amortization Dec. 31, 2007	Net Carrying Value Dec. 31, 2007	Weighted Avg. Amortization Period
Amortizable assets							
Dealer network and customer base	$ 1,220,000	$ (461,785)	$ 758,215	$ 3,589,000	$ (698,233)	$ 2,890,767	13 years
Drawings	820,000	(355,118)	464,882	820,000	(432,599)	387,401	10 years
Trademarks	336,000	(336,000)	--	336,000	(336,000)	--	3 years
Patents	24,000	(24,000)	--	543,000	(61,071)	481,929	7 years
Non-compete agreement	--	--	--	42,233	(5,068)	37,165	4 years
Total amortizable assets	2,400,000	(1,176,903)	1,223,097	5,330,233	(1,532,971)	3,797,262	11 years
Non-amortizable assets							
Trade name	--	--	--	1,348,000	--	1,348,000	--
Total	$ 2,400,000	$(1,176,903)	$ 1,223,097	$ 6,678,233	$(1,532,971)	$5,145,262	11 years

The increase in gross carrying value of intangible assets during 2007 is due to the purchase of Peterson. See Note 19, Business Combinations for further discussion.

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

2008	$477,000	2011	$394,000
2009	477,000	2012	387,000
2010	451,000		

6. Property and Equipment

Property and equipment consisted of the following:

	December 31,	
	2007	**2006**
Land, land improvements and buildings	$ 103,033,483	$ 92,126,994
Equipment	161,182,644	132,308,492
Less accumulated depreciation	(122,688,507)	(110,521,321)
Total	$ 141,527,620	$ 113,914,165

Depreciation expense was approximately $14,576,000, $11,507,000 and $10,563,000 for the years ended December 31, 2007, 2006 and 2005, respectively.

7. Leases

The Company leases certain land, buildings and equipment for use in its operations under various operating leases. Total rental expense charged to operations under operating leases was approximately $2,993,000, $2,381,000 and $2,073,000 for the years ended December 31, 2007, 2006, and 2005, respectively.

Minimum rental commitments for all noncancelable operating leases at December 31, 2007 are as follows:

2008	$1,947,000
2009	1,207,000
2010	670,000
2011	232,000
2012	28,000
Thereafter	37,000
	$4,121,000

8. Debt

During April 2007, the Company entered into an unsecured credit agreement with Wachovia Bank, National Association (Wachovia) whereby Wachovia has extended to the Company an unsecured line of credit of up to $100,000,000 including a sub-limit for letters of credit of up to $15,000,000. The Wachovia credit agreement replaced the previous $87,500,000 secured credit facility the Company had in place with General Electric Capital Corporation and General Electric Capital-Canada.

The Wachovia credit facility is unsecured and has an original term of three years (which is subject to further extensions as provided therein). The interest rate for borrowings is a function of the Adjusted LIBOR Rate or Adjusted LIBOR Market Index Rate, as defined, as elected by the Company, plus a margin based upon a leverage ratio pricing grid ranging between 0.5% and 1.5%. As of December 31, 2007, if any loans would have been outstanding, the applicable margin based upon the leverage ratio pricing grid would equal 0.5%. The Wachovia credit facility requires no principal amortization and interest only payments are due, in the case of loans bearing interest at the Adjusted LIBOR Market Index Rate, monthly in arrears and, in the case of loans bearing interest at the Adjusted LIBOR Rate, at the end of the applicable interest period. The Wachovia credit agreement contains certain financial covenants including a minimum fixed charge coverage ratio, minimum tangible net worth and maximum allowed capital expenditures. At December 31, 2007, the Company had borrowing availability of $93,175,000, net of letters of credit of $6,825,000, on its revolver. No amounts were outstanding under the credit facility at December 31, 2007.

The Company was in compliance with the financial covenants under its credit facility as of December 31, 2007.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd., (Osborn) has available a credit facility of approximately $4,916,000 (ZAR 33,000,000) 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, 2007, Osborn had no outstanding borrowings under the credit facility, but approximately $3,342,000 in performance and retention bonds were guaranteed under the facility. The facility is secured by Osborn's account receivables retention and cash balances and a $2,000,000 letter of credit issued by the parent Company. The portion of the available facility not secured by the $2,000,000 letter of credit fluctuates monthly based upon fifty percent (50%) of Osborn's accounts receivable, and retention plus total cash balances at the end of the prior month. As of December 31, 2007, Osborn Engineered Products had available credit under the facility of approximately $1,574,000.

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:

	2007	2006
Reserve balance at beginning of period	$ 7,183,946	$ 5,666,123
Warranty liabilities accrued during the period	12,496,960	11,712,690
Warranty liabilities settled during the period	(11,854,086)	(10,194,867)
Reserve balance at end of period	$ 7,826,820	$ 7,183,946

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 severity 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, 2007 were $7,878,723 compared to $7,437,176 at December 31, 2006, of which $5,019,869 and $4,460,972 was included in other long-term liabilities at December 31, 2007 and 2006, respectively.

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	
	2007	2006	2007	2006
Change in benefit obligation				
Benefit obligation at beginning of year	$ 9,986,114	$10,071,182	$ 986,097	$ 1,590,331
Service cost	--	--	44,535	56,442
Interest cost	564,674	544,410	41,974	53,176
Amendments	--	--	48,221	--
Actuarial gain	(478,204)	(222,657)	(92,426)	(355,052)
Benefits paid	(424,647)	(406,821)	(264,175)	(358,800)
Benefit obligation at end of year	9,647,937	9,986,114	764,226	986,097
Accumulated benefit obligation	9,647,937	9,986,114	--	--
Change in plan assets				
Fair value of plan assets at beginning of year	$ 7,817,439	$ 6,722,524	$ --	$ --
Actual return on plan assets	823,995	799,995	--	--
Employer contribution	796,339	701,741	--	--
Benefits paid	(424,647)	(406,821)	--	--
Fair value of plan assets at end of year	9,013,126	7,817,439	--	--
Funded status at end of year	(634,811)	(2,168,675)	(764,226)	(986,097)
Amounts recognized in the consolidated balance sheets				
Current liabilities	$ --	$ --	$ (132,138)	$ (155,105)
Noncurrent liabilities	(634,811)	(2,168,675)	(632,088)	(830,992)
Net amount recognized	(634,811)	(2,168,675)	(764,226)	(986,097)
Amounts recognized in accumulated other comprehensive income consist of				
Net loss (gain)	$ 1,288,821	$ 2,043,068	$ (660,236)	$ (624,741)
Prior service credit	--	--	(7,669)	(41,433)
Transition obligation	--	--	167,500	201,200
Net amount recognized	$ 1,288,821	$ 2,043,068	$ (500,405)	$ (464,974)
Weighted-average assumptions used to determine benefit obligations as of December 31				
Discount rate	6.41%	5.72%	5.59%	5.72%
Expected return on plan assets	8.00%	8.00%	--	--
Rate of compensation increase	--	--	--	--

The measurement date used for all plans was December 31.

As discussed in Note 1, Summary of Significant Accounting Policies, the Company adopted SFAS 158 in 2006. The incremental effect of applying SFAS 158 on individual line items in the December 31, 2006 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
Other long-term liabilities	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 2007 and 2006. 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		2007 & 2006 Target
Asset Category	2007	2006	Allocation Ranges
Equity securities	59.6%	63.6%	53 - 73%
Debt securities	30.5%	30.8%	21 - 41%
Money market funds	9.9%	5.6%	0 - 15%
Total	100.0%	100.0%	

The weighted average annual assumed rate of increase in per capita health care costs is eight and one-half percent (8.5%) for 2007 and is assumed to decrease gradually to five and three-fourths 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:

	2007	2006
Effect on total service and interest cost		
1% Increase	$ 5,535	$ 5,700
1% Decrease	(5,128)	(5,500)
Effect on accumulated post-retirement benefit obligation		
1% Increase	32,924	20,000
1% Decrease	(30,305)	(21,900)

Net periodic benefit cost for 2007, 2006 and 2005 included the following components:

	Pension Benefits			Post-retirement Benefits		
	2007	2006	2005	2007	2006	2005
Components of net periodic benefit cost						
Service cost	$ --	$ --	$ --	$ 44,535	$ 56,442	$103,737
Interest cost	564,674	544,410	535,757	41,974	53,176	79,690
Expected return on plan assets	(638,348)	(546,362)	(515,810)	--	--	--
Amortization of prior service cost (credit)	--	--	--	14,457	(5,225)	(5,225)
Amortization of transition obligation	--	--	--	33,700	33,700	33,700
Amortization of net (gain) loss	90,395	136,815	96,253	(56,930)	(89,294)	(37,719)
Net periodic benefit cost	$ 16,721	$134,863	$116,200	$ 77,736	$ 48,799	$174,183
Other changes in plan assets and benefit obligations recognized in other comprehensive income						
Net loss (gain)	$(663,852)	$(476,290)	$449,212	$(92,425)	$(714,035)	$ --
Amortization of net (gain) loss	(90,395)	(136,815)	(96,253)	56,930	89,294	--
Prior service credit	--	--	--	48,221	(46,658)	--
Amortization of prior service credit	--	--	--	(14,457)	5,225	--
Transition obligation	--	--	--	--	234,900	--
Amortization of transition obligation	--	--	--	(33,700)	(33,700)	--
Total recognized in other comprehensive income	(754,247)	(613,105)	352,959	(35,431)	(464,974)	--
Total recognized in net periodic benefit cost and other comprehensive income	$(737,526)	$(478,242)	$469,159	$ 42,305	$(416,175)	$174,183
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31						
Discount rate	5.72%	5.41%	5.66%	5.72%	5.41%	5.66%
Expected return on plan assets	8.00%	8.00%	8.00%	--	--	--

The Company expects to contribute approximately $700,000 to the pension plan and approximately $132,000 to the other benefit plans during 2008.

	Pension Benefits	Post-retirement Benefits
Amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost in 2008:		
Amortization of net (gain) loss	$ 25,000	$ (23,000)
Amortization of prior service credit	--	14,000
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
2008	$ 449,000	$ 132,000
2009	460,000	101,000
2010	472,000	79,000
2011	506,000	89,000
2012	550,000	68,000
2013 - 2017	3,236,000	449,000

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 $4,167,248 in 2007, $3,150,802 in 2006 and $2,362,000 in 2005.

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, 2007			December 31, 2006		
	Shares	Cost	Market	Shares	Cost	Market
Company stock	85,913	$1,705,249	$3,195,104	118,435	$ 2,081,095	$ 4,157,056
Equity securities	1,243,570	3,011,012	2,946,301	523,997	1,696,523	1,716,687
Total	1,329,483	$4,716,261	$6,141,405	642,432	$ 3,777,618	$ 5,873,743

The total fair market values of all assets are included in other liabilities on the consolidated balance sheets. The fair market values of the equity securities are included in other assets on 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.

The change in the fair market value of Company stock is included in selling, general and administrative expenses in the consolidated statement of operations. The amount expensed was $452,000, $325,000 and $1,863,000 in 2007, 2006 and 2005, respectively.

12. Income Taxes

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

	December 31,		
	2007	**2006**	**2005**
United States	$ 82,367,924	$ 55,925,244	$ 39,938,485
Foreign	6,038,458	4,382,708	3,009,410
Income before income taxes and minority interest	$ 88,406,382	$ 60,307,952	$ 42,947,895

The provision for income taxes consists of the following:

	December 31,		
	2007	**2006**	**2005**
Current provision:			
Federal	$ 27,131,144	$ 17,509,493	$ 15,034,747
State	2,935,588	1,846,120	154,770
Foreign	1,231,551	267,683	1,055,317
Total current provision	31,298,283	19,623,296	16,244,834
Deferred provision:			
Federal	(394,900)	534,754	(1,232,379)
State	65,245	(81,619)	(52,445)
Foreign	429,421	561,310	(211,644)
Total deferred provision	99,766	1,014,445	(1,496,468)
Total provision:			
Federal	26,736,244	18,044,247	13,802,368
State	3,000,833	1,764,501	102,325
Foreign	1,660,972	828,993	843,673
Total provision	$ 31,398,049	$ 20,637,741	$ 14,748,366

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,		
	2007	**2006**	**2005**
Tax at the statutory federal income tax rate	$ 30,942,234	$ 21,033,019	$ 15,031,763
Qualified Production Activity Deduction	(932,710)	(621,982)	(357,511)
State income tax, net of federal income tax	1,950,540	1,146,925	66,511
Other permanent differences	356,637	307,814	146,976
R&D credit	(1,049,782)	(367,771)	(570,416)
Change in valuation allowance	60,775	(233,431)	(28,606)
Other items	70,355	(626,833)	459,649
Income tax provision	$ 31,398,049	$ 20,637,741	$ 14,748,366

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,	
	2007	**2006**
Deferred tax assets:		
Inventory reserves	$ 3,840,943	$ 2,915,356
Warranty reserves	2,516,910	2,348,851
Bad debt reserves	461,652	569,937
State tax loss carryforwards	1,471,800	1,450,667
Other	4,334,092	4,905,323
Valuation allowance	(1,117,728)	(1,056,953)
Total deferred tax assets	11,507,669	11,133,181
Deferred tax liabilities:		
Property and equipment	9,048,440	7,932,135
Other	1,956,213	1,653,164
Total deferred tax liabilities	11,004,653	9,585,299
Net deferred tax asset	$ 503,016	$ 1,547,882

As of December 31, 2007, the Company has state net operating loss carryforwards of approximately $32,800,000 for tax purposes, which will be available to offset 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 2007, the valuation allowance has been increased by $60,775 based upon the projected inability 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 practical 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.

The Company files income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by authorities for years prior to 2004. With few exceptions, the Company is no longer subject to state and local or non-U.S. income tax examinations by authorities for years prior to 2001. During the 2nd quarter of 2007, Revenue Canada completed its examination of 2003, 2004, and 2005 Canadian income tax returns of Breaker Technology Ltd. (BTL), the Company's Canadian subsidiary. The resulting adjustments to income were immaterial and net operating loss carryforwards have been offset by any additional taxes due. During the third quarter of 2007, the Ontario Ministry of Finance completed its examination of the 2003 and 2004 Ontario income tax returns of BTL. The adjustments to income were immaterial.

The Company adopted provisions of FASB Interpretation 48, "Accounting for Uncertainty in Income Taxes: an interpretation of FASB Statement 109, Accounting for Income Taxes" ("FIN 48") on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized approximately a $65,725 increase in the liability for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of retained earnings. The Company had a $1,191,360 liability recorded for unrecognized tax benefits as of January 1, 2007 which includes interest and penalties of $94,140. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense. The total net amount of unrecognized tax benefit that, if recognized, would affect the effective tax rate is $817,641. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2007
Balance at January 1	$ 1,191,360
Additions for tax positions related to the current year	589,976
Additions for tax positions related to prior years	192,579
Reductions for tax positions related to prior years	(101,149)
Settlements	--
Balance at December 31	$ 1,872,766

In the December 31, 2007 balance of unrecognized tax benefits, there are no tax positions for which the ultimate deductibility is highly certain but the timing of such deductibility is uncertain. Accordingly, there is no impact to the deferred tax accounting for certain tax benefits.

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 $629,000 and for residual value guarantees aggregating approximately $147,000 at December 31, 2007 and contingently liable for customer debt of approximately $2,755,000 and for residual value guarantees aggregating approximately $147,000 at December 31, 2006. At December 31, 2007, the maximum potential amount of future payments for which the Company would be liable is equal to $776,000. 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 totaling approximately $6,825,000, including a $2,000,000 letter of credit issued to the Company's South African subsidiary, Osborn. The outstanding letters of credit expire at various dates through July 2009. Osborn is contingently liable for a total of $3,342,000 in performance and retention bonds, of which $718,000 are secured by the $2,000,000 letter of credit issued by the Company. As of December 31, 2007, the maximum potential amount of future payments under these letters of credit and bonds for which the Company could be liable is approximately $9,449,000.

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 (excluding estimated legal fees), 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 unissued 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 annual retainer 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 - 593,097, (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. Units granted each year will be determined based upon the performance of 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 retires after reaching age 65, if earlier. On March 8, 2007 management was granted 64,950 restricted stock units, net of forfeitures of 6,150 units for performance during 2006. It is anticipated that an additional 74,400 units will be granted in March 2008 for performance in 2007. Based upon the March 8, 2007 fair value of $38.76 for the 64,950 units and the December 31, 2007 fair value of $37.19 for the 74,400 units, $3,202,000 of compensation costs will be recognized in future periods through 2013. The fair value of the 74,400 restricted stock units will be adjusted to the market value of the Company's stock on the grant date in March, 2008. Compensation expense of $1,399,000 and $419,000 has been recorded in the years ended December 31, 2007 and 2006, respectively, to reflect the fair value of the 139,350 total shares amortized over the portion of the vesting period occurring during the periods.

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, 2007 follows:

	Options	Weighted Average Exercise Price	Remaining Contractual Life	Intrinsic Value
Options outstanding at December 31, 2006	1,217,209	$ 22.58		
Options granted at market price	--	--		
Options forfeited	--	--		
Options exercised	(600,219)	22.71		
Options outstanding at December 31, 2007	616,990	22.45	2.8 Years	$ 9,093,000
Options exercisable at December 31, 2007	616,990	$ 22.45	2.8 Years	$ 9,093,000

The weighted average grant-date fair value of options granted during the years ended December 31, 2006 and 2005 was $16.61, and $9.61, respectively. No options were granted during 2007. The total fair value of stock options that vested during the years ended December 31, 2006 and 2005 was $2,153,000 and $173,000, respectively. No options vested during 2007. The total intrinsic value of stock options exercised during the years ended December 31, 2007, 2006 and 2005 was $13,174,000, $8,695,000 and $14,326,000, 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. 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 Peterson Pacific Corp., Astec Insurance Company and the parent company, Astec Industries, Inc., that do not meet the requirements for separate disclosure as an operating segment.

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.

Segment information for 2007

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	$240,229,156	$338,183,219	$146,488,680	$114,377,657	$ 29,746,642	$ 869,025,354
Intersegment revenues	12,882,783	15,437,948	5,613,527	11,720,989	--	45,655,247
Interest expense	11,710	213,931	11,432	894	615,027	852,994
Depreciation and amortization	3,757,204	5,310,658	2,147,476	2,832,824	1,032,791	15,080,953
Segment profit (loss)	37,707,111	38,892,362	17,885,115	7,348,141	(45,042,148)	56,790,581
Segment assets	264,179,910	299,896,625	152,947,368	87,556,087	306,818,074	1,111,398,064
Capital expenditures	7,361,126	13,539,548	4,335,580	3,912,318	9,302,808	38,451,380

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

[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 of $7,714,305.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31,		
	2007	**2006**	**2005**
Sales:			
Total external sales for reportable segments	$ 869,025,354	$ 710,606,813	$ 616,067,723
Intersegment sales for reportable segments	45,655,247	29,486,529	36,716,625
Other sales	--	--	1,097,618
Elimination of intersegment sales	(45,655,247)	(29,486,529)	(37,814,243)
Total consolidated sales	$ 869,025,354	$ 710,606,813	$ 616,067,723
Net Income:			
Total profit for reportable segments	$ 101,832,729	$ 76,885,098	$ 57,245,831
Other (loss)	(45,042,148)	(36,439,102)	(28,820,624)
Minority interest in earnings of subsidiary	(211,225)	(82,368)	(105,308)
(Elimination) recapture of intersegment profit	217,752	(775,785)	(225,678)
Total consolidated net income	$ 56,797,108	$ 39,587,843	$ 28,094,221
Assets:			
Total assets for reportable segments	$ 804,579,990	$ 672,809,514	$ 560,575,732
Other assets	306,818,074	233,291,974	231,066,768
Elimination of intercompany profit in inventory	(939,266)	(1,157,018)	(381,234)
Elimination of intercompany receivables	(369,361,503)	(310,941,290)	(253,558,866)
Elimination of investment in subsidiaries	(122,612,801)	(101,255,392)	(133,283,656)
Other eliminations	(75,914,977)	(70,885,253)	(57,836,070)
Total consolidated assets	$ 542,569,517	$ 421,862,535	$ 346,582,674
Interest expense:			
Total interest expense for reportable segments	$ 237,967	$ 206,113	$ 800,038
Other interest expense	615,027	1,465,739	3,409,008
Total consolidated interest expense	$ 852,994	$ 1,671,852	$ 4,209,046
Depreciation and amortization:			
Total depreciation and amortization for reportable segments	$ 14,048,162	$ 11,507,660	$ 10,512,808
Other depreciation and amortization	1,032,791	383,431	337,214
Total consolidated depreciation and amortization	$ 15,080,953	$ 11,891,091	$ 10,850,022
Capital expenditures:			
Total capital expenditures for reportable segments	$ 29,148,572	$ 29,442,904	$ 11,153,957
Other capital expenditures	9,302,808	1,436,210	475,640
Total consolidated capital expenditures	$ 38,451,380	$ 30,879,114	$ 11,629,597

Sales by major geographic region were as follows:

	Year Ended December 31,		
	2007	**2006**	**2005**
United States	$ 590,689,756	$ 518,455,721	$ 499,837,874
Asia	11,191,188	7,867,141	1,895,473
Southeast Asia	8,433,668	6,660,597	6,555,077
Europe	36,475,730	36,128,754	13,059,057
South America	23,335,858	13,670,468	11,231,342
Canada	55,758,257	41,527,458	20,729,916
Australia	38,566,656	10,891,367	6,600,885
Africa	45,500,703	38,059,309	31,733,472
Central America	14,237,170	13,721,178	8,757,345
Middle East	24,671,411	18,251,651	8,525,253
West Indies	8,780,295	2,442,514	6,635,443
Other	11,384,662	2,930,655	506,586
Total foreign	278,335,598	192,151,092	116,229,849
Total	$ 869,025,354	$ 710,606,813	$ 616,067,723

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

	Year Ended December 31,		
	2007	**2006**	**2005**
United States	$ 178,426,283	$ 126,887,083	$ 109,535,396
Canada	11,841,271	9,154,708	8,661,016
Africa	3,570,325	2,802,784	2,358,072
Total foreign	15,411,596	11,957,492	11,019,088
Total	$ 193,837,879	$ 138,844,575	$ 120,554,484

16. Other Comprehensive Income

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

	Year Ended December 31,	
	2007	**2006**
Foreign currency translation adjustment	$ 6,602,314	$ 3,475,610
Unrealized loss on available for sale investment securities, net of tax	(924,646)	--
Unrecognized pension and post retirement benefit cost, net of tax	(491,623)	(989,352)
Accumulated other comprehensive income	$ 5,186,045	$ 2,486,258

17. Assets Held for Sale

In 2005, the Company closed on the sale of the vacated Grapevine, Texas facility 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.

18. Other Income (Expense) - Net

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

	Year Ended December 31,		
	2007	2006	2005
Loss on foreign currency transactions	$ (601,814)	$ (167,478)	$ (120,374)
Other	399,551	334,635	330,268
Total	$ (202,263)	$ 167,157	$ 209,894

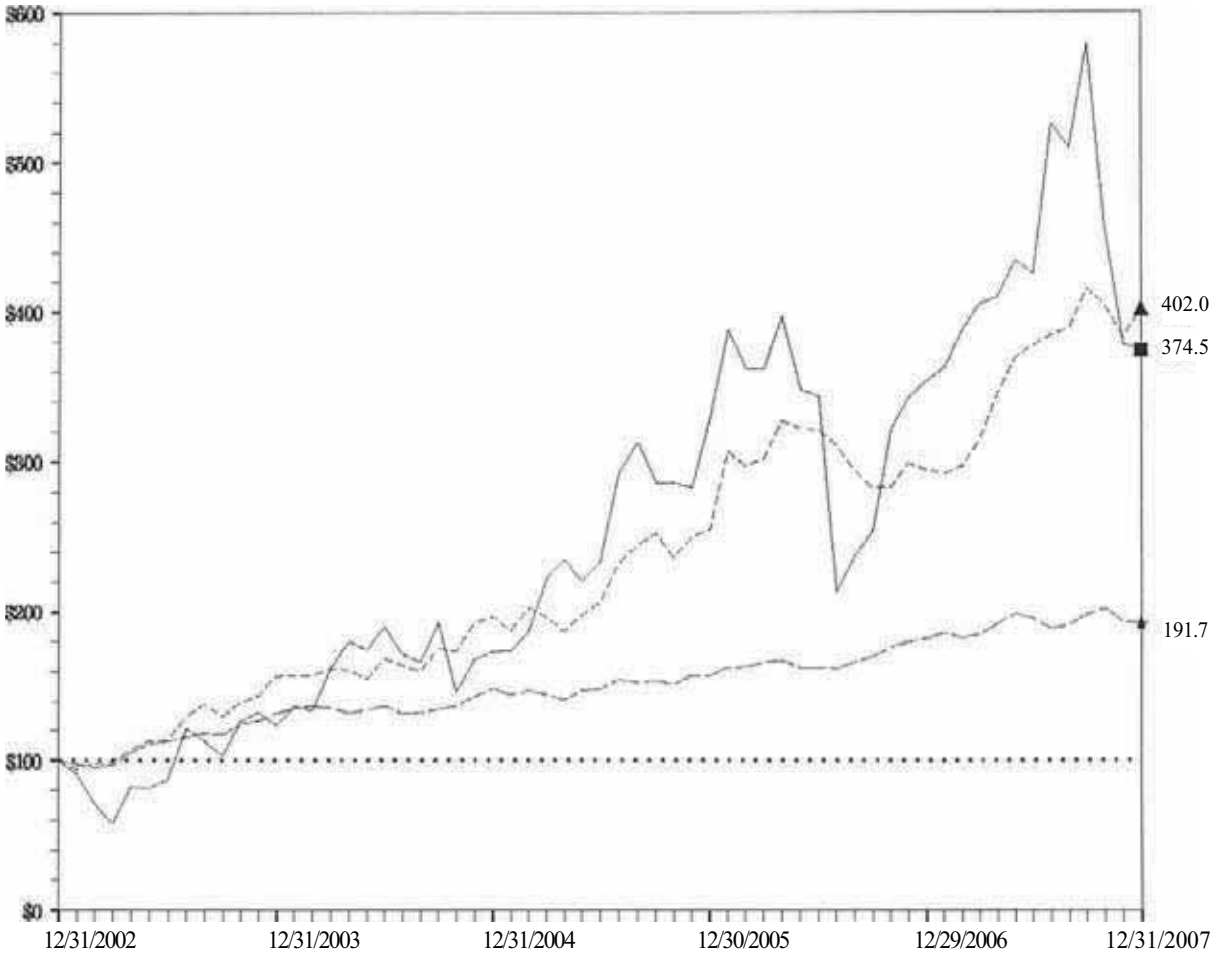
19. Business Combinations

On July 31, 2007 the Company acquired all of the outstanding capital stock of Peterson, Inc., an Oregon company (Peterson) for approximately $21,105,000 including cash acquired of approximately $1,702,000, plus transaction costs of approximately $252,000. $1,000,000 of the purchase price is being held in escrow pending the resolution of certain contingent matters. In addition to the purchase price paid to the sellers, the Company also paid off approximately $7,500,000 of outstanding Peterson debt coincident with the purchase. The effective date of the purchase was July 1, 2007 and the results of Peterson's operations have been included in the consolidated financial statements since that date. The transaction resulted in the recognition of approximately $5,814,000 of goodwill. The purchase price allocation is preliminary and will be finalized upon the earlier of June 30, 2008 or distribution of the escrow.

Peterson is a manufacturer of whole-tree pulpwood chippers, horizontal grinders and blower trucks. Founded in 1961 as Wilbur Peterson & Sons, a heavy construction company, Peterson expanded into manufacturing in 1982 to develop equipment to suit their land clearing and construction needs. Peterson will continue to operate from its Eugene, Oregon headquarters under the name Peterson Pacific Corp.

Conditional earn-out payments of up to $3,000,000 may be due to the sellers based upon actual 2008 and 2009 results of operations. The Company and Peterson's former majority owner and his wife have also entered into a separate agreement for the Company to purchase the real estate and improvements used by Peterson for $7,000,000 at a later date.

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



Legend

Symbol	CRSP Total Returns Index for:	12/2002	12/2003	12/2004	12/2005	12/2006	12/2007
■	ASTEC INDUSTRIES, INC.	100.0	123.9	173.3	328.9	353.5	374.5
∗	NYSE/AMEX/Nasdaq Stock Market (US Companies)	100.0	131.8	148.0	157.1	182.2	191.7
▲	NYSE/AMEX/NASDAQ Stocks (SIC 3530 – 3539 US Comp) Construction, Mining, and Materials Handling Machinery and E	100.0	156.6	196.7	255.1	294.4	402.0

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 12/31/2002.

Total return calculations for the NYSE, AMEX and Nasdaq Stock Market (US Companies) Peer Index were prepared by the Center for Research in Security Prices, The University of Chicago. The Peer Index is composed of the companies in the Standard Industrial Classification Code Group 3530-3539 (construction, mining, and materials handling machinery and equipment). Information with regard to SIC classifications in general can be found in the Standard Industrial Classification Manual published by the Executive Office of the President, Office of Management and Budget.

CORPORATE EXECUTIVE OFFICERS

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

W. Norman Smith
Group Vice President, Asphalt

David C. Silvious, CPA
Corporate Controller

Stephen C. Anderson
Corporate Secretary
Director of Investor Relations

Robert G. Stafford
Corporate Vice President of Research and Development

F. McKamy Hall, CPA
Vice President
CFO and Treasurer

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

SUBSIDIARY OFFICERS

Michael A. Bremmer
President, CEI Enterprises, Inc.

Benjamin G. Brock
President, Astec, Inc.

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

Joe Cline
President, Astec Underground

Larry Cumming
President, Peterson Pacific Corp.

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 Engineering Products SA (Pty) Ltd.

Richard A. Patek
President, Telsmith, Inc.

James F. Pfeiffer
President, American Augers, Inc.

Jeffery L. Richmond
President, Roadtec, Inc.

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

David L. Winters
President, Carlson Paving Products, Inc.

OTHER INFORMATION

Transfer Agent	BNY Mellon Investor Services, LLC 490 Washington Blvd., Jersey City NJ 07310 800.851.9677, www.bnymellon.com/shareowner/isd
Stock Exchange	NASDAQ, National Market - ASTE
Auditors	Ernst and 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 Road, 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 April 24, 2008 at 10:00 A.M. EST in the Training Center at Astec, Inc. located at 4101 Jerome Avenue, Chattanooga, TN 37407

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