

Astec Industries, Inc.

2010 Annual Report

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	2010	2009	2008	2007	2006
Operating Results (in thousands, except noted*)					
Net sales	\$771,335	\$738,094	\$973,700	\$869,025	\$710,607
Net income attributable to controlling interest ^{1,2}	32,430	3,068	63,128	56,797	39,588
Financial position					
Total assets	\$649,639	\$590,901	\$612,812	\$542,570	\$421,863
Working capital	317,395	278,058	251,263	204,839	178,148
Equity	492,806	452,260	440,033	377,473	296,865
Per common share*					
Net income attributable to controlling interest ^{1,2}					
Basic	\$1.44	\$0.14	\$2.83	\$2.59	\$1.85
Diluted	1.42	0.14	2.80	2.53	1.81
Book value per common share at year end	21.56	19.89	19.45	16.78	13.51
Other data					
Weighted average number of common shares outstanding					
Basic	22,517	22,447	22,288	21,968	21,429
Diluted	22,830	22,716	22,586	22,445	21,917
Associates*	3,284	3,137	3,973	3,886	3,214

Certain amounts for 2008, 2007 and 2006 have been reclassified to conform with the 2010 presentation.

¹ During 2008, the Company sold certain equity securities for a pre-tax gain of \$6,195,000.

² 2009 includes impairment charges, primarily goodwill, of \$17,036,000, or \$15,022,000 after tax.

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In 2010, we saw a slightly improved economy over 2009. Our net sales for 2010 were \$771.3 million and our net income was \$32.4 million. This compared to net sales of \$738.1 million and net income of \$3.1 million for 2009. Net income for 2009, excluding the impairment charges, was \$16.7 million. Accordingly, we consider this a meaningful rebound from the 2009 low point. Furthermore, we are very pleased with the return of revenues to \$771.3 million, which is 79.2 percent of the historic high sales achieved in 2008.

The recession that began in September 2008 was the deepest and fastest experienced in my career. It has required considerable effort from our management team to right size our business. During the course of the recession, a number of our businesses saw a significant downturn and reducing those companies to the appropriate level was extremely difficult. Due to these efforts and the economic rebound, we were able to regain profitability in most of our business units during 2010, but still feel the effects of the downturn.

The American Recovery and Reinvestment Act of 2009 included \$27 billion for roads and bridges. These stimulus funds were particularly beneficial to our asphalt and mobile segments and somewhat helpful to the aggregate segment. The bulk of the stimulus money was spent in 2010 and the remaining benefit of the package will diminish during 2011. Due to the loss of the stimulus money and the lack of direction on a new Highway Bill, we are expecting a flat to slightly down year in domestic sales. Nonetheless, we are investing in research and development to develop and introduce new products and improve existing products in order to stimulate greater demand and expand market share in 2011.

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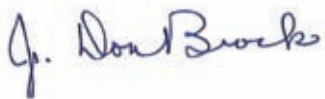
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To offset the weak domestic market, we are continuing our efforts to increase international sales. Our international sales increased from \$272.6 million to \$294.4 million in 2010 and as a percentage of total sales were 38.2% in 2010 vs. 36.9% in 2009. Due to the continued weak dollar, the growth of our international sales force, the addition of bilingual employees in the parts and service areas, and a new sales force in the mining industry, we believe we will see continued growth in the international market for our products. We are acquiring a new facility for Astec Australia which continues to grow and sell products for most of our various companies. We continue to look for additional manufacturing acquisitions internationally and plan to expand the business model used in Australia to format our distribution into other areas of the world.

Without the energy and highway bills that establish long-term direction, our customers have continued to be very cautious when committing to capital expenditures. We have certainly seen the “uncertainty principle” (don’t know, don’t spend) take effect. Regardless, we see 2011 as being an improved year over 2010 with continued slow growth.

We thank each of you for your support of our company and encouragement of our management.

Sincerely,
Astec Industries, Inc.



J. Don Brock
Chairman of the Board / CEO

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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 products 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.

Telsmith, Inc.
Kolberg-Pioneer, Inc.
Johnson Crushers International, Inc.
Astec Mobile Screens, Inc.
Breaker Technology
Osborn Engineered Products SA (Pty) Ltd

Aggregate and Mining Group





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CORE products:

Crushing Equipment
Vibrating Equipment
Track Plants
Portable Plants
Modular Plants

TelSmith, Inc.



Aggregate and Mining Group

TelSmith, Inc., founded in 1906, has served minerals processing industries for over 100 years. A long term commitment to ethical business practices, technologically advanced products, manufacturing excellence and world class customer support has led to strong brand recognition for TelSmith products in markets around the world.

Today TelSmith designs and manufactures processing equipment for the reduction and sizing of raw materials. Industries served include precious metals mining, processing of aggregates for construction materials and recycling of recovered materials including concrete, asphalt and glass. Core products include jaw crushers, cone crushers, impact crushers, vibrating screens and feeders with brand names such as Iron Giant, Hydra-Jaw, Gyrasphere and VibroKing TL commanding significant market share.

In addition to core components, TelSmith also designs and manufactures complete processing systems. TelSmith capabilities include custom solutions ranging from track mobile crushing systems, to large modular processing plants that deliver high production results and low operating costs. Offering a full spectrum of services including consulting, engineering and construction management, TelSmith brings a unique package of solutions to the market place.

TelSmith's ability to combine innovative designs, quality manufacturing, world class customer support and systems capability provides today's marketplace with unique long term solutions. Creating economic advantages for our customers is what defines the TelSmith Difference.

Mequon, Wisconsin USA



Cone Crusher Installation



QuarryTrax™ Track Mounted Crusher



Astec Industries, Inc.

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Vibrating Screen



Portable Crushing Plant



Modular Processing Plant

Full Page Photo: Cone Crusher Installed at a Modular Processing Plant



CORE products:

- Mine and Quarry Equipment
- Construction and Demolition Equipment
- Hydraulic Hammers
- Mobile Rock Breakers
- Portable and Stationary Rockbreaker Systems
- Demolition Attachments
- Underground Utility Equipment
- Biomass Pelletizer Equipment

Breaker Technology



Aggregate and Mining Group

Ontario, Canada - Riverside, California - Solon, Ohio

Breaker Technology (BTI) has serviced the mining, construction, demolition and aggregate industries for over fifty years. Founded in 1958, BTI is proud of their reputation for performance, experience and product support. BTI found 2010 to be one of the most challenging years in its fifty-two year history. The US demand for construction, demolition and aggregate equipment was weak overall.

The slower times were used to develop new products. BTI now offers two series of Hydraulic Breakers ranging from 400 to 16,000 ft/lb in the BX and BXR Series. These hammers represent BTI's years of expertise in innovative, robust and cost-effective design.

BTI, the world leader in Rockbreaker Systems, added an additional system to its extensive product offering. The new MRHT Pedestal Rockbreaker System is a heavy system incorporating a strong turntable bearing for 330 degrees of swing rotation. MRHT incorporates the superior strength to weight ratio that exists in the four plate, excavator quality construction of our MRH Series with slightly greater lifting capacity, ideal for large jaw plants and smaller gyratory crushers.

BTI has developed a new mobile Rockbreaker, for the mobile market. The QB 400 incorporates a QS Scaler chassis with a TT Series boom, the result is a rugged, mobile vehicle capable of handling a 10,000 ft/lb. Hydraulic Breaker, with tram speeds two to three times that of a conventional tracked excavator. The QB 400 offers superior mobile rock breaking productivity.

The last few months of 2010 experienced a high demand for BTI mining equipment in the International Market. Rockbreakers, scalars, anfo loaders and multi-purpose vehicle cassettes are a few of the high demand products.

BTI's BioEnergy Division is developing a wood pelletizer capable of producing 4-5 tons per hour. The PP5Pelletizer will marry well with other Astec products and meet the demands of the renewable fuel industry.



BXR120 Hydraulic Rock Breaker



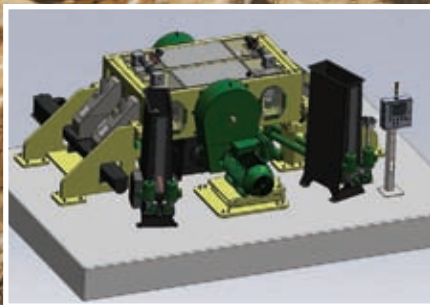
BXR85 Mobile Hydraulic Rock Breaker



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PP-5 Biomass Pelletizer



Multi Purpose Mining Vehicle



MBS Series Portable Breaker

Full Page Photo: BX40 Hydraulic Rock Breaker



CORE products:

Jaw and Cone Crushers
Track Mounted Crushing Plants
Coal Crushers
Vibrating Screens
Aggregate Feeders and Conveyors
Rotary Scrubbers

Osborn Engineered Products SA (Pty) Ltd



Aggregate and Mining Group

Osborn enjoys a reputation for service excellence and innovative machine design. The company offers process equipment to the mining and aggregate industry, including new machines, factory warranted rebuilds, original equipment replacement parts, conveyor idlers and field service maintenance support. While continuing to expand the product offering of its own in-house designs, Osborn has also enjoyed long associations with overseas principles, enabling the production of complementary machines to be built under license, thereby enhancing the "total offering" solution to our customers. The offering includes locally built jaw, cone, double roll and rolling ring crushers, rotary breakers, vibrating screens and feeders, apron feeders, track or rubber mounted mobile equipment, and mills.

Osborn will market products manufactured by Astec Industries' sister companies to the African continent in 2011. In many instances these machines compliment our own and add a level of automation and sophistication not previously enjoyed or supported in our market.

In 2010, Osborn sold the first modular 36/38/44 cone structures to compliment the 3042 modular jaw units developed in 2009. The related 6x20 TD modular screen structure is currently in production. These units suit African countries where supply of cast reinforced concrete or fabricated steel supporting structures are less available. These units are also popular in the local market where they are cost competitive to traditional tracked units, in terms of both initial investment and ongoing running and maintenance costs.

Osborn purchased the intellectual property related to the design of a range of mineral sizers, to compliment our existing coal mining and softer ore machines. While the mineral sizer has been absent from our offering for the past ten years, we have much experience and look forward to again being a player in this market.

Osborn continues to purchase new machinery, or upgrade machinery with new CNC controllers. This has resulted in productivity benefits, which with the recent commissioning of a computer based production-scheduling system, should result in quicker lead-times and lower work-in-progress inventories in 2011.

Johannesburg, South Africa



Multiple Cone Crusher Installation



Cone Crusher on Job Site



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Vertical Screening Plant



Rotary Scrubber



Modular Crushing Plant

Full Page Photo: Aggregate Screening Plant Installation



CORE products:

Material Handling Equipment
Crushing Equipment
Screening Equipment
Track Mount Equipment
Washing and Classifying Equipment

Kolberg-Pioneer, Inc.



Aggregate and Mining Group

Kolberg-Pioneer, Inc. is a world-wide leader in manufacturing equipment for the aggregate, construction, paving and recycling industries. As an innovative, high integrity manufacturer, Kolberg-Pioneer develops quality, state-of-the-art products and has the ability to engineer custom products because of a highly qualified engineering staff. Marketed under the KPI-JCI brand, Kolberg-Pioneer designs, manufactures, and markets full lines of washing, conveying, crushing, screening, classifying, and portable and mobile plant equipment. Quality 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.

For more than 75 years, Kolberg-Pioneer and its dedicated KPI-JCI dealer organization have been recognized within the aggregate and recycling industries as a supplier of dependable equipment and experienced application oriented support.

In 2010, Kolberg-Pioneer prioritized a strong focus towards developing and updating its track mounted products. With the introduction of the GT Series of track plants, Kolberg-Pioneer made these machines available at a cost that helped customers maximize profits.

The introduction of several new models and products for the industry helped our dealers stay competitive. The introduction of the Low Pro Drive Over Unloader delivered the convenience, efficiency, ease-of-use and environmentally friendly characteristics that material handling operations demand.

Bigger, better, stronger are words used to describe the expanded offering of larger sized track model crushers now available from Kolberg-Pioneer. The exclusive Mobile Star package now available standard on track mounted products gives customers, dealers and field technicians access to valuable information at a moment's notice.



FT6250 Screening Plant



Track Mounted Jaw Crusher

Yankton, South Dakota USA



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Screening and Washing Plant



Material Feeder and Conveyor



Extendable Superstacker™

Full Page Photo: Track Mounted Jaw Crusher



CORE products:

Material Handling Equipment
Crushing Equipment
Screening Equipment
Track Mount Equipment
Washing and Classifying Equipment

Johnson Crushers International, Inc.



Aggregate and Mining Group

Johnson Crushers International, Inc. (JCI) designs, manufactures and markets full lines of cone crushers, horizontal and incline vibrating screens, track mounted, portable, and stationary crushing and screening plants under the KPI-JCI brand.

In 2010, JCI launched the Kodiak Plus® family of cone crushers. This evolution of the successful predecessor, the Kodiak®, implemented several product enhancements to the portability and maintenance aspects of the product. In addition, the Kodiak Plus® cone crusher family now features a standard PLC-based interface for improved crusher operation, troubleshooting and monitoring.

JCI continued to refine and expand its line of vibrating screening equipment. They continued to drive down costs while refining their traditional line of horizontal screens.

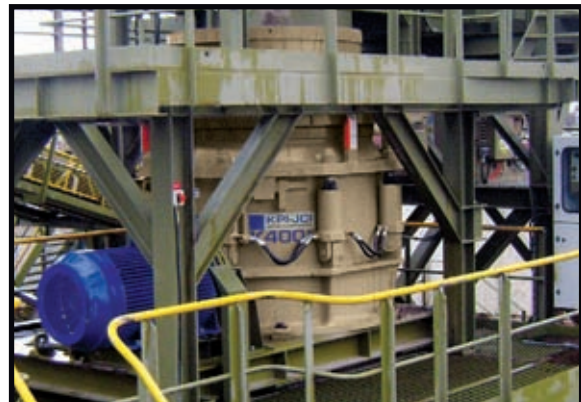
JCI developed a new product family being promoted as the Global Track family, which is comprised of products designed specifically to be marketed on a global basis.

The company also designed and launched its first 300hp electric FastPack cone plant, an extremely portable cone crushing plant used by mobile producers. The company reacted to the buyer's market and sold several custom fabricated screening and crushing plants throughout the year.

Eugene, Oregon USA



Track Mounted Horizontal Screen



Kodiak 400 Cone Crusher



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Horizontal Screens

Horizontal Duplex Crushing and
Screening Plant

FastTrax® 5203 Horizontal Screen

Full Page Photo: Kodiak K300 Cone Crusher



CORE products:

Mobile Screening Plants
Portable Screening Plants
Stationary Screen Structures
High Frequency Screens

Astec Mobile Screens, Inc.



Aggregate and Mining Group

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 and gravel and other material processing industries. Operating conditions for the material producer can vary and Astec Mobile Screens responds by offering a broad range of operating systems.

In 2010, Astec Mobile Screens introduced the GT145S track screening plant to its line of track mounted screening plants. The GT145S is a mobile track screening plant that features a robust, high energy screen for processing sand and gravel, topsoil, slag, crushed stone and recycled materials. The GT145S is available with a two or three deck screen to meet a variety of gradation requirements.

Also, Astec Mobile Screens continued their focus on the growing reclaimed asphalt pavement (RAP) market with the well-received mobile ProSizer™ recycling plant, as well as stationary RAP system configurations featuring a PEP high frequency screen and Pioneer horizontal impact crusher (HSI).

The introduction of a microsite www.beFRAPready.com gave Astec Mobile Screens the chance to help educate customers, dealers and state and federal transportation officials about RAP. For material producers seeking screening solutions with the highest screen capacity in the market for fines removal, chip sizing and more, Astec Mobile Screens' 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 a more saleable product is produced versus creating waste stockpiles and slurry ponds.

Sterling, Illinois USA



Mobile High Frequency Screen



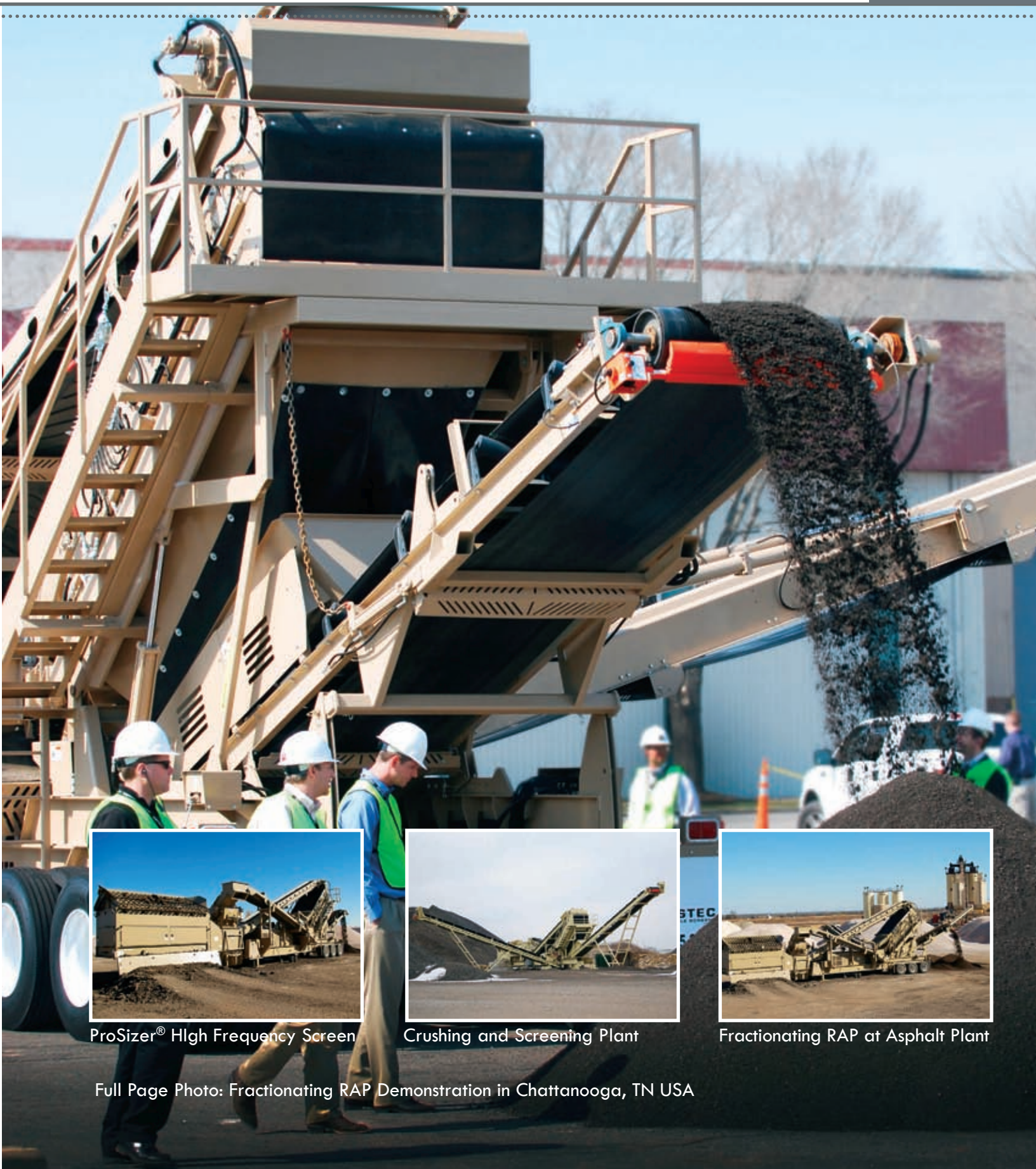
Track Mounted Fold'nGo® Screening Plant



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ProSizer® High Frequency Screen



Crushing and Screening Plant



Fractionating RAP at Asphalt Plant

Full Page Photo: Fractionating RAP Demonstration in Chattanooga, TN USA



Astec, Inc.
Heatec, Inc.
CEI Enterprises, Inc.

Asphalt Group

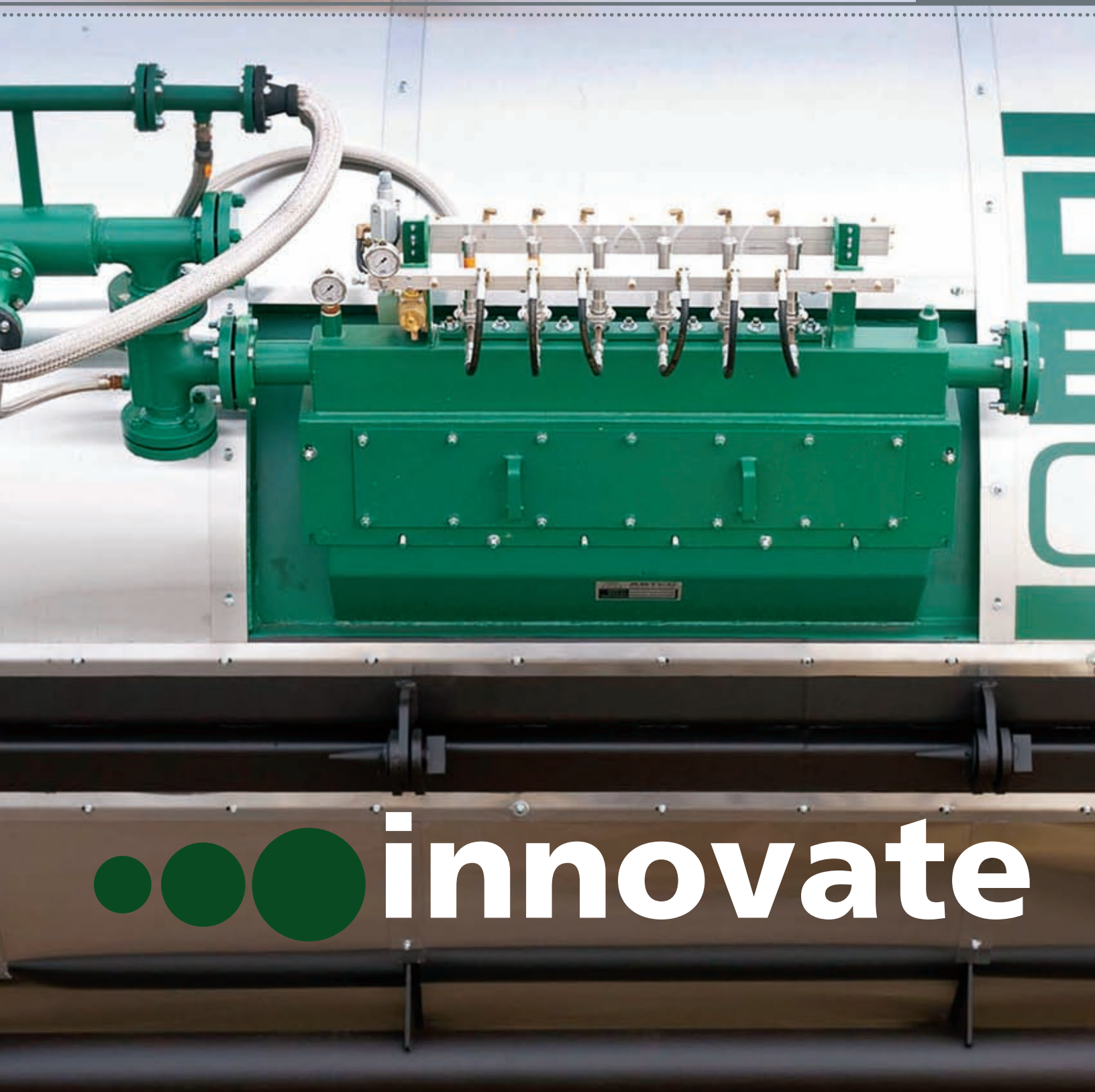
The Asphalt Group (Astec, Heatec and CEI) has earned a reputation for high quality products and customer service. These three companies form a cohesive unit that designs and manufactures a complete line of portable, relocatable and stationary asphalt mixing facilities and related components as well as 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.





Astec Industries, Inc.
Asphalt Group

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ASTEC
CHATTANOOGA, TENNESSEE U.S.A.



CORE products:

Portable Asphalt Plants
Relocatable Asphalt Plants
Stationary Asphalt Plants
Soil Remediation Equipment
Concrete Plants
Control Systems

Astec, Inc.



Asphalt Group

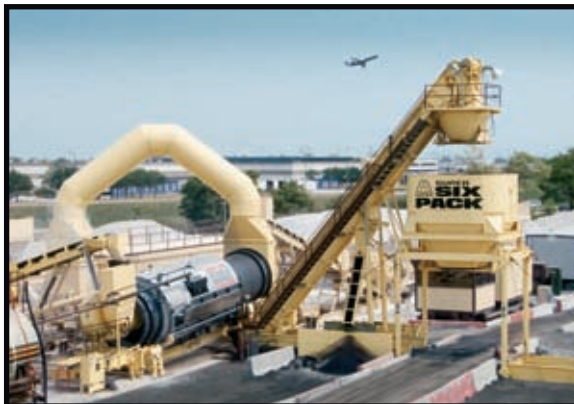
Astec, Inc. continues to be a world leader in Hot and Warm Mix Asphalt (HMA/WMA) equipment technology, support and training. In a challenging, yet successful 2010, Astec invested in Research and Development and in working with customers to improve equipment. As a result Astec has developed a new controls system to help operators better meet jobsite project demands. Astec also continued development of its concrete plant and in 2010 confirmed a goal to reduce cement content in concrete by 18 percent. Since cement is the highest cost element for contractors producing concrete, this cost savings will be significant.

In 2010, the Dillman division of Astec, Inc. launched a new logo and an updated website to reflect the fully integrated Astec and Dillman product assortments, with both brands being sold by a single sales team.

Astec continued to expand and develop a global customer base and added international dealers in key global locations. Astec also exhibited, along with other Astec Industries companies, at the Bauma International Trade Fair held March 2010 in Munich Germany. In November of 2010, Astec was part of the Asphaltica tradeshow in Padua, Italy and the Bauma China Trade Fair held in Shanghai.

During the continuing economic slowdown in the construction industry, Astec has been fortunate to have increased market share through an increased focus on sales efforts and thanks in part to a solid reputation for parts and service. Astec is optimistic about future prospects and plans to continue to position itself to take full advantage of opportunities both domestically and abroad.

Chattanooga, Tennessee USA



Six Pack® Portable Asphalt Plant



Dillman Stationary Asphalt Plant



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Asphalt Group

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Double Barrel® Dryer/Mixer



TCII® Plant Control System



Portable Wet Concrete Plant

Full Page Photo: Relocatable Asphalt Plant with Heatec Tank Farm



CORE products:

Hot Oil Heaters
Asphalt Tanks
Polymer Blending Systems
Thermal Fluid Heaters
Water Heaters
Heated Water Tanks

Heatec, Inc.



Asphalt Group

In 2010 Heatec had a record year in sales. Sales of heaters to industrial markets unrelated to asphalt have more than doubled since 2007, now approaching our asphalt market sales.

Heatec industrial heaters are used in the oil and gas industry. They are usually very large heaters that dwarf heaters used at HMA plants. For example, in 2010 Heatec built five thermal fluid heaters, each with an output of 36.3 million Btu/hour and a weight of 75,000 pounds. Another one is scheduled for 2011. Two large convection heaters were also built to process crude at oil wells in Angola. Each has an output of 38 million Btu/hour and a weight of 230,000 pounds.

At the request of a preferred customer, Heatec also designed and produced a small heater known as a reboiler for use in systems that process natural gas. We did not previously build this type of heater. This newly engineered product is now offered to others in the market.

Of special note is a valve profiling system developed by Heatec. It is an automated computer controlled system used as part of the burner controls on large industrial heaters. This system is more reliable and provides more functions than others in the market.

Our sales of products for asphalt terminals are strong and continue to grow. We completed a major terminal project for a valued customer and Heatec has secured large orders for additional terminals.

Heatec originally developed the Firestorm water heater for the concrete industry. In 2010, a new low profile version for use in the oil and gas industry was created. The new model provides heated water for fracturing oil bores and the low profile makes it easy to fit into a portable system.

Chattanooga, Tennessee USA



Industrial Heaters



Liquid Asphalt Storage Terminal



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Convectec™ Heaters



Thermal Fluid Heater



Low Profile FireStorm® Heater

Full Page Photo: Liquid Asphalt Storage Tanks



CORE products:

- Portable Asphalt Plants
- Asphalt Rubber Blending Systems
- Hot Oil Heaters
- Asphalt Storage Tanks
- Heavy Fuel Preheaters
- Emission-Control Equipment
- Liquid Additive Systems

CEI Enterprises, Inc.



Asphalt Group

For over 40 years, CEI Enterprises has proven itself as a leader in the asphalt industry via its manufacturing of superior production equipment. CEI produces industry-leading asphalt-rubber blending systems, emulsion and polymer blending systems, asphalt plants, and hot oil systems for the heating and storage of liquid asphalt.

Currently, CEI's main products include Nomad™ and RAP King™ asphalt plants, continuous-process asphalt-rubber blending systems, jacketed firebox hot oil heaters, heated asphalt tanks, fuel storage tanks, pre-heaters, additive systems, and emission-control equipment.

With developing countries focusing a great deal on the design and implementation of their infrastructure CEI is gearing up its international efforts for these regions to promote the highly portable Nomad™ asphalt plants.

In 2010 CEI developed its first ever fully automated emulsion blending plant capable of producing anionic and cationic emulsions at a production rate of up to 80 tons per hour. This enables the contractors to keep up with the ever changing modified asphalt markets and keeps them on the cutting edge of technology. We feel that the modified asphalt market will continue to grow making this a long term viable product for CEI.

CEI has continued an increase in heater sales within those markets outside of the hot mix asphalt industry. These markets include: industrial processing and bulk liquid storage facilities that require considerably larger heaters than asphalt plants.

In 2010, CEI saw an increase in domestic sales from the previous year. These sales were largely comprised of heaters, asphalt tanks, and rubber blending plant rebuilds as well as "new" asphalt plant installations in the western states. Domestic sales were also fueled by increased activity in the asphalt-rubber market and bulk liquid storage terminals. International sales included exports to Algeria, Mexico and Ecuador.

Albuquerque, New Mexico



Portable Nomad Asphalt Plant



Portable Heater



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Fuel Pre-Heater



Jacketed Firebox Hot Oil Heater



Hot Oil Heaters

Full Page Photo: CEI Tank Farm



Roadtec, Inc.
Carlson Paving Products, Inc.

Mobile Asphalt Paving Group

The Astec Mobile Asphalt Paving Group 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 and private 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.





Astec Industries, Inc.
Mobile Asphalt Paving Group

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CORE products:

Milling Machines
Commercial and Highway Class Asphalt Pavers
Material Transfer Vehicles
Soil Stabilizers/Reclaimers
Cold In Place Asphalt Recyclers
Self-Propelled Brooms

Roadtec, Inc.



Mobile Asphalt Paving Group

Roadtec builds mobile asphalt roadbuilding equipment and is pleased to have finished 2010 exceeding our performance goals.

We see these positive results as sign that the market is recognizing Roadtec products as among the best values in the industry, and that our focus on customer service and after-market support has been paying off. To that end, a new state-of-the-art customer training center at Roadtec's Manufacturers Road facility in Chattanooga was completed in December of 2010 and is now fully functional and in operation for all 2011 customer training classes.

Roadtec highway-class asphalt pavers, cold planers, Shuttle Buggy® material transfer vehicles, SX-7 stabilizers/reclaimers, and RT-500 cold recyclers will be joined in 2011 by a new model of stabilizer/reclaimer, the SX-5. This product represents a midsize machine with a completely new design and numerous innovative features. Design for another brand new product has recently been completed. The heavy duty, front-mounted broom FB-85 is going to market at this writing and will be followed later this year with a mid-mount configuration that will share many features with the front-mount FB 85. This machine is used to clean the road surface after milling and before paving. In addition, Roadtec will bring to market in 2011 two models of utility cold planers in the one meter (40") and half meter (20"-24") class for clean up and utility work alongside our larger half-lane and above machines. The entire Roadtec product line will also be ready for compliance with new environmental standards for off-road mobile equipment.

We are optimistic that we will meet our 2011 performance goals, as we forge ahead with marketing our well-respected products worldwide.

Chattanooga, Tennessee USA



RP-190 Highway Class Asphalt Paver



FB-85 Front-Mounted Broom



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Shuttle Buggy Material Transfer Vehicle



RT-500 Cold Recycler



SX-7 Soil Stabilizer

Full Page Photo: RX-400 Milling Machine



CORE products:

Asphalt Paving Screeds
Commercial Class Asphalt Pavers
Windrow Pick-Up Machines

Carlson Paving Products, Inc.



Mobile Asphalt Paving Group

Carlson Paving Products, a premier manufacturer of asphalt paving equipment, began building asphalt screeds over twenty years ago. Located in the Pacific Northwest and acquired by Astec Industries, Inc. in 2000, Carlson continues to develop and improve their core products of the popular line of screeds, as well as develop new and innovative products for the paving industry.

Carlson's product line includes a windrow pick up machine, as well as its current screed designs that include two types of screed packages for highway class pavers and their newest addition of the CP-90, a commercial class paver. With a strong design and solid performance, the CP90 is the small paver that produces BIG results.

User friendly and functionally superior to any other equipment on the market, Carlson's products are designed with the owner, operator and mechanic in mind.

2010 was a record breaking year for Carlson Paving in sales and service. Carlson's solid advantage in the market place continued to be their reliable product offering, as well as their reputation as a company that delivers excellent customer service, extremely quick response times and superior technical support.

Tacoma, Washington USA



EZIV Asphalt Paving Screed



CP-90 Commercial Class Asphalt Paver



Astec Industries, Inc.

Mobile Asphalt Paving Group

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Paving Screed



Windrow Pick-Up Machine



Paving Screed

Full Page Photo: EZIV Paving Screed



**Astec Underground, Inc.
American Augers, Inc.**

Underground Group

The Underground Group of Astec Industries, offers customers the broadest range of breakthrough solutions in the underground construction industry. The companies' product mix includes utility trenchers, horizontal directional drills (HDDs), vertical oil and gas rigs, drilling fluid systems, horizontal auger boring machines, geothermal drills, 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.





Astec Industries, Inc.
Underground Group

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grow



● ● ● **grow**



CORE products:

Trenchers
Horizontal Directional Drills
Geothermal Drills

Astec Underground, Inc.



Underground Group

Loudon, Tennessee USA

Astec Underground provides equipment to meet the underground construction needs of customers involved in construction, the pipeline industry, and the installation of infrastructure. It offers Trencher high performance rock trenchers and Road Miners™ and Astec utility trenchers, horizontal directional drills, and geothermal drills. These products are manufactured at the company's 360,000-square-foot facility in Loudon, Tenn.

For more than 60 years, powerful Trencher rock trenching equipment has been the choice for contractors working in demanding digging conditions. The tough, ruggedly built machinery can be found working on pipeline and construction sites throughout the world.

The Astec line of utility trenchers boasts the same innovative design and technology touches that make the Trencher machines so popular. These sturdy workhorses are designed to be safe, reliable and easy to use and maintain, while achieving high production even in difficult working conditions.

Astec compact horizontal directional drills (HDD) are sized for working in tight conditions, but boast plenty of power and torque to keep production high. They utilize the same dependable, rack and pinion design perfected by their larger maxi drill cousins manufactured by American Augers.

Astec EarthPro Geothermal Drills bring Astec Underground's expertise in HDD to the world of geothermal and water well drilling. Their superior field mobility, power, and state-of-the-art technology make them ideally suited to high-production drilling applications.

Astec trenchers and HDDs are sold and supported through a worldwide network of 62 dealers that operate more than 155 locations. Astec EarthPro Geothermal Drills and Trencher machines are sold direct from the factory and through a network of agents and dealers worldwide.



DD4045 Directional Drill



EarthPro Geothermal Drill



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Underground Group

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RT800 Ride On Trencher



RT1000 Ride On Trencher



Trenchor 1360 Trencher

Full Page Photo: T1760 Trencher in Spain



CORE products:

Oil and Gas Drilling Rigs
Horizontal Directional Drills
Auger Boring Machines
Mud Pumps
Mud Cleaning Systems
Product Tooling and Accessories

American Augers, Inc.



Underground Group

American Augers products are manufactured at the company's 241,000 square-foot facility in West Salem, Ohio. Since the founding of American Augers in 1970, there has never been a change in the company's core value: having products developed by a can-do work force that focuses on mechanical, technological and customer-based design improvements.

American Augers was the first HDD manufacturer to eliminate chain and utilize a rack and pinion carriage design which is now the industry standard. The rack and pinion drive provides smoother carriage movement, more precise operating control, long system life and no complicated parts.

In 2010 American Augers re-introduced the DD-10. This Mid-size rig features 100,000 lbs. of thrust/pullback – highest rotary torque in its class, and options like a Quick Disconnect Anchor Plate and a 15 ft. Pipe Loader.

The first Rapid Setup machine was introduced in December 2010; Directional Drill 1100 Rapid Setup (DD-1100RS) with optional rod-loader. Rapid Setup of Maxi-Rigs is rather new to the directional drill market and engineered to solve the issue of positioning large equipment quickly and easily. The Rapid Setup procedure consists of very few steps: (1) positioning the front and rear foot (2) positioning the rig at the jobsite (3) lowering the arms to the rear foot, (4) moving the dolly (5) disconnecting the tractor (6) raising the rig, and finally (7) inserting pins at 2 different angles to complete the Rapid Setup. All of this without the use of an excavator or crane.



MPR 6000 Mud Pump and Cleaning System



DD1100RS Rapid Setup Directional Drill



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DD10 Vertical Directional Drill



60-1200 NG Auger Boring Machine



DD-1100 Maxi-Rig Directional Drill

Full Page Photo: VR-330 Vertical Drilling Rig

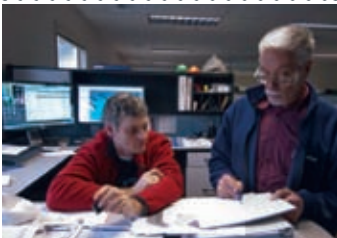
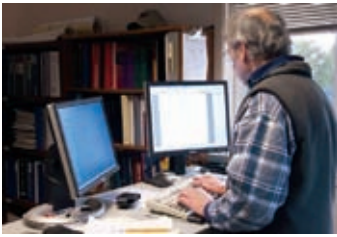
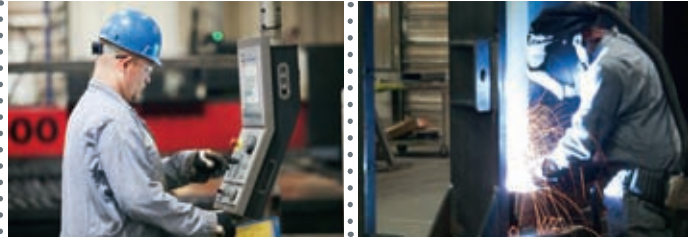


Peterson Pacific, Corp. Astec Australia Pty Ltd

Peterson Pacific specializes in developing heavy-duty grinders, pulpwood tree processors and blower trucks that turn low-grade organic matter into high value products. Peterson equipment provides solutions for a variety of industries such as construction, paper, wood-based energy generation and landscaping.

Astec Australia predominantly sells Roadtec paving equipment, Astec asphalt plants, and aggregate processing equipment differentiating itself in the market place by providing extremely well-integrated turnkey supply and construction projects and superior after-sales service. Astec Australia continues to diversify into the other products of Astec Industries family of companies.

Other Group





Astec Industries, Inc.
Other Group

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CORE products:

Whole Tree Chippers
Whole Tree Debarkers
Horizontal Grinders
Blower Trucks and Trailers
Screening Equipment

Peterson Pacific Corp.



Other Group

Celebrating their 30th year of business, Peterson Pacific Corp. is a Eugene, Oregon based manufacturer of grinders, chippers, debarkers, screens, and blower trucks that serve a wide variety of markets. The company has 110,000 square feet of modern manufacturing space with a capable and innovative engineering group. Peterson machines are sold and supported through a worldwide network of distributors and direct sales and service representatives. 2010 was a year of significant growth with the Peterson dealer network in North America, with 20 dealers now representing their products.

Peterson horizontal grinders reduce wood, low value logs and other organic materials. The reduced material is used in the compost, mulch and biomass energy markets. Peterson grinders can also reduce certain construction and demolition materials such as asphalt shingles that can then be recycled and used in hot mix asphalt paving. Peterson drum and disc chippers and debarkers are used to produce wood chips for pulp and paper production as well as biomass energy markets. Peterson blower trucks and trailers are used to broadcast compost and mulch for landscaping and erosion control. Peterson deck screens are used for classifying materials to maximize the value of each product. Many Peterson machines are available in either electric or diesel power depending on the application. For increased mobility at a job site, both tracked and wheeled versions of many of their products are available.

2010 showed steady growth in the biomass markets and Peterson introduced their new 4300, and 4310 drum chippers for high volume biomass production. For biomass jobs that also demand the ability to produce clean chips, Peterson also introduced the 5900EL Disc Chipper. Peterson continues to innovate new ways to produce biomass, with new ideas such as the 12-pocket drum to produce micro-chips for pelletizing, and a flexible chip spout to assist with chipping operations that have limited work areas to load machines. For 30-years, Peterson has specialized in producing machines that turn low-grade organic materials into high value products.

Eugene, Oregon USA



2710C Track Mounted Horizontal Grinder



4700B Horizontal Grinder



Astec Industries, Inc.
Other Group

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4300 Drum Chipper



6700B Horizontal Grinder



4700B Asphalt Shingle Shredder

Full Page Photo: Track Mounted Horizontal Grinder



CORE products:

Representing:
Astec, Inc. and Dillman
Heatec, Inc.
CEI Enterprises, Inc.
Roadtec, Inc.
Carlson Paving Products, Inc.
Breaker Technology
TelSmith, Inc.
Astec Underground, Inc. and Tencor Products
Osborn Engineered Products, Inc.
KPI-JCI and Astec Mobile Screens

Astec Australia Pty Ltd



Other Group

Sumner Park, Queensland, Australia

Astec Australia has completed its second year providing Australia and New Zealand sales and service of the construction equipment manufactured by Astec Industries. The commitment to providing the equipment, along with the service and parts support, is the model for this company's success. The company continues to stock equipment and parts to provide rapid response to customer needs.

In 2010, the company formulated plans for the expansion of their facilities and will move in 2011 to a larger office, warehouse, and rebuild center. This expansion is necessary to meet the needs of the expanding markets in both the construction and mining industries.

Astec Australia exclusively represents the product offering of the following Astec Industries companies: Astec, Roadtec, Dillman Equipment, Carlson Paving Products, Heatec, CEI Enterprises, TelSmith, Astec Underground, Kolberg-Pioneer (KPI-JCI), Johnson Crushers International (KPI-JCI), Breaker Technology, Astec Mobile Screens, and Osborn Engineered Products.

The sales of the Roadtec products led the way, with significant sales of asphalt plants, hydraulic breakers, screening plants, track mounted jaw crushers, and cone crushers also contributing to the products sold into the Australian and New Zealand markets.

Astec Australia's entry into the Australian aggregate market has been well accepted with multiple sales for KPI-JCI and Breaker Technology. Sales growth was achieved in 2010 by increased customer contact and increased market awareness of the Astec brand. The integrated sales, technical and service support between Astec Australia and the KPI-JCI, Breaker Technology, Astec Mobile Screens and TelSmith companies has created a momentum which will lead to more aggregate plant and mining equipment business.



Astec Relocatable Asphalt Plant



Roadtec Asphalt Paver



Astec Industries, Inc.
Other Group

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Astec Mobile Screens' ProSizer®



Roadtec Shuttle Buggy® MTV



TelSmith Cone Crusher

Full Page Photo: Roadtec Asphalt Paver in Australia

A sneak peak of a few of Astec Industries' innovative products to come.



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www.astecindustries.com

FINANCIAL INFORMATION

SELECTED CONSOLIDATED FINANCIAL DATA

(in thousands, except as noted*)

	2010	2009	2008	2007	2006
Consolidated Statement of Operations Data					
Net sales	\$771,335	\$738,094	\$973,700	\$869,025	\$710,607
Gross profit	179,047	152,427	233,311	209,176	168,119
Gross profit %	23.2%	20.7%	24.0%	24.1%	23.7%
Selling, general and administrative expenses	114,141	107,455	122,621	107,600	94,383
Intangible asset impairment charge ¹	--	17,036	--	--	--
Research and development	17,482	18,029	18,921	15,449	13,561
Income from operations	47,424	9,907	91,769	86,127	60,176
Interest expense	352	537	851	853	1,672
Other income (expense), net ²	675	1,137	6,255	399	334
Net Income attributable to controlling interest	32,430	3,068	63,128	56,797	39,588
Earnings per common share*					
Net Income attributable to controlling interest					
Basic	1.44	0.14	2.83	2.59	1.85
Diluted	1.42	0.14	2.80	2.53	1.81
Consolidated Balance Sheet Data					
Working capital	\$317,395	\$278,058	\$251,263	\$204,839	\$178,148
Total assets	649,639	590,901	612,812	542,570	421,863
Total short-term debt	--	--	3,427	--	--
Long-term debt, less current maturities	--	--	--	--	--
Total equity	492,806	452,260	440,033	377,473	296,865
Book value per diluted common share at year-end*	21.56	19.89	19.45	16.78	13.51

¹ 2009 includes impairment charges, primarily goodwill, of \$17,036,000, or \$15,022,000 after tax.

² During 2008, the Company sold certain equity securities for a pre-tax gain of \$6,195,000.

SUPPLEMENTARY FINANCIAL DATA

(in thousands, except as noted*)

Quarterly Financial Highlights (Unaudited)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2010	Net sales	\$193,454	\$209,249	\$177,853	\$190,779
	Gross profit	46,141	46,678	41,940	44,288
	Net income	8,832	10,330	7,396	6,015
	Net income attributable to controlling interest	8,794	10,308	7,362	5,967
	Earnings per common share*				
	Net income attributable to controlling interest:				
	Basic	0.39	0.46	0.33	0.26
	Diluted	0.39	0.45	0.32	0.26
2009	Net sales	\$205,304	\$188,843	\$166,084	\$177,863
	Gross profit	43,710	42,908	34,645	31,164
	Net income (loss) ¹	7,396	7,776	3,368	(15,434)
	Net income (loss) attributable to controlling interest ¹	7,431	7,749	3,344	(15,456)
	Earnings per common share*				
	Net income (loss) attributable to controlling interest: ¹				
	Basic	0.33	0.35	0.15	(0.69)
	Diluted	0.33	0.34	0.15	(0.69)
Common Stock Price*					
2010 High		\$32.09	\$36.94	\$32.35	\$33.60
2010 Low		22.98	27.05	25.28	27.31
2009 High		\$33.68	\$33.68	\$30.33	\$28.02
2009 Low		18.52	23.62	22.85	22.76

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 and does not intend to pay dividends on its common stock in the foreseeable future. As determined by the proxy search on the record date, the number of common shareholders is approximately 8,600.

¹ The fourth quarter of 2009 includes impairment charges, primarily goodwill of \$17,036,000, or \$15,022,000 after tax.

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 63.

Overview

Astec Industries, Inc., ("the Company") is a leading manufacturer and marketer of equipment for road building, aggregate processing, directional drilling, trenching and wood processing. The Company's businesses:

- design, engineer, manufacture and market equipment that is used in each phase of road building, including quarrying and crushing the aggregate to producing asphalt or concrete, recycling old asphalt or concrete and applying the asphalt;
- design, engineer, manufacture and market additional equipment and components including trenching, auger boring, directional drilling, geothermal drilling, oil and natural gas 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 including energy production and concrete mixing plants. 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, geothermal drills and auger boring machines for the underground construction market, as well as vertical drills for gas and oil field development. 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 Australia Pty Ltd ("Astec Australia"), Astec Insurance Company ("Astec Insurance" or "the captive") and Astec Industries, Inc., the parent company. Peterson designs, manufactures and markets whole-tree pulpwood chippers, horizontal grinders and blower trucks. Astec Australia markets and installs equipment, services and provides parts for many of the products produced by the Company's manufacturing companies. Astec Insurance is a captive insurance 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, which affects the cost of fuel 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 authorized 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 federal highway funding such as SAFETEA-LU influences the purchasing decisions of the Company's customers who are more comfortable making purchasing decisions with such legislation in place. Federal funding provides for approximately 25% of all highway, street, roadway and parking construction put in place in the United States.

SAFETEA-LU funding expired on September 30, 2009 and federal transportation funding operated on short-term appropriations through March 17, 2010. On March 18, 2010, President Obama signed into law the Hiring Incentives to Restore Employment (HIRE) Act. This law extended authorization of the surface transportation programs previously funded under SAFETEA-LU through December 31, 2010 at 2009 levels. In addition, the HIRE Act authorized a one-time transfer of \$19.5 billion from the general fund to the highway trust fund related to previously foregone interest payments. It also shifted the cost of fuel tax exemptions for state and local governments from the highway trust fund to the general fund, which is estimated to generate an anticipated \$1.5 billion annually, and allows the highway trust fund to retain interest earned on future unexpended

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

balances. Although the HIRE Act helped stabilize the federal highway program, the Company believes a new multi-year highway program would have the greatest positive impact on the road construction industry and allow its customers to plan and execute longer-term projects. The current continuing resolution funding federal transportation expenditures expires on March 4, 2011 and Congress is working on a number of proposals to continue funding at various levels. With the current political environment in Washington, the level of continuing funding of federal highway projects is uncertain. Although continued funding is expected, it may be at lower levels than in the past and new Congressional long-term funding acts may not be enacted in the near future.

Several other countries have implemented infrastructure spending programs to stimulate their economies. The Company believes these spending programs have had a positive impact on its financial performance; however, the magnitude of that impact cannot be determined.

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 greater than amounts approved to date, and funding mechanisms such as the federal usage fee per gallon of gasoline, which has not been increased in 17 years, would likely 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, and the current downturn that began in late 2008, generally result in decreased purchasing by the Company's customers, which, in turn, causes reductions in sales and increased pricing pressure on the Company's products. Rising interest rates also typically negatively impact customers' attitudes toward purchasing equipment. The Federal Reserve has maintained historically low interest rates in response to the current economic downturn, and the Company expects only slight changes, if any, in interest rates in the near term; however, management believes that upward pressure is building on long-term interest rates.

Significant portions of the Company's revenues relate to the sale of equipment involved in the production, handling and installation of asphalt mix. Liquid asphalt is a by-product of oil production. An increase in the price of oil increases the cost of asphalt, which is likely to decrease demand for asphalt and therefore decrease demand for certain Company products. While increasing oil prices may have a negative financial impact on many of the Company's customers, the Company's equipment can use a significant amount of recycled asphalt pavement, thereby mitigating the final 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 2009 and 2010. The Company expects oil prices to continue to fluctuate in 2011. Minor fluctuations in oil prices like those experienced in 2009 and 2010 should not have a significant impact on customers' buying decisions. However, political uncertainty in oil producing countries, interruptions in oil production due to disasters, whether natural or man-made, or other economic factors could significantly impact oil prices which could negatively impact demand for the Company's products.

Contrary to the negative impact of higher oil prices on many of the Company's products as discussed above, sales of several of the Company's products, including products manufactured by the Underground Group, which are used to drill for oil and natural gas and install oil and natural gas pipelines, would benefit from higher oil and natural gas prices, to the extent that such higher prices lead to further development of oil and natural gas production. The Company believes additional domestic oil and natural gas production development is necessary and would positively impact the domestic economy.

Steel is a major component in the Company's equipment. Steel pricing declined sharply in the fourth quarter of 2008 and into 2009. Favorable pricing continued through 2009 causing steel mills to reduce production to match reduced demand. Steel customers worked through their excess inventories of steel during 2009 and began buying steel again in 2010, albeit at reduced levels causing steel prices to remain relatively stable. Near the end of 2010, steel prices began a rapid series of raw material based increases that will likely continue through the first quarter of 2011. Although a portion of this increase in prices in the first quarter of 2011 will be mitigated due to advanced steel purchases and supply contracts at negotiated prices, the Company may still experience rising steel prices during 2011. Although the Company normally institutes price increases in

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

response to rising steel and component prices, the Company may not be able to raise the prices of its products enough to cover increased costs, resulting in the Company's financial results being negatively affected. The Company will continue to closely monitor steel pricing and 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 dealers that produce and sell similar products. During the first half of 2009 the dollar was stronger relative to currencies in many of the Company's foreign markets, negatively impacting the Company's international sales. During the latter half of 2009 and during 2010, a weakening dollar, combined with improving economic conditions in certain foreign economies, had a positive impact on the Company's international sales. The Company expects the dollar to remain weak in the near-term relative to most foreign currencies; however, increasing domestic interest rates or weakening economic conditions abroad could cause the dollar to strengthen, possibly negatively impacting 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 2010, approximately 75% to 80% of equipment sold by the Company was sold directly to the end user. The Company expects this ratio to remain relatively consistent through 2011.

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 profit-sharing incentives in the aggregate up to 10% of each 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 profit-sharing incentives for subsidiary presidents are normally paid from a separate corporate pool.

Results of Operations: 2010 vs. 2009

Net Sales

Net sales increased \$33,241,000 or 4.5%, from \$738,094,000 in 2009 to \$771,335,000 in 2010. Sales are generated primarily from new equipment purchases made by customers for use in construction for privately funded infrastructure and public sector spending on infrastructure. The overall increase in sales for 2010 compared to 2009 reflects the strengthening economic conditions, primarily in foreign economies.

Domestic sales for 2010 were \$476,928,000 or 61.8% of consolidated net sales compared to \$465,473,000 or 63.1% of consolidated net sales for 2009, an increase of \$11,455,000 or 2.5%.

International sales for 2010 were \$294,407,000 or 38.2% of consolidated net sales compared to \$272,621,000 or 36.9% of consolidated net sales for 2009, an increase of \$21,786,000 or 8.0%. The overall increase in international sales for 2010 compared to 2009 is due to strong economic conditions in the international markets the company serves as well as weakness in the U.S. dollar during 2010. In addition, the Company has added additional sales personnel in an effort to further expand international sales.

Parts sales as a percentage of consolidated net sales increased 160 basis points to 26.0% in 2010 from 24.4% in 2009. In dollar terms, parts sales increased 11.2% to \$200,451,000 in 2010 from \$180,332,000 in 2009.

Gross Profit

Consolidated gross profit as a percentage of sales increased 250 basis points to 23.2% in 2010 from 20.7% in 2009. The primary reason for the overall increase in gross margin as a percent of sales is increased plant utilization due to higher production volumes resulting from sales into strengthening foreign economies combined with a focused effort to reduce production costs through lean manufacturing initiatives and more efficient production methods. In addition, parts sales, which typically yield a higher gross margin, increased year over year, as described above.

Selling, General and Administrative Expense

Selling, general and administrative expenses for 2010 were \$114,141,000, or 14.8% of net sales, compared to \$107,455,000, or 14.6% of net sales, for 2009, an increase of \$6,686,000, or 6.2%. The increase was primarily due to an increase in payroll and related expenses of \$3,218,000, an increase in travel expenses of \$1,561,000, an increase in sales commissions of \$1,524,000, an increase in expense related to the Company's formula-

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

driven stock incentive program of \$1,002,000, and an increase in Supplemental Executive Retirement Plan expense of \$854,000. These increases were offset by decreases in health insurance expense of \$1,236,000 and bad debt expense of \$1,034,000.

Research and Development

Research and Development expenses decreased \$547,000 or 3.0% to \$17,482,000 in 2010 from \$18,029,000 in 2009. During 2009 the Company invested heavily in research and development projects. The Company has reduced research and development expenditures only slightly in 2010.

Intangible Asset Impairment Charges

During the fourth quarter of 2009, the Company recorded non-cash intangible asset impairment charges of \$17,036,000. These charges consisted of an impairment charge to goodwill of \$16,716,000 and an impairment charge to other intangible assets of \$320,000.

Interest Expense

Interest expense in 2010 decreased \$185,000, or 34.5%, to \$352,000 from \$537,000 in 2009. The decrease in interest expense in 2010 compared to 2009 related primarily to interest on state tax settlements incurred in 2009.

Interest Income

Interest income increased \$222,000 or 30.2% to \$956,000 in 2010 from \$734,000 in 2009. The primary reason for the increase in interest income is an increase in amounts invested in 2010 compared to 2009.

Other Income (Expense), Net

Other income (expense), net was \$675,000 in 2010 compared to \$1,137,000 in 2009, a decrease of \$462,000 or 40.6%. The primary reason for the decrease in other income is a decrease in investment income at Astec Insurance Company from 2009 to 2010.

Income Tax

Income tax expense for 2010 was \$16,131,000, compared to income tax expense of \$8,135,000 for 2009. The effective tax rates for 2010 and 2009 were 33.1% and 72.4%, respectively. The primary reasons for the significant decrease in the effective tax rate from 2009 to 2010 is the intangible asset impairment charges in 2009 that were not fully deductible for income tax purposes combined with increased research and development tax credits and the qualified production activity deductions in 2010 compared to 2009.

Net Income Attributable To Controlling Interest

The Company had net income attributable to controlling interest of \$32,430,000 in 2010 compared to \$3,068,000 in 2009, an increase of \$29,362,000, or 957.0%. Earnings per diluted share were \$1.42 in 2010 compared to \$0.14 in 2009, an increase of \$1.28 or 914.3%. Weighted average diluted shares outstanding for the years ended December 31, 2010 and 2009 were 22,829,799 and 22,715,780, respectively. The increase in shares outstanding is primarily due to the exercise of stock options by employees of the Company.

Backlog

The backlog of orders at December 31, 2010 was \$216,627,000 compared to \$135,090,000 at December 31, 2009, an increase of \$81,537,000, or 60.4%. The increase in the backlog of orders was due to an increase in domestic backlog of \$34,144,000 or 46.9% and an increase in international backlog of \$47,393,000 or 76.1%. The increase in backlog occurred in each of the Company's segments except for the Other Group which experienced a decrease in backlog of \$274,000 or 4.4%. The Company is unable to determine whether the increase in backlogs was experienced by the industry as a whole; however, the Company believes the increased backlog reflects the current economic conditions the industry is experiencing.

Net Sales by Segment (in thousands)

	2010	2009	\$ Change	% Change
Asphalt Group	\$ 226,419	\$ 258,527	\$ (32,108)	(12.4%)
Aggregate and Mining Group	256,400	218,332	38,068	17.4%
Mobile Asphalt Paving Group	166,436	136,836	29,600	21.6%
Underground Group	60,105	67,353	(7,248)	(10.8%)
Other Group	61,975	57,046	4,929	8.6%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Asphalt Group: Sales in this group decreased to \$226,419,000 in 2010 compared to \$258,527,000 in 2009, a decrease of \$32,108,000 or 12.4%. Domestic sales for the Asphalt Group decreased 12.6% in 2010 compared to 2009. The Company believes this segment was the beneficiary of federal stimulus spending under the American Recovery and Reinvestment Act of 2009 ("ARRA"), which provided \$27.5 billion of additional funding for transportation construction projects. Domestic sales in 2010 were negatively impacted by the lack of a long-term highway bill. International sales for the Asphalt Group decreased 11.9% in 2010 compared to 2009. This decrease was primarily in Canada, Europe, Asia and South America. Parts sales for the Asphalt Group increased 5.7% in 2010.

Aggregate and Mining Group: Sales in this group were \$256,400,000 in 2010 compared to \$218,332,000 in 2009, an increase of \$38,068,000 or 17.4%. Domestic sales for the Aggregate and Mining Group increased 13.7% in 2010 compared to 2009. Domestic sales increased due to a slight recovery during 2010 over an extremely weak 2009. This group also introduced several new products in the domestic market during 2010. International sales for the Aggregate and Mining Group increased 17.4% in 2010 compared to 2009. This increase was due to strong international mining growth as well as strengthening international construction markets. The increase in international sales occurred primarily in South America, Canada and Africa. Parts sales for the Aggregate and Mining Group increased 22.4% in 2010 compared to 2009.

Mobile Asphalt Paving Group: Sales in this group were \$166,436,000 in 2010 compared to \$136,836,000 in 2009, an increase of \$29,600,000 or 21.6%. Domestic sales for the Mobile Asphalt Paving Group increased 16.5% in 2010 over 2009. The Company believes this segment was also the beneficiary of federal stimulus spending under the ARRA of 2009. International sales for the Mobile Asphalt Paving Group increased 48.8% in 2010 compared to 2009. International sales for this group increased due to increased efforts to market products internationally as well as a weak dollar. The increase internationally occurred primarily in Canada, Central America and Europe. Parts sales for this group increased 9.5% in 2010.

Underground Group: Sales in this group were \$60,105,000 in 2010 compared to \$67,353,000 in 2009, a decrease of \$7,248,000 or 10.8%. Domestic sales for the Underground Group decreased 7.4% in 2010 compared to 2009. The primary reason for this decline is the weak domestic residential and commercial construction markets. International sales for the Underground Group decreased 13.64% in 2010 compared to 2009. The decrease in international sales occurred in Canada, Africa, and the Middle East. Parts sales for the Underground Group decreased 3.3% in 2010.

Other Group: Sales for the Other Group were \$61,975,000 in 2010 compared to \$57,046,000 in 2009, an increase of \$4,929,000 or 8.6%. Domestic sales for the Other Group, which are generated by Peterson Pacific Corp., increased 20.3% in 2010 compared to 2009. This increase is due to a slight improvement in 2010 compared to a very weak domestic construction market in 2009. International sales for the Other Group remained flat in 2010 over 2009. Parts sales for the Other Group increased 5.4% in 2010.

Segment Profit (Loss) (in thousands)

	2010	2009	\$ Change	% Change
Asphalt Group	\$ 28,672	\$ 33,455	\$ (4,783)	(14.3%)
Aggregate and Mining Group	16,578	(172)	16,750	9,738.4%
Mobile Asphalt Paving Group	23,234	13,374	9,860	73.7%
Underground Group	(8,092)	(14,560)	6,468	44.4%
Other Group	(27,138)	(29,614)	2,476	8.4%

Asphalt Group: Profit for this group was \$28,672,000 for 2010 compared to \$33,455,000 for 2009, a decrease of \$4,783,000 or 14.3%. The primary reason for the decline in profit is a \$7,327,000 reduction in gross profit for this group which was driven almost exclusively by the reduction of \$32,108,000 in group sales from 2009 to 2010. Offsetting the negative impact of reduced sales on gross profit was a decrease in unabsorbed overhead of \$2,078,000 during 2010 compared to 2009 due to increased efficiency in plant utilization.

Aggregate and Mining Group: Profit for this group was \$16,578,000 in 2010 compared to a loss of \$172,000 in 2009, an increase of \$16,750,000. The group incurred a pre-tax intangible asset impairment charge of \$10,909,000 which is reflected in intangible asset impairment charges in the consolidated statement of

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

operations for 2009. Not considering this impairment charge, the increase in group profit from 2009 to 2010 would have been \$8,274,000 after tax. This group had an increase of \$14,232,000 in gross profit during 2010 which was driven by the \$38,068,000 increase in sales and a decrease in unabsorbed overhead of \$7,069,000 during 2010 due to increased efficiency in plant utilization. This gross profit increase was offset by an increase in selling, general and administrative expenses and research and development expenses of \$4,802,000 including payroll related expenses, travel expense and sales commissions expense.

Mobile Asphalt Paving Group: Profit for this group was \$23,234,000 in 2010 compared to profit of \$13,374,000 in 2009, an increase of \$9,860,000 or 73.7%. This group had an increase of \$12,924,000 in gross profit during 2010 driven by the \$29,600,000 increase in sales. Also positively affecting gross profit was a decrease in unabsorbed overhead of \$937,000 during 2010 compared to 2009. This group had an increase in selling, general and administrative expenses of \$2,054,000 primarily driven by payroll related expenses, travel expense and sales commission expense.

Underground Group: This group had a loss of \$8,092,000 in 2010 compared to a loss of \$14,560,000 in 2009 for an improvement of \$6,468,000 or 44.4%. Although sales for this group decreased \$7,248,000 or 10.8%, gross profit for this group increased \$1,938,000 in 2010 compared to 2009, primarily due to reductions in manufacturing overhead and payroll related expenses. Selling, general and administrative expenses decreased \$3,514,000 due primarily to reductions in payroll related expenses, bad debt expense and exhibit expense.

Other Group: The Other Group had a loss of \$27,138,000 in 2010 compared to a loss of \$29,614,000 in 2009, an improvement of \$2,476,000 or 8.4%. During 2009, this group incurred a pre-tax intangible asset impairment charge of \$5,841,000. Not considering this charge, the group showed an increase in the loss incurred of \$3,801,000 after tax. Gross profit for this group increased \$4,853,000 or 58.0% year over year due in part to increased sales for this group as well as increased gross margins on those sales compared to 2009. The profit in this group is also significantly impacted by U.S. federal income tax expense which is recorded at the parent company only. Income tax expense in this group increased \$3,898,000 in 2010 compared to 2009.

Results of Operations: 2009 vs. 2008

Net Sales

Net sales decreased \$235,606,000 or 24.2%, from \$973,700,000 in 2008 to \$738,094,000 in 2009. Sales are generated primarily from new equipment purchases made by customers for use in construction for privately funded infrastructure and public sector spending on infrastructure. The overall decline in sales for 2009 compared to 2008 is reflective of the weak overall economic conditions, both domestic and international.

Domestic sales for 2009 were \$465,473,000 or 63.1% of consolidated net sales compared to \$620,987,000 or 63.8% of consolidated net sales for 2008, a decrease of \$155,514,000 or 25.0%.

International sales for 2009 were \$272,621,000 or 36.9% of consolidated net sales compared to \$352,713,000 or 36.2% of consolidated net sales for 2008, a decrease of \$80,092,000 or 22.7%. The overall decrease in international sales for 2009 compared to 2008 is due to weak economic conditions in the international markets the company serves as well as volatility in the U.S. dollar during 2009.

Parts sales as a percentage of consolidated net sales increased 340 basis points from 21.0% in 2008 to 24.4% in 2009. In dollar terms, parts sales decreased 12.0% from \$204,912,000 in 2008 to \$180,332,000 in 2009.

Gross Profit

Consolidated gross profit as a percentage of sales decreased 330 basis points to 20.7% in 2009 from 24.0% in 2008. The primary reason for the overall decrease in gross margin as a percent of sales is reduced plant utilization due to lower production volumes resulting from weak domestic and foreign economies. In addition, the Company has experienced some pricing pressures in certain markets, further impacting gross margin.

Selling, General and Administrative Expense

Selling, general and administrative expenses for 2009 were \$107,455,000, or 14.6% of net sales, compared to \$122,621,000, or 12.6% of net sales, for 2008, a decrease of \$15,166,000, or 12.4%. The decrease was primarily due to a reduction in payroll and related expenses of \$4,387,000 resulting from a reduction of 10.2% in employee headcount during 2009. In addition, profit sharing expense decreased \$4,207,000 due to a reduction in subsidiary performance which determines this formula-driven amount. In 2008, the Company incurred expenses related to the triennial ConExpo trade show of \$3,631,000 which were not incurred in 2009. Commission expense decreased \$3,506,000 and travel expense decreased \$1,729,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Research and Development

Research and Development expenses decreased \$892,000 or 4.7%, from \$18,921,000 in 2008 to \$18,029,000 in 2009. Although sales decreased 24.2% during 2009, the Company remained committed to new product development and current product improvement.

Intangible Asset Impairment Charges

During the fourth quarter of 2009, the Company recorded non-cash intangible asset impairment charges of \$17,036,000. These charges consisted of an impairment charge to goodwill of \$16,716,000 and an impairment charge to other intangible assets of \$320,000. These impairment charges were the result of the Company's annual intangible asset impairment review in the fourth quarter.

Interest Expense

Interest expense in 2009 decreased \$314,000, or 36.9%, to \$537,000 from \$851,000 in 2008. The decrease in interest expense in 2009 compared to 2008 related primarily to interest on state tax settlements incurred in 2008.

Interest Income

Interest income decreased \$154,000 or 17.3% from \$888,000 in 2008 to \$734,000 in 2009. The primary reason for the decrease in interest income is a decrease in amounts invested in 2009 due to cash paid for acquisitions in late 2008.

Other Income (Expense), Net

Other income (expense), net was \$1,137,000 in 2009 compared to \$6,255,000 in 2008, a decrease of \$5,118,000. The primary reason for the decrease was a gain of \$6,195,000 recognized in 2008 on the sale of certain equity securities. The primary component of the current year income amount is \$615,000 of investment income from the investment portfolio at Astec Insurance.

Income Tax

Income tax expense for 2009 was \$8,135,000, compared to income tax expense of \$34,766,000 for 2008. The effective tax rates for 2009 and 2008 were 72.4% and 35.5%, respectively. The primary reason for the significant increase in the effective tax rate from 2008 to 2009 is intangible asset impairment charges in 2009 that were not fully deductible.

Net Income Attributable To Controlling Interest

The Company had net income attributable to controlling interest of \$3,068,000 in 2009 compared to \$63,128,000 in 2008, a decrease of \$60,060,000, or 95.1%. Earnings per diluted share were \$0.14 in 2009 compared to \$2.80 in 2008, a decrease of \$2.66 or 95.0%. Diluted shares outstanding at December 31, 2009 and 2008 were 22,715,780 and 22,585,775, respectively. The increase in shares outstanding is primarily due to the exercise of stock options by employees of the Company.

Backlog

The backlog of orders at December 31, 2009 was \$135,090,000 compared to \$193,316,000 at December 31, 2008, a decrease of \$58,226,000, or 30.1%. The decrease in the backlog of orders was almost evenly split between a decrease in domestic backlog of \$32,775,000 or 31.0% and a decrease in international backlog of \$25,451,000 or 29.0%. The decrease in backlog occurred in each of the Company's segments except for the Mobile Asphalt Paving Group which experienced an increase in backlog of \$754,000 or 26.4%. The Company is unable to determine whether the decline in backlogs was experienced by the industry as a whole; however, the Company believes the decreased backlog reflects the current economic conditions the industry is experiencing.

Net Sales by Segment (in thousands)

	2009	2008	\$ Change	% Change
Asphalt Group	\$ 258,527	\$ 257,336	\$ 1,191	0.5%
Aggregate and Mining Group	218,332	350,350	(132,018)	(37.7%)
Mobile Asphalt Paving Group	136,836	150,692	(13,856)	(9.2%)
Underground Group	67,353	135,152	(67,799)	(50.2%)
Other Group	57,046	80,170	(23,124)	(28.8%)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Asphalt Group: Sales in this group remained relatively flat at \$258,527,000 in 2009 compared to \$257,336,000 in 2008, an increase of \$1,191,000. Domestic sales for the Asphalt Group decreased 7.8% in 2009 compared to 2008. The Company believes this segment was the beneficiary of federal stimulus spending under the ARRA of 2009, which provided \$27.5 billion of funding for transportation construction projects. International sales for the Asphalt Group increased 15.8% in 2009 compared to 2008. This increase was primarily in Canada and the Middle East. Parts sales for the Asphalt Group increased 4.7% in 2009.

Aggregate and Mining Group: Sales in this group were \$218,332,000 in 2009 compared to \$350,350,000 in 2008, a decrease of \$132,018,000 or 37.7%. Domestic sales for the Aggregate and Mining Group decreased 37.6% in 2009 compared to 2008. The primary driver of this decrease was the weak domestic residential and commercial construction markets during 2009. International sales for the Aggregate and Mining Group decreased 34.0% in 2009 compared to 2008. This decrease was also due to weakness in the construction market globally. The decrease in international sales occurred primarily in Asia, Canada, Africa and the Middle East. Parts sales for the Aggregate and Mining Group decreased 21.1% in 2009 compared to 2008.

Mobile Asphalt Paving Group: Sales in this group were \$136,836,000 in 2009 compared to \$150,692,000 in 2008, a decrease of \$13,856,000 or 9.2%. Domestic sales for the Mobile Asphalt Paving Group increased 2.0% in 2009 over 2008. The Company believes this segment was also the beneficiary of federal stimulus spending under the ARRA of 2009. International sales for the Mobile Asphalt Paving Group decreased 37.3% in 2009 compared to 2008. The decrease internationally occurred primarily in Europe and Australia but was offset by an increase in Canada, which also passed stimulus spending legislation that benefited the transportation industry. Parts sales for this group increased 2.7% in 2009.

Underground Group: Sales in this group were \$67,353,000 in 2009 compared to \$135,152,000 in 2008, a decrease of \$67,799,000 or 50.2%. Domestic sales for the Underground Group decreased 61.8% in 2009 compared to 2008. The primary reason for this decline is the weak domestic residential and commercial construction markets. International sales for the Underground Group decreased 35.8% in 2009 compared to 2008. The decrease in international sales occurred in Asia, Australia, Europe, South America, Central America and the Middle East. Parts sales for the Underground Group decreased 32.4% in 2009.

Other Group: Sales for the Other Group were \$57,046,000 in 2009 compared to \$80,170,000 in 2008, a decrease of \$23,124,000 or 28.8%. Domestic sales for the Other Group, which are generated by Peterson Pacific Corp. for this group, decreased 51.5% in 2009 compared to 2008. This decrease is due to the weak domestic construction market. International sales for the Other Group increased 19.0% in 2009 over 2008. This increase occurred primarily in Australia due to the acquisition of Astec Australia in the fourth quarter of 2008. This increase was partially offset by a decrease in sales to Canada. Parts sales for the Other Group increased 5.3% in 2009.

Segment Profit (Loss) (in thousands)

	2009	2008	\$ Change	% Change
Asphalt Group	\$ 33,455	\$ 40,765	\$ (7,310)	(17.9%)
Aggregate and Mining Group	(172)	37,032	(37,204)	(100.5%)
Mobile Asphalt Paving Group	13,374	15,087	(1,713)	(11.4%)
Underground Group	(14,560)	12,510	(27,070)	(216.4%)
Other Group	(29,614)	(41,153)	11,539	28.0%

Asphalt Group: Profit for this group was \$33,455,000 for 2009 compared to \$40,765,000 for 2008, a decrease of \$7,310,000 or 17.9%. The primary reason for the decline in profit is a \$4,095,000 reduction in gross profit for this group. Although the Asphalt Group's sales for 2009 were practically the same as 2008, its capacity increased significantly in late 2008 with the addition of Dillman resulting in an increase in unabsorbed overhead of \$3,504,000 in 2009 over 2008 levels. Increased research and development expense of \$2,171,000, due to the development in 2009 of a new concrete plant, also contributed to the decrease in profit in 2009.

Aggregate and Mining Group: This group had a loss of \$172,000 in 2009 compared to profit of \$37,032,000 in 2008, a decrease of \$37,204,000 or 100.5%. This group had a decrease of \$36,483,000 in gross profit during 2009 from the significant drop in sales. Also affecting gross profit was an increase in unabsorbed overhead of

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

\$3,754,000 during 2009. The group incurred an intangible asset impairment charge of \$10,909,000 which is reflected in intangible asset impairment charges in the consolidated statement of operations for 2009.

Mobile Asphalt Paving Group: Profit for this group was \$13,374,000 in 2009 compared to profit of \$15,087,000 in 2008, a decrease of \$1,713,000 or 11.4%. The primary reason for the decrease in profit is a reduction in sales of 9.2% during 2009. This resulted in an increase in unabsorbed overhead of \$1,608,000 year over year.

Underground Group: This group had a loss of \$14,560,000 in 2009 compared to profit of \$12,510,000 in 2008 for a decrease of \$27,070,000 or 216.4%. Gross profit for this group decreased \$29,601,000 in 2009, primarily due to the 50.2% decrease in sales year over year. The Underground Group's gross profit was also negatively impacted by an increase in unabsorbed overhead of \$2,625,000 in 2009 compared to 2008. Charges to reduce the value of inventory in 2009 were \$2,339,000 in excess of 2008 levels. These expenses were offset by a reduction in selling, general and administrative expenses of \$2,000,000 in 2009.

Other Group: The Other Group had a loss of \$29,614,000 in 2009 compared to a loss of \$41,153,000 in 2008, an improvement of \$11,539,000 or 28%. The profit in this group is significantly impacted by U.S. federal income tax expense which is recorded at the parent company only. Income tax expense in this group decreased \$21,132,000 in 2009 compared to 2008. Gross profit for this group decreased \$6,535,000 in 2009 compared to 2008. This was a result of the decrease in sales of \$23,124,000 in this group. The decrease in sales was partially offset by a decrease in unabsorbed overhead of \$1,219,000 in 2009 compared to 2008. In addition, this segment incurred non-cash intangible asset impairment charges of \$5,841,000 in 2009 which is reflected in intangible asset impairment charges in the consolidated statement of operations.

Liquidity and Capital Resources

The Company's primary sources of liquidity and capital resources are its cash on hand, investments, borrowing capacity under a \$100 million revolving credit facility and cash flows from operations. The Company had \$94,597,000 of cash available for operating purposes at December 31, 2010. In addition, the Company had no borrowings outstanding under its credit facility with Wells Fargo Bank, N.A. ("Wells Fargo") at any time during the year ended December 31, 2010. Net of letters of credit of \$7,557,000, the Company had borrowing availability of \$92,443,000 under the credit facility.

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. Wachovia has subsequently been acquired by Wells Fargo and the credit agreement is now with this financial institution.

The Wells Fargo credit facility had an original term of three years with two one-year extensions available. Early in 2010, the Company exercised the final extension bringing the new loan maturity date to May 2012. 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, 2010, the applicable margin based upon the leverage ratio pricing grid was equal to 0.5%. The unused facility fee is 0.125%. The Wells Fargo 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 interest rate was 0.76% and 0.73% at December 31, 2010 and 2009, respectively. The Wells Fargo credit agreement contains certain financial covenants including a minimum fixed charge coverage ratio, minimum tangible net worth and maximum allowed capital expenditures. The Company was in compliance with the covenants under its credit facility as of December 31, 2010.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd, ("Osborn") has available a credit facility of \$9,046,000 (ZAR 60,000,000) to finance short-term working capital needs, as well as to cover performance letters of credit, advance payment and retention guarantees. As of December 31, 2010, Osborn had no outstanding borrowings under the credit facility, but \$3,910,000 in performance, advance payment and retention guarantees were issued under the facility. The facility is secured by Osborn's buildings and improvements, accounts receivable and cash balances (cash balances up to \$3,015,000) and a \$2,000,000 letter of credit issued by the parent Company. As of December 31, 2010, Osborn had available credit under the facility of \$5,136,000. The facility has an ongoing, indefinite term subject to annual reviews by the bank. The interest rate is the South Africa prime rate which was 9.00% and 10.50% at December 31, 2010 and 2009, respectively. The unused facility fee is 0.793%.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Company's Australian subsidiary, Astec Australia Pty Ltd ("Astec Australia") has an available credit facility to finance short-term working capital needs of \$813,000 (AUD 800,000) and banking arrangements to finance foreign exchange dealer limit orders of up to \$1,677,000 (AUD 1,650,000), secured by cash balances in the amount of \$762,000 (AUD 750,000) and a \$1,000,000 letter of credit issued by the parent Company. No amounts were outstanding under the credit facilities at December 31, 2010. The interest rate is the Australian adjusted Bank Business Rate plus a margin of 1.05%. The interest rate was 12.46% and 11.21% at December 31, 2010 and 2009, respectively.

Cash Flows from Operating Activities (in thousands):

	2010	2009	Increase / Decrease
Net income	\$ 32,572	\$ 3,106	\$ 29,466
Adjustments:			
Provision for warranty	13,365	10,908	2,457
Intangible asset impairment charges	--	17,036	(17,036)
Sale / purchase of trading securities, net	946	(2,513)	3,459
Other, net	25,825	25,410	415
Changes in working capital:			
(Increase) decrease in receivables	(11,911)	8,171	(20,082)
(Increase) decrease in inventories	(7,373)	36,570	(43,943)
(Increase) decrease in prepaid expenses	5,532	(698)	6,230
Increase (decrease) in accounts payable	7,351	(16,124)	23,475
Increase (decrease) in customer deposits	8,328	(15,938)	24,266
Increase (decrease) in other accrued liabilities	2,267	(2,667)	4,934
Other, net	(14,866)	(14,060)	(806)
Net cash provided by operating activities	\$ 62,036	\$ 49,201	\$ 12,835

Net cash provided by operating activities increased \$12,835,000 in 2010 compared to 2009. The primary reasons for the increase in operating cash flows are increases in cash provided by net income of \$29,466,000, customer deposits of \$24,266,000, accounts payable of \$23,475,000, prepaid expenses of \$6,230,000 and other accrued liabilities of \$4,934,000. These positive cash changes were offset by increases in cash used to fund increases in receivables of \$20,082,000 and inventory of \$43,943,000. These changes in operating cash flows reflect increased sales and production activity during 2010 compared to 2009 as well as planned inventory purchases made to fulfill the Company's backlog which was 60.4% higher at December 31, 2010 compared to December 31, 2009.

Cash Flows from Investing Activities (in thousands):

	2010	2009	Increase / Decrease
Expenditures for property and equipment	\$ (11,336)	\$ (17,463)	\$ 6,127
Other, net	202	(192)	394
Net cash used by investing activities	\$ (11,134)	\$ (17,655)	\$ (6,521)

Net cash used by investing activities in 2010 decreased \$6,521,000 compared to 2009 due primarily to reductions in cash used for capital expenditures of \$6,127,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Cash Flows from Financing Activities (in thousands):

	2010	2009	Increase / Decrease
Proceeds from issuance of common stock	\$ 1,431	\$ 880	\$ 551
Repayments under revolving line of credit	--	(3,427)	3,427
Other, net	595	(663)	1,258
Net cash (used) provided by financing activities	\$ 2,026	\$ (3,210)	\$ 5,236

Financing activities provided cash of \$2,026,000 in 2010 while in 2009 financing activities used cash of \$3,210,000 for a net change of \$5,236,000. During 2009, the Company repaid the outstanding balance of \$3,427,000 that was borrowed against its revolving line of credit during 2008.

Capital expenditures for 2011 are forecasted to total \$29,382,000. The Company expects to finance these expenditures using currently available cash balances, internally generated funds and available credit under the Company's credit facility. Capital expenditures are generally for machinery, equipment and facilities used by the Company in the production of its various products.

The Company believes that its current working capital, cash flows generated from future operations and available capacity under its credit facilities will be sufficient to meet the Company's working capital and capital expenditure requirements through December 31, 2011.

Financial Condition

The Company's current assets increased to \$447,821,000 at December 31, 2010 from \$384,365,000 at December 31, 2009, an increase of \$63,456,000, or 16.5%. The increase is primarily attributable to increases in cash and cash equivalents of \$54,168,000 and trade receivables of \$11,640,000.

The Company's current liabilities increased \$24,119,000 to \$130,426,000 at December 31, 2010 from \$106,307,000 at December 31, 2009. The increase is primarily attributable to increases in customer deposits of \$8,996,000, accounts payable of \$8,105,000, other accrued liabilities of \$2,895,000 and accrued payroll and related liabilities of \$2,790,000. These items increased primarily due to increased production activity resulting from improving sales in 2010 compared to 2009.

Market Risk and Risk Management Policies

The Company is exposed to changes in interest rates, primarily from its revolving credit agreements. A hypothetical 100 basis point adverse move (increase) in interest rates would not have materially affected interest expense for the year ended December 31, 2010, since there were only minimal amounts outstanding on the revolving credit agreements during the year. The Company does not hedge variable interest.

The Company is subject to foreign exchange risk at its foreign operations. Foreign operations represent 12.8% and 11.1% of total assets at December 31, 2010 and 2009, respectively, and 11.2% and 10.4% of total revenue for the years ended December 31, 2010 and 2009, respectively. Each period the Company's balance sheets and related results of operations are translated from their functional foreign currency into U.S. dollars for reporting purposes. As the dollar strengthens against those foreign currencies, the foreign denominated net assets and operating results become less valuable in the Company's reporting currency. When the dollar weakens against those currencies the foreign denominated net assets and operating results become more valuable in the Company's reporting currency. At each reporting date, the fluctuation in the value of the net assets and operating results due to foreign exchange rate changes is recorded as an adjustment to other comprehensive income in equity. The Company views its investments in foreign subsidiaries as long-term and does not hedge the net investments in foreign subsidiaries.

From time to time the Company's foreign subsidiaries enter into transactions not denominated in their functional currency. In these situations, the Company evaluates the need to hedge those transactions against foreign currency rate fluctuations. When the Company determines a need to hedge a transaction, the subsidiary enters into a foreign currency exchange contract. The Company does not apply hedge accounting to these contracts and, therefore, recognizes the fair value of these contracts in the consolidated balance sheets and the change in the fair value of the contracts in current earnings.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Due to the limited exposure to foreign exchange rate risk, a 10% fluctuation in the foreign exchange rates at December 31, 2010 or 2009 would not have a material impact on the Company's consolidated financial statements.

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, 2010 (in thousands):

Contractual Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years
Operating lease obligations	\$ 1,833	\$ 1,266	\$ 532	\$ 29	\$ 6
Inventory purchase obligations	1,548	1,457	91	--	--
Real estate acquisition obligation	4,390	4,390	--	--	--
Total	\$ 7,771	\$ 7,113	\$ 623	\$ 29	\$ 6

The above table excludes our liability for unrecognized tax benefits, which totaled \$570,000 at December 31, 2010 since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

In 2010, the Company made contributions of approximately \$972,000 to its pension plan and \$421,000 to its post-retirement benefit plan for a total of \$1,393,000, compared to \$281,000 in 2009. The Company estimates that it will contribute a total of \$433,000 to the pension and post-retirement plans during 2011. 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 losses that can be reasonably estimated. 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 \$3,037,000 and \$4,276,000 at December 31, 2010 and 2009, respectively. These obligations have average remaining terms of 5.25 years. The Company has recorded a liability of \$288,000 related to these guarantees at December 31, 2010.

The Company is contingently liable under letters of credit of approximately \$11,467,000, primarily for performance guarantees to customers, banks or insurance carriers.

Off-balance Sheet Arrangements

As of December 31, 2010 the Company does not have off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K, except for those items noted above.

Environmental Matters

During 2009, the Company received notice that Johnson Crushers International, Inc. is subject to an enforcement action brought by the U.S. Environmental Protection Agency and the Oregon Department of Environmental Quality related to an alleged failure to comply with federal and state air permitting regulations. Each agency is expected to seek sanctions that will include monetary penalties. No penalty has yet been proposed. The Company believes that it has cured the alleged violations and is cooperating fully with the regulatory agencies. At this stage of the investigations, the Company is unable to predict the outcome and the amount of any such sanctions.

During 2004, the Company has also received notice from the Environmental Protection Agency that it may be responsible for a portion of the costs incurred in connection with an environmental cleanup in Illinois. The discharge of hazardous materials and associated cleanup relate to activities occurring prior to the Company's

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

acquisition of Barber-Greene in 1986. The Company believes that over 300 other parties have received similar notice. At this time, the Company cannot predict whether the EPA will seek to hold the Company liable for a portion of the cleanup costs or the amount of any such liability.

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 a reserve to reduce the carrying value of the inventory. In addition, certain items in inventory become obsolete over time, and the Company establishes a reserve to reduce the carrying value of these items to their net realizable value. The amounts in these inventory reserves are determined by the Company based on 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 inventory reserves will materially change in the near future.

Self-Insurance Reserves: 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. The objectives of Astec Insurance are to improve control over and reduce retained loss costs; to improve focus on risk reduction with development of a program structure which rewards proactive loss control; and to ensure active management participation in the defense and settlement process for claims.

For general liability claims, the captive is liable for the first \$1.0 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 large national insurance company as third-party administrator for workers' compensation claims and carries insurance coverage for claims liabilities in excess of amounts covered by the captive.

The financial statements of the captive are consolidated into the financial statements of the Company. The short-term and long-term reserves for claims and potential claims related to general liability and workers' compensation under the captive are included in accrued loss reserves and other long-term liabilities, respectively, in the consolidated balance sheets depending on the expected timing of future payments. The undiscounted reserves are actuarially determined 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 near future.

At all but one of the Company's domestic manufacturing subsidiaries, the Company is self-insured for health and prescription claims under its Group Health Insurance Plan. The Company carries reinsurance coverage to limit its exposure for individual health claims above certain limits. Third parties administer health claims and prescription medication claims. The Company maintains a reserve for the self-insured health plan which is included in accrued loss reserves on the Company's consolidated balance sheets. This reserve includes both unpaid claims and an estimate of claims incurred but not reported, based on historical claims and payment experience. Historically the reserves have been sufficient to provide for claims payments. Changes in actual claims experience, or payment patterns, 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 near 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 these fully insured health plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Product Warranty Reserve: The Company accrues for the estimated cost of product warranties at the time revenue is recognized. Warranty obligations by product line or model are evaluated based on historical warranty claims experience. For machines, the Company's standard product warranty terms generally include post-sales support and repairs of products at no additional charge for periods ranging from three months to one year or up to a specified number of hours of operation. For parts from component suppliers, the Company relies on the original manufacturer's warranty that accompanies those parts. Generally, fabricated parts are not covered by specific warranty terms. Although failure of fabricated parts due to material or workmanship is rare, if it occurs, the Company's policy is to replace fabricated parts at no additional charge.

The Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of component suppliers. Estimated warranty obligations are 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 estimates, revisions to the estimated warranty liability would be required. The Company does not believe it is reasonably likely that the warranty reserve will materially change in the near future.

Pension and Post-retirement Benefits: The determination of obligations and expenses under the Company's pension and post-retirement benefit plans is dependent on the selection of certain assumptions used by the Company's independent actuaries in calculating such amounts. Those assumptions are described in Note 12, Pension and Post-retirement Benefits, to the consolidated financial statements and include among others, the discount rate, expected return on plan assets and the expected rates of increase in health care costs. In accordance with accounting principles generally accepted in the United States, actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense in such periods. The Company has determined that a 1% change in either the discount rate or the rate of return on plan assets would not have a material effect on the financial condition or operating performance of the Company.

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 significant 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 U.S. GAAP, revenue is recorded on such contracts upon the customer's assumption of title and risk of ownership and when collectability 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 prior to revenue recognition.

The Company has certain 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 revenue related to individual elements should be recognized separately, or as a combined unit. In addition to the previously mentioned general revenue recognition criteria, the Company only recognizes revenue on individual delivered elements 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.

Goodwill and Other Intangible Assets: In accordance with U.S. GAAP, intangible assets are classified 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. Intangible assets with definite lives are tested 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. An impairment charge is recorded when the carrying value of the definite lived intangible asset is not recoverable by the cash flows generated from the use of the asset. Some of the inputs used in the impairment testing are highly subjective and are affected by changes in business factors and other conditions. Changes in any of the inputs could have an effect on future tests and result in impairment charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Intangible assets with indefinite lives and goodwill are not amortized. Intangible assets and goodwill are tested for impairment annually or more frequently if events or circumstances indicate that such intangible assets or goodwill might be impaired. The impairment tests of goodwill are performed at the reporting unit level. The Company's reporting units are defined as its subsidiaries because each is a legal entity that is managed separately and manufactures and distributes distinct product lines. Such impairment tests for goodwill include comparing the fair value of the respective reporting unit with its carrying value, including goodwill. A variety of methodologies are used in conducting these impairment tests, including discounted cash flow analyses and market analyses. When the fair value is less than the carrying value of the intangible assets or the reporting unit, an impairment charge is recorded to reduce the carrying value of the assets to fair value.

The useful lives of identifiable intangible assets are determined after considering the specific facts and circumstances related to each intangible asset. Factors considered 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 15 years.

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. These valuation allowances can be impacted by changes in tax laws, changes to statutory tax rates, and future taxable income levels and are based on the Company's judgment, estimates, and assumptions regarding those future events. In the event the Company were to determine that it would not be able to realize all or a portion of deferred tax assets in the future, the Company would increase the valuation allowance through a charge to income tax expense in the period that such determination is made. Conversely, if the Company were to determine that it would be able to realize its deferred tax assets in the future, in excess of the net carrying amounts, the Company would decrease the recorded valuation allowance through decrease to income tax expense in the period that such determination is made.

The Company evaluates a tax position to determine whether it is more likely than not that the tax position will be sustained upon examination, based upon the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is subject to a measurement assessment to determine the amount of benefit to recognize in the consolidated statements of operations and the appropriate reserve to establish, if any. If a tax position does not meet the more-likely-than-not recognition threshold, no benefit is recognized. The Company is audited by U.S. federal and state as well as foreign tax authorities. While it is often difficult to predict final outcome or timing of resolution of any particular tax matter, the Company believes its reserve for uncertain tax positions is properly recorded pursuant to the recognition and measurement provisions in the FASB guidance.

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 16, Shareholders' Equity, to the consolidated financial statements. Restricted stock units ("RSU's") awarded under the Company's stock incentive plan are granted shortly after the end of each year and are based upon the performance of the Company and its individual subsidiaries. RSU's can be earned for performance in each of the years from 2006 through 2010 with additional RSU's available based upon cumulative five-year performance. The Company estimates the number of shares that will be granted for the most recent fiscal year and the five-year cumulative performance based on actual and expected future operating results. The compensation expense for RSU's expected to be granted for the most recent fiscal year and the cumulative five-year based awards is calculated using the fair value of the Company stock at each period end and is adjusted to the fair value as of each future period end until granted. Generally, each award will vest at the end of five years from the date of grant, or at a time the recipient retires after reaching age 65. Estimated forfeitures are based upon the expected turnover rates of the employees receiving awards under the plan. The fair value of stock options is estimated using the Black-Scholes method.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fair Value: For cash and cash equivalents, trade receivables, other receivables, revolving debt and accounts payable, the carrying amount approximates the fair value because of the short-term nature of those instruments. Investments are carried at their fair value based on quoted market prices for identical or similar assets or, where no quoted prices exist, other observable inputs for the asset. All of the investments held by the Company at December 31, 2010 and 2009 are classified as Level 1 or Level 2 under the fair value hierarchy.

Recent Accounting Pronouncements

There are no recently promulgated accounting pronouncements (either recently adopted or yet to be adopted) that are likely to have a material impact on the Company's financial reporting in the foreseeable future. See Note 1, Summary of Significant Accounting Policies, to the consolidated financial statements.

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 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 and liquid asphalt;
- 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 accounting changes;
- the effect of international sales on our backlog;
- critical account policies;
- ability to satisfy contingencies;
- contributions to retirement plans;
- supply of raw materials; and
- inventory.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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", "anticipate", "goal", "plan", "intend", "estimate", "may", "will", "should" 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: changes or delays in highway funding; rising interest rates; changes in oil prices; changes in steel prices; changes 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, 2010.

ASTEC INDUSTRIES, INC.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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 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 U.S. generally accepted accounting principles. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of assets of the Company; (ii) 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 (iii) 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 and procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control - Integrated Framework*. Based on this assessment management concluded that, as of December 31, 2010, the Company's internal control over financial reporting was effective.

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, 2010.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

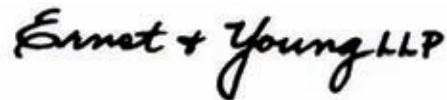
To the Board of Directors and Shareholders
Astec Industries, Inc.

We have audited the accompanying consolidated balance sheets of Astec Industries, Inc. as of December 31, 2010 and 2009 and the related consolidated statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2010. 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. at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Astec Industries, Inc.'s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2011 expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a stylized, cursive script. The words "Ernst & Young" are in a larger, more prominent script, and "LLP" is in a smaller, simpler font to the right.

Chattanooga, Tennessee
March 1, 2011

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited Astec Industries, Inc.'s internal control over financial reporting as of December 31, 2010, 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's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

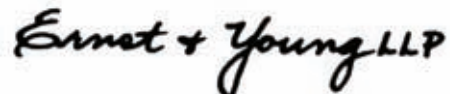
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material 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. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2010 consolidated financial statements of Astec Industries, Inc. and our report dated March 1, 2011 expressed an unqualified opinion thereon.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chattanooga, Tennessee
March 1, 2011

CONSOLIDATED BALANCE SHEETS

(in thousands, except shares and share data)

	December 31	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 94,597	\$ 40,429
Trade receivables, less allowance for doubtful accounts of \$1,820 in 2010 and \$2,215 in 2009	77,978	66,338
Other receivables	2,885	1,767
Inventories	252,981	248,548
Prepaid expenses	7,325	12,927
Deferred income tax assets	10,339	12,067
Other current assets	1,716	2,289
Total current assets	447,821	384,365
Property and equipment, net	168,242	172,057
Investments	11,672	11,965
Goodwill	13,907	13,907
Other long-term assets	7,997	8,607
Total assets	\$ 649,639	\$ 590,901
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 44,493	\$ 36,388
Customer deposits	35,602	26,606
Accrued product warranty	9,891	8,714
Accrued payroll and related liabilities	16,121	13,331
Accrued loss reserves	3,796	3,640
Other accrued liabilities	20,523	17,628
Total current liabilities	130,426	106,307
Deferred income tax liabilities	12,653	14,975
Other long-term liabilities	13,754	17,359
Total liabilities	156,833	138,641
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 - 22,646,822 in 2010 and 22,551,283 in 2009	4,529	4,510
Additional paid-in capital	128,831	124,381
Accumulated other comprehensive income	8,046	4,551
Company shares held by SERP, at cost	(2,217)	(2,128)
Retained earnings	353,019	320,589
Shareholders' equity	492,208	451,903
Non-controlling interest	598	357
Total equity	492,806	452,260
Total liabilities and equity	\$ 649,639	\$ 590,901

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except shares and share data)

	Year Ended December 31		
	2010	2009	2008
Net sales	\$ 771,335	\$ 738,094	\$ 973,700
Cost of sales	592,288	585,667	740,389
Gross profit	179,047	152,427	233,311
Selling, general and administrative expenses	114,141	107,455	122,621
Intangible asset impairment charges	--	17,036	--
Research and development expenses	17,482	18,029	18,921
Income from operations	47,424	9,907	91,769
Other income:			
Interest expense	352	537	851
Interest income	956	734	888
Other income (expense), net	675	1,137	6,255
Income before income taxes	48,703	11,241	98,061
Income taxes	16,131	8,135	34,766
Net income	32,572	3,106	63,295
Net income attributable to non-controlling interest	142	38	167
Net income attributable to controlling interest	\$ 32,430	\$ 3,068	\$ 63,128
Earnings per Common Share			
Net income attributable to controlling interest:			
Basic	\$ 1.44	\$ 0.14	\$ 2.83
Diluted	1.42	0.14	2.80
Weighted average number of common shares outstanding:			
Basic	22,517,246	22,446,940	22,287,554
Diluted	22,829,799	22,715,780	22,585,775

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Year Ended December 31

	2010	2009	2008
Cash Flows from Operating Activities			
Net income	\$ 32,572	\$ 3,106	\$ 63,295
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	18,022	17,752	16,657
Amortization	706	924	686
Provision (credit) for doubtful accounts	(11)	1,023	320
Provision for inventory reserves	5,258	4,305	4,143
Provision for warranty	13,365	10,908	18,317
Deferred compensation provision (benefit)	539	(399)	(502)
Deferred income tax (benefit) provision	(497)	382	2,552
Intangible asset impairment charges	--	17,036	--
(Gain) loss on disposition of fixed assets	(8)	66	(23)
Gain on sale of available for sale securities	--	--	(6,195)
Tax benefit from stock option exercises	(579)	(50)	(637)
Stock-based compensation	2,395	1,407	2,384
Sale (purchase) of trading securities, net	946	(2,513)	(1,623)
(Increase) decrease in, net of amounts acquired:			
Trade and other receivables	(11,911)	8,171	10,926
Inventories	(7,373)	36,570	(70,790)
Prepaid expenses	5,532	(698)	(3,819)
Other assets	511	905	(625)
Increase (decrease) in, net of amounts acquired:			
Accounts payable	7,351	(16,124)	(3,909)
Customer deposits	8,328	(15,938)	402
Accrued product warranty	(12,293)	(12,514)	(15,955)
Income taxes payable	972	(486)	(2,298)
Accrued retirement benefit costs	(1,098)	128	(800)
Accrued loss reserves	(1,210)	228	959
Other accrued liabilities	2,267	(2,667)	(4,352)
Other	(1,748)	(2,321)	925
Net cash provided by operating activities	62,036	49,201	10,038
Cash Flows from Investing Activities			
Business acquisitions	--	(475)	(18,283)
Proceeds from sale of property and equipment	202	283	276
Expenditures for property and equipment	(11,336)	(17,463)	(39,932)
Sale of available for sale securities	--	--	16,500
Net cash used by investing activities	(11,134)	(17,655)	(41,439)

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(in thousands)

Year Ended December 31

	2010	2009	2008
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	\$ 1,431	\$ 880	\$ 4,669
Tax benefit from stock option exercise	579	50	637
Net borrowings (repayments) under revolving line of credit	--	(3,427)	3,427
Principal repayments of notes payable assumed in business combinations	--	--	(912)
Cash from sale (acquisition) of shares of subsidiary	41	(635)	1
Sale (purchase) of company shares by Supplemental Executive Retirement Plan, net	(25)	(78)	(196)
Net cash provided (used) by financing activities	2,026	(3,210)	7,626
Effect of exchange rates on cash	1,240	2,419	(1,188)
Increase (decrease) in cash and cash equivalents	54,168	30,755	(24,963)
Cash and cash equivalents, beginning of year	40,429	9,674	34,637
Cash and cash equivalents, end of year	\$ 94,597	\$ 40,429	\$ 9,674
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	\$ 352	\$ 488	\$ 787
Income taxes, net of refunds	\$ 8,504	\$ 9,319	\$ 38,106

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended December 31, 2010, 2009 and 2008 (in thousands, except shares)

	Common Stock		Additional	Accumulated	Company	Retained	Non-	Total
	Shares	Amount	Paid-in	Other	Shares Held	Earnings	Controlling	Equity
			Capital	Comprehensive	by SERP		Interest	
				Income (Loss)				
Balance December 31, 2007	22,299,125	\$ 4,460	\$ 114,255	\$ 5,186	\$ (1,705)	\$ 254,393	\$ 883	\$ 377,472
Net income						63,128	167	63,295
Other comprehensive income (loss):								
Change in unrecognized pension and post retirement cost, net of income taxes of \$(1,208)				(1,996)				(1,996)
Foreign currency translation adjustments				(6,913)			(243)	(7,156)
Unrealized gain on available-for-sale investment securities, net of income taxes of \$2,888				4,790				4,790
Reclassification adjustment for gains included in net income, net of income taxes of \$(2,329)				(3,866)				(3,866)
Comprehensive income (loss)							(76)	55,067
Stock-based compensation	5,206	1	2,383					2,384
Exercise of stock options, including tax benefit	204,001	41	5,265					5,306
Sale (purchase) of Company stock held by SERP, net			65		(261)			(196)
Balance December 31, 2008	22,508,332	4,502	121,968	(2,799)	(1,966)	317,521	807	440,033
Net income						3,068	38	3,106
Other comprehensive income (loss):								
Change in unrecognized pension and post retirement cost, net of income taxes of \$96				414				414
Foreign currency translation adjustments				6,936			(506)	6,430
Comprehensive income (loss)							(468)	9,950
Increase in ownership percentage of subsidiary							18	18
Stock-based compensation	7,947	1	1,406					1,407
Exercise of stock options, including tax benefit	35,004	7	923					930
Sale (purchase) of Company stock held by SERP, net			84		(162)			(78)
Balance December 31, 2009	22,551,283	4,510	124,381	4,551	(2,128)	320,589	357	452,260
Net income						32,430	142	32,572
Other comprehensive income:								
Change in unrecognized pension and post retirement cost, net of income taxes of \$(98)				(224)				(224)
Foreign currency translation adjustments				3,719			100	3,819
Comprehensive income							242	36,167
Decrease in ownership percentage of subsidiary							(1)	(1)
Stock-based compensation	5,315	1	2,394					2,395
Exercise of stock options, including tax benefit	90,224	18	1,992					2,010
Sale (purchase) of Company stock held by SERP, net			64		(89)			(25)
Balance December 31, 2010	22,646,822	\$ 4,529	\$ 128,831	\$ 8,046	\$ (2,217)	\$ 353,019	\$ 598	\$ 492,806

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended December 31, 2010, 2009 and 2008

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, 2010 are as follows:

American Augers, Inc.	Astec Australia Pty Ltd
Astec, Inc.	Astec Insurance Company
Astec Underground, Inc.	Astec Mobile Screens, Inc.
Breaker Technology, Inc.	Breaker Technology Ltd.
Carlson Paving Products, Inc.	CEI Enterprises, Inc.
Heatec, Inc.	Johnson Crushers International, Inc.
Kolberg-Pioneer, Inc.	Osborn Engineered Products SA (Pty) Ltd (98% owned)
Peterson Pacific Corp.	Roadtec, Inc.
Telsmith, Inc.	

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 Australia, Canada and South Africa operate primarily using local functional currencies. 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. Foreign currency transaction gains and (losses), net are included in cost of sales and amounted to (\$450,000), \$361,000, and (\$547,000) in 2010, 2009 and 2008, respectively.

Fair Value of Financial Instruments - For cash and cash equivalents, trade receivables, other receivables, revolving debt and accounts payable, the carrying amount approximates the fair value because of the short-term nature of those instruments. Trading equity investments are valued at their estimated fair value based on their quoted market prices and debt securities are valued based upon a mix of observable market prices and model driven prices derived from a matrix of observable market prices for assets with similar characteristics obtained from a nationally recognized third party pricing service.

Financial assets and liabilities are categorized based upon the level of judgment associated with the inputs used to measure their fair value. The inputs used to measure the fair value are identified in the following hierarchy:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Unadjusted quoted prices in active markets for similar assets or liabilities; or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable for the asset or liability.
- Level 3 - Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

All assets and liabilities held by the Company at December 31, 2010 and 2009 are classified as Level 1 or Level 2 as summarized in Note 3, Fair Value Measurements.

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

Investments - Investments consist primarily of investment-grade marketable securities. Trading securities are carried at fair value, with unrealized holding gains and losses included in net income. Realized gains and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 customers' financial condition generally without requiring collateral although the Company normally requires advance payments or letters of credit on large equipment orders. 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. After considering historical trends for uncollectible accounts, current economic conditions and specific customer recent payment history and financial stability, the Company records an allowance for doubtful accounts at a level which management believes is sufficient to cover potential credit losses. Amounts are deemed past due when they exceed the payment terms agreed to by the customer in the sales contract. Past due amounts are charged off when reasonable collection efforts have been exhausted and the amounts are deemed uncollectable by management. As of December 31, 2010, 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.

When inventory becomes obsolete, the Company establishes an allowance to reduce the carrying value to net realizable value based on estimates, assumptions and judgments made from the information available at that time. Abnormal amounts of idle facility expense, freight, handling cost and wasted materials are recognized as current period charges.

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 compliance purposes. Routine repair and maintenance costs and planned major maintenance are expensed when incurred.

Goodwill and Other Intangible Assets - The Company classifies 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. The Company tests 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. An impairment charge is recorded when the carrying value of the definite lived intangible asset is not recoverable by the future undiscounted cash flows generated from the use of the asset.

Intangible assets with indefinite lives including goodwill are not amortized. The Company tests these intangible assets and goodwill for impairment annually or more frequently if events or circumstances indicate that such intangible assets or goodwill might be impaired. The Company performs impairment tests of goodwill at the reporting unit level and of other indefinite lived intangible assets at the asset level. The Company's reporting units are defined as its subsidiaries because each is a legal entity that is managed separately and manufactures and distributes distinct product lines. Such impairment tests for goodwill include comparing the fair value of the respective reporting unit with its carrying value, including goodwill. A variety of methodologies are used in conducting these impairment tests, including discounted cash flow analyses and market analyses. When the fair value is less than the carrying value of an intangible asset or a reporting unit, an impairment charge is recorded to reduce the carrying value of the asset to fair value.

The Company determines the useful lives of identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors considered when determining useful lives include the contractual terms of agreements, 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, normally on a straight-line basis, over their useful lives, ranging from 3 to 15 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 are compared to the carrying amount for each asset (or group of assets) to determine if a writedown is required. If this review indicates that the assets will not be recoverable, the carrying values of the impaired assets are reduced to their estimated fair value. Fair value is estimated using discounted cash flows, prices for similar assets or other valuation techniques.

Self-Insurance Reserves - The Company retains the risk for a portion of its workers' compensation claims and general liability claims by way of a captive insurance company, Astec Insurance Company, ("Astec Insurance" or "the captive"). Astec Insurance is incorporated under the laws of the state of Vermont. The objectives of Astec Insurance are to improve control over and reduce the cost of claims; to improve focus on risk reduction with development of a program structure which rewards proactive loss control; and to ensure management participation in the defense and settlement process for claims.

For general liability claims, the captive is liable for the first \$1.0 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 large national insurance company as third party administrator for workers' compensation claims and carries insurance coverage for claims liabilities in excess of amounts covered by the captive.

The financial statements of the captive are consolidated into the financial statements of the Company. The short-term and long-term 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, respectively, in the consolidated balance sheets depending on the expected timing of future payments. The undiscounted reserves are actuarially determined to cover the ultimate cost of each claim 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 foreseeable future.

At all but one of the Company's domestic manufacturing subsidiaries, the Company is self-insured for health and prescription claims under its Group Health Insurance Plan. The Company carries reinsurance coverage to limit its exposure for individual health claims above certain limits. Third parties administer health claims and prescription medication claims. The Company maintains a reserve for the self-insured health plan which is included in accrued loss reserves on the Company's consolidated balance sheets. This reserve includes both unpaid claims and an estimate of claims incurred but not reported, based on historical claims and payment experience. Historically the reserves have been sufficient to provide for claims payments. Changes in actual claims experience or payment patterns 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 near 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 separate health plans. No reserves are necessary for these fully insured health plans.

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 significant 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. Revenue is recorded on such contracts upon the customer's assumption of title and risk of ownership and when collectability 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 prior to revenue recognition.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company has certain 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. Consideration is determined using the fair value method and approximates sales price of the product shipped or service performed. The Company evaluates sales with multiple deliverable elements (such as an agreement to deliver equipment and related installation services) to determine whether revenue related to individual elements should be recognized separately, or as a combined unit. In addition to the previously mentioned general revenue recognition criteria, the Company only recognizes revenue on individual delivered elements 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.

The Company presents in the statements of operations 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 a net (excluded from revenue) basis.

Advertising Expense - The cost of advertising is expensed as incurred. The Company incurred \$3,056,000, \$3,002,000, and \$3,603,000 in advertising costs during 2010, 2009 and 2008, 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 valuation allowances 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 Company evaluates a tax position to determine whether it is more likely than not that the tax position will be sustained upon examination, based upon the technical merits of the position. A tax position that meets the more-likely-than-not recognition threshold is subject to a measurement assessment to determine the amount of benefit to recognize and the appropriate reserve to establish, if any. If a tax position does not meet the more-likely-than-not recognition threshold, no benefit is recognized. The Company is periodically audited by U.S. federal and state as well as foreign tax authorities. While it is often difficult to predict final outcome or timing of resolution of any particular tax matter, the Company believes its reserve for uncertain tax positions is adequate to reduce the uncertain positions to the greatest amount of benefit that is more likely than not realizable.

Product Warranty Reserve - The Company accrues for the estimated cost of product warranties at the time revenue is recognized. Warranty obligations by product line or model are evaluated based on historical warranty claims experience. For machines, the Company's standard product warranty terms generally include post-sales support and repairs of products at no additional charge for periods ranging from three months to one year or up to a specified number of hours of operation. For parts from component suppliers, the Company relies on the original manufacturer's warranty that accompanies those parts. Generally, Company fabricated parts are not covered by specific warranty terms. Although failure of fabricated parts due to material or workmanship is rare, if it occurs, the Company's policy is to replace fabricated parts at no additional charge.

The Company engages in extensive product quality programs and processes, including actively monitoring and evaluating the quality of our component suppliers. Estimated warranty obligations are 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.

Pension and Post-retirement Benefits - The determination of obligations and expenses under the Company's pension and post-retirement benefit plans is dependent on the Company's selection of certain assumptions used by independent actuaries in calculating such amounts. Those assumptions are described in Note 12, Pension and Post-retirement Benefits and include among others, the discount rate, expected return on plan assets and the expected rates of increase in health care costs. In accordance with accounting principles generally accepted in the United States, actual results that differ from assumptions are accumulated and amortized over future periods and, therefore, generally affect the recognized expense in such periods. Significant differences in actual experience or significant changes in the assumptions used may materially affect the pension and post-retirement obligations and future expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company recognizes as an asset or liability, the overfunded or underfunded status of its pension and postretirement benefit plans. Actuarial gains and losses, amortization of prior service cost (credit) and amortization of transition obligations are recognized through other comprehensive income in the year in which the changes occur. The Company measures the funded status of its pension and post-retirement benefit plans as of the date of the Company's fiscal year-end.

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 16, Shareholders' Equity. The Company recognizes the cost of employee services received in exchange for equity awards in the financial statements based on the grant date calculated fair value of the awards. The Company recognizes stock-based compensation expense over the period during which an employee is required to provide service in exchange for the award (the vesting period).

Restricted stock units ("RSU's") awarded under the Company's stock incentive plan are granted shortly after the end of each year and are based upon the performance of the Company and its individual subsidiaries. RSU's can be earned for performance in each of the years from 2006 through 2010 with additional RSU's available based upon cumulative five-year performance. The Company estimates the number of shares that will be granted for the most recent fiscal year end and the five-year cumulative performance based on actual and expected future operating results. The compensation expense for RSU's expected to be granted for the most recent fiscal year and the cumulative five-year based awards is calculated using the fair value of the Company stock at each period end and is adjusted to the fair value as of each future period-end until granted.

Earnings Per Share - 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, restricted stock units and shares held in the Company's supplemental executive retirement plan.

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

	Year Ended December 31		
	2010	2009	2008
Numerator:			
Net income attributable to controlling interest	\$ 32,430,000	\$ 3,068,000	\$ 63,128,000
Denominator:			
Denominator for basic earnings per share	22,517,246	22,446,940	22,287,554
Effect of dilutive securities:			
Employee stock options and restricted stock units	214,668	172,525	208,152
Supplemental executive retirement plan	97,885	96,315	90,069
Denominator for diluted earnings per share	22,829,799	22,715,780	22,585,775
Net income attributable to controlling interest per share:			
Basic	\$ 1.44	\$ 0.14	\$ 2.83
Diluted	1.42	0.14	2.80

For the years ended December 31, 2010, 2009 and 2008, respectively, 1,000, 32,000 and 20,000 options were antidilutive and were not included in the diluted EPS computation.

Derivatives and Hedging Activities - The Company recognizes all derivatives in the balance sheet at fair value. Derivatives that are not hedges are 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. From time to time the Company's foreign subsidiaries enter into foreign currency exchange contracts to mitigate exposure to fluctuation in currency exchange rates. See Note 13, Derivative Financial Instruments, regarding foreign exchange contracts outstanding at December 31, 2010 and 2009.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 and other matters. The Company does not believe it is party to any legal proceedings that will have a materially adverse effect on its consolidated financial position. It is possible, however, that future results of operations for any particular quarter or annual period could be materially affected by changes in assumptions related to these proceedings. See Note 15, Contingent Matters for additional discussion of the Company's legal contingencies.

Business Combinations - The Company accounts for all business combinations since January 1, 2009 using the acquisition method (as required by recently issued accounting pronouncements). Accordingly, intangible assets are recorded apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill. Related third party acquisition costs are expensed as incurred and contingent consideration is booked at its fair value as part of the purchase price.

Assets and liabilities that arose from acquisitions prior to January 1, 2009 preceded the new rules and were not adjusted upon application of the new standards. For all acquisitions completed prior to 2009, the acquisition purchase prices were allocated to the identified assets acquired and liabilities assumed based upon their estimated fair values at the date of acquisition, with any residual amounts allocated to goodwill. Purchase price allocations were considered preliminary for up to one year or until the Company was no longer waiting for final information impacting the purchase price recorded. The Company recognized any third party acquisition costs as a component of the purchase price.

Subsequent Events Review - Management has evaluated events occurring between December 31, 2010 and the date these financial statements were filed with the Securities and Exchange Commission for proper recording or disclosure therein.

Recent Accounting Pronouncements - In September 2006, the Financial Accounting Standards Board ("FASB") issued a statement clarifying how to measure assets and liabilities at fair value. This guidance applies whenever another U.S. 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. Portions of the statement were effective for financial statements issued for fiscal years beginning after November 15, 2007, and the Company began applying those provisions effective January 1, 2008. In February 2008, the FASB issued additional guidance which delayed the effective date of the provisions of the statement concerning all nonfinancial assets and nonfinancial liabilities for one year, except those recognized at fair value in the financial statements on a recurring basis. The Company adopted the delayed provisions of the statements as of January 1, 2009. The adoption of these statements did not have a significant impact on the Company's financial statements.

In December 2007, the FASB issued two statements that impact the way companies account for business combinations and present earnings in their financial statements. The first statement established 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 established disclosure requirements which are intended to enable users to evaluate the nature and financial effects of a business combination. The second statement clarified that a noncontrolling interest in a subsidiary should generally 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 continues to be based on income amounts attributable to the parent. Both statements were effective for financial statements issued for fiscal years beginning after December 15, 2008, and the Company began applying these provisions effective January 1, 2009. The adoption of these statements has not had a significant impact on the Company's financial position or results of operations to date but did require the Company to recast the financial statements for all prior periods presented herein to conform to the new required presentation of non-controlling interest.

In April 2008, the FASB issued a pronouncement amending the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset. The intent of the pronouncement is to improve the consistency between the useful life of a recognized intangible asset and the period of expected cash flows used to measure the fair value of the asset. The revised guidance was effective for financial statements issued for fiscal years beginning after December 15, 2008 and must be applied prospectively to intangible assets acquired after the effective date. The Company began applying the provisions of the pronouncement for intangible assets acquired after January 1, 2009. The adoption of this pronouncement has not had a significant impact on the Company's financial position or results of operations to date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In December 2008, the FASB issued new guidance related to an employer's disclosures about the type of plan assets held in a defined benefit pension or other post-retirement plan. This guidance is effective for financial statements issued for fiscal years ending after December 15, 2009. The expanded disclosures are presented in Note 12, Pension and Post-retirement Benefits.

In April 2009, the FASB issued a pronouncement that requires assets acquired and liabilities assumed in business combinations that arise from contingencies be recognized at fair value if fair value can reasonably be estimated. The pronouncement further requires that contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be treated as a contingent consideration of the acquirer and should be initially and subsequently measured at fair value. The guidance was effective for business combinations on or after the beginning of the first annual reporting period after December 15, 2008. As such the Company began applying the provisions of this pronouncement on January 1, 2009. The adoption of these provisions has not had a significant impact on the Company's financial position or results of operations to date.

In April 2009, the FASB issued a pronouncement which affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction; clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active; and eliminates the proposed presumption that all transactions are distressed (not orderly) unless proven otherwise. The guidance was effective for interim and annual periods ending after June 15, 2009. The Company began applying the provisions of the pronouncement effective April 1, 2009. The adoption of this pronouncement has not had a significant impact on the Company's financial statements.

In April 2009, the FASB issued a pronouncement that changes existing guidance for determining whether an impairment is other than temporary for debt securities; replaces existing requirements that the entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert that it does not have the intent to sell the security and that it is more likely than not it will not have to sell the security before recovery of its cost basis; requires that an entity recognize noncredit losses on held-to-maturity debt securities in other comprehensive income and amortize the amount over the remaining life of the security; requires an entity to present the total other-than-temporary impairment in the statement of earnings with an offset for the amount recognized in other comprehensive income; and requires a cumulative effect adjustment as of the beginning of the period of adoption to reclassify the noncredit component of a previously recognized other-than-temporary impairment from retained earnings to accumulated other comprehensive income in certain instances. The pronouncement was effective for interim and annual periods ending after June 15, 2009. The Company began applying its provisions effective April 1, 2009. The adoption of this pronouncement has not had a significant impact on the Company's financial statements.

In August 2009, the FASB issued additional guidance clarifying the measurement of liabilities at fair value. When a quoted price in an active market for the identical liability is not available, the amendments require that the fair value of a liability be measured using one or more of the listed valuation techniques that should maximize the use of relevant observable inputs and minimize the use of unobservable inputs. In addition the amendments clarify that when estimating the fair value of a liability, an entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The amendment also clarifies how the price of a traded debt security (i.e., an asset value) should be considered in estimating the fair value of the issuer's liability. The amendments were effective immediately. The adoption of this amendment did not have a significant impact on the Company's financial statements.

In October 2009, the FASB issued guidance that superseded certain previous rules relating to how a company allocates consideration to all of its deliverables in a multiple-deliverable revenue arrangement. The revised guidance eliminates the use of the residual method of allocation in which the undelivered element is measured at its estimated selling price and the delivered element is measured as the residual of the arrangement consideration and alternatively requires that the relative-selling-price method be used in all circumstances in which an entity recognizes revenue for an arrangement with multiple-deliverables. The revised guidance requires both ongoing disclosures regarding an entity's multiple-element revenue arrangements as well as certain transitional disclosures during periods after adoption. All entities must adopt the revised guidance no later than the beginning of their first fiscal year beginning on or after June 15, 2010 with earlier adoption allowed. Entities may elect to adopt the guidance through either prospective application or through retrospective application to all revenue arrangements for all periods presented. The Company plans to adopt the revised

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

guidance effective January 1, 2011, using prospective application. The Company does not believe the adoption of this guidance will have a significant impact on the Company's financial statements.

In January 2010, the FASB issued guidance that clarifies the scope and establishes the accounting and reporting guidance for noncontrolling interests and changes in ownership interest of a subsidiary. This standard update was effective beginning with the interim or annual reporting period ending on or after December 15, 2009. The Company began applying this amendment in its December 31, 2009 financial statements. The adoption of this amendment did not have a significant impact on the Company's financial statements.

In January 2010, the FASB issued guidance which adds new requirements for disclosures of fair value measurements. The guidance requires the disclosure of transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. Additionally, the guidance clarifies existing fair values disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. The Company began applying this provision for reporting periods beginning March 31, 2010. The adoption of this pronouncement did not have a significant impact on the Company's financial statements.

2. Inventories

Inventories consist of the following (in thousands):

	December 31	
	2010	2009
Raw materials and parts	\$ 96,731	\$ 90,150
Work-in-process	60,463	52,010
Finished goods	77,583	87,968
Used equipment	18,204	18,420
Total	\$ 252,981	\$ 248,548

The above inventory amounts are net of reserves totaling \$19,399,000 and \$16,378,000 in 2010 and 2009, respectively.

3. Fair Value Measurements

The Company has various financial instruments that must be measured at fair value on a recurring basis including marketable debt and equity securities held by Astec Insurance Company ("Astec Insurance"), the Company's captive insurance company, and marketable equity securities held in an unqualified Supplemental Executive Retirement Plan ("SERP"). The financial assets held in the SERP also constitute a liability of the Company for financial reporting purposes. The Company's subsidiaries also occasionally enter into foreign currency exchange contracts to mitigate exposure to fluctuations in currency exchange rates.

For cash and cash equivalents, trade receivables, other receivables, revolving debt and accounts payable, the carrying amount approximates the fair value because of the short-term nature of these instruments. Investments are carried at their fair value based on quoted market prices for identical or similar assets or, where no quoted prices exist, other observable inputs for the asset. The fair values of foreign currency exchange contracts are based on quotations from various banks for similar instruments using models with market based inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As indicated in the table below, the Company has determined that its financial assets and liabilities at December 31, 2010 are level 1 and level 2 in the fair value hierarchy (in thousands):

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Trading equity securities:				
SERP money market fund	\$ 1,516	\$ --	\$ --	\$ 1,516
SERP mutual funds	1,158	--	--	1,158
Preferred stocks	562	--	--	562
Trading debt securities:				
Corporate bonds	--	5,446	--	5,446
Municipal bonds	--	3,837	--	3,837
Floating rate notes	--	225	--	225
Other government bonds	--	84	--	84
Pension assets	9,376	--	--	9,376
Total financial assets	\$ 12,612	\$ 9,592	\$ --	\$ 22,204
Financial Liabilities:				
SERP liabilities	\$ 5,807	\$ --	\$ --	\$ 5,807
Derivative financial instruments	--	1,251	--	1,251
Total financial liabilities	\$ 5,807	\$ 1,251	\$ --	\$ 7,058

4. Investments

The Company's investments (other than pension assets) consist of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value (Net Carrying Amount)
December 31, 2010				
Trading equity securities	\$ 3,089	\$ 154	\$ 7	\$ 3,236
Trading debt securities	9,393	266	67	9,592
Total	\$ 12,482	\$ 420	\$ 74	\$ 12,828
December 31, 2009				
Trading equity securities	\$ 2,753	\$ 29	\$ 79	\$ 2,703
Trading debt securities	10,564	405	56	10,913
Total	\$ 13,317	\$ 434	\$ 135	\$ 13,616

The trading equity investments noted above are valued at their estimated fair value based on their quoted market prices and the debt securities are valued based upon a mix of observable market prices and model driven prices derived from a matrix of observable market prices for assets with similar characteristics obtained from a nationally recognized third party pricing service. Additionally, a significant portion of the trading equity securities are in equity money market and mutual funds and also comprise a portion of the Company's liability under its SERP. See Note 12, 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. Astec Insurance has an investment strategy that focuses on providing regular and predictable interest income from a diversified portfolio of high-quality fixed income securities. At December 31, 2010 and 2009, \$1,156,000 and \$1,651,000, respectively, of trading debt securities were due to mature within twelve months and, accordingly, are included in other current assets.

Net unrealized gains or (losses) incurred during 2010, 2009 and 2008, respectively, on investments still held as of the end of each reporting period, amounted to \$219,000, \$1,015,000 and (\$675,000).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Current U.S. accounting guidance provides that goodwill and indefinite-lived 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 2010 and 2008 indicated no impairment of goodwill.

During 2009, the market value of the Company's common stock and that of other companies in related industries declined as a result of the general downturn in the United States and world-wide economies. Additionally, in late 2009, the Company reviewed and adjusted its internal five-year projections as part of its normal budgeting procedures. These factors each impacted the valuations performed to determine if an impairment of goodwill had occurred.

The valuations performed in 2009 indicated possible impairment in two of the Company's reporting units which necessitated further testing to determine the amount of impairment. As a result of the additional testing, 100% of the goodwill in the two reporting units was determined to be impaired. As there are no observable inputs available (Level 3), the Company estimates fair value of the reporting units based upon a combination of discounted cash flows and market approaches. Weighted average cost of capital assumptions used in the calculations ranged from 13% to 22%. A terminal growth rate of 3% was also assumed. The \$16,716,000 related impairment is included in intangible asset impairment charges in the consolidated statements of operations.

The changes in the carrying amount of goodwill by reporting segment for the years ended December 31, 2010 and 2009 are as follows (in thousands):

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	Other	Total
Balance, December 31, 2008	\$ 5,961	\$ 16,245	\$ 1,646	\$ --	\$ 5,807	\$ 29,659
Impairment charge	--	(10,909)	--	--	(5,807)	(16,716)
Final accounting adjustment on business combination	(39)	--	--	--	--	(39)
Foreign currency translation	--	1,003	--	--	--	1,003
Balance, December 31, 2009	5,922	6,339	1,646	--	--	13,907
Balance, December 31, 2010	\$ 5,922	\$ 6,339	\$ 1,646	\$ --	\$ --	\$ 13,907

6. Long-lived and Intangible Assets

Long-lived assets, including finite-lived intangible assets, are reviewed for impairment when events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses for long-lived assets "held and used" and finite-lived intangible assets are recorded if the sum of the estimated future undiscounted cash flows used to test for recoverability is less than the carrying value.

As a result of the Company's 2009 periodic review of the recoverability of intangible assets, the Company recorded an impairment loss of \$320,000 of which \$286,000 was attributed to a dealer network and customer base in the Underground Group and \$34,000 was attributed to patents in the All Others Group. This expense is included in "intangible asset impairment charges" in the consolidated statements of operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Amortization expense on intangible assets was \$598,000, \$693,000 and \$532,000 for 2010, 2009 and 2008, respectively. Intangible assets, which are included in other long-term assets on the accompanying consolidated balance sheets, consisted of the following at December 31, 2010 and 2009 (in thousands):

	2010			2009		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortizable assets:						
Dealer network and customer relationships	\$ 3,620	\$ (830)	\$ 2,790	\$ 3,525	\$ (551)	\$ 2,974
Other	1,624	(1,130)	494	2,866	(923)	1,943
Total amortizable assets	5,244	(1,960)	3,284	6,391	(1,474)	4,917
Non-amortizable assets:						
Trade names	2,003	--	2,003	2,003	--	2,003
Total	\$ 7,247	\$ (1,960)	\$ 5,287	\$ 8,394	\$ (1,474)	\$ 6,920

Intangible asset amortization expense is expected to be \$391,000, \$384,000, \$307,000, \$255,000 and \$240,000 in the years ending December 31, 2011, 2012, 2013, 2014 and 2015, respectively, and \$1,707,000 thereafter.

7. Property and Equipment

Property and equipment consist of the following (in thousands):

	December 31	
	2010	2009
Land, land improvements and buildings	\$ 126,618	\$ 124,737
Equipment	211,579	200,279
Less accumulated depreciation	(169,955)	(152,959)
Total	\$ 168,242	\$ 172,057

Depreciation expense was \$18,022,000, \$17,752,000 and \$16,657,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

8. 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 \$2,380,000, \$2,794,000 and \$3,186,000 for the years ended December 31, 2010, 2009 and 2008, respectively.

Minimum rental commitments for all noncancelable operating leases at December 31, 2010 are as follows (in thousands):

2011	\$1,266
2012	302
2013	148
2014	82
2015	29
Thereafter	6
	<u>\$1,833</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. 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. Wachovia has subsequently been acquired by Wells Fargo Bank, N.A. ("Wells Fargo") and the credit agreement is now with this financial institution.

The Wells Fargo credit facility had an original term of three years with two one-year extensions available. Early in 2010, the Company exercised the final extension bringing the new loan maturity date to May 2012. 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, 2010, the applicable margin based upon the leverage ratio pricing grid was equal to 0.5%. The unused facility fee is 0.125%. The Wells Fargo 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 interest rate was 0.76% and 0.73% at December 31, 2010 and 2009, respectively. The Wells Fargo 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, 2010, the Company had no borrowings outstanding under the credit facility but did have letters of credit outstanding totaling \$7,557,000, resulting in borrowing availability of \$92,443,000 on the Wells Fargo credit facility. The Company was in compliance with the covenants under its credit facility as of December 31, 2010.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd, ("Osborn") has available a credit facility of \$9,046,000 (ZAR 60,000,000) to finance short-term working capital needs, as well as to cover performance letters of credit, advance payment and retention guarantees. As of December 31, 2010, Osborn had no outstanding borrowings under the credit facility, but \$3,910,000 in performance, advance payment and retention guarantees were issued under the facility. The facility is secured by Osborn's buildings and improvements, accounts receivable and cash balances (cash balances up to \$3,015,000) and a \$2,000,000 letter of credit issued by the parent Company. As of December 31, 2010, Osborn had available credit under the facility of \$5,136,000. The facility has an ongoing, indefinite term subject to annual reviews by the bank. The interest rate is the South Africa prime rate which was 9.00% and 10.50% at December 31, 2010 and 2009, respectively. The unused facility fee is 0.793%.

The Company's Australian subsidiary, Astec Australia Pty Ltd ("Astec Australia") has an available credit facility to finance short-term working capital needs of \$813,000 (AUD 800,000) and banking arrangements to finance foreign exchange dealer limit orders of up to \$1,677,000 (AUD 1,650,000), secured by cash balances in the amount of \$762,000 (AUD 750,000) and a \$1,000,000 letter of credit issued by the parent Company. No amounts were outstanding under the credit facilities at December 31, 2010. The interest rate is the Australian adjusted Bank Business Rate plus a margin of 1.05%. The interest rate was 12.46% and 11.21% at December 31, 2010 and 2009, respectively.

10. 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 three 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 2010 and 2009 are as follows (in thousands):

	2010	2009
Reserve balance, beginning of year	\$ 8,714	\$ 10,050
Warranty liabilities accrued	13,365	10,908
Warranty liabilities settled	(12,270)	(12,416)
Other	82	172
Reserve balance, end of year	\$ 9,891	\$ 8,714

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. 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 undiscounted reserves are actuarially determined 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 assumptions, as well as changes in actual experience, could cause these estimates to change in the future. Total accrued loss reserves at December 31, 2010 were \$8,044,000 compared to \$9,253,000 at December 31, 2009, of which \$4,248,000 and \$5,613,000 was included in other long-term liabilities at December 31, 2010 and 2009, respectively.

12. 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 sponsored 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. During 2008, the Company terminated the retiree medical plan at Kolberg-Pioneer, Inc. and completed a lump-sum buyout of the retiree life plans at Kolberg-Pioneer, Inc. and Barber-Greene. Settlement cost of \$109,000 is included as a component of net periodic benefit cost for 2008. 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 in an exchange traded mutual fund that invests in a diversified portfolio of stocks, bonds and money market securities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following provides information regarding benefit obligations, plan assets and the funded status of the plans (in thousands, except as noted *):

	Pension Benefits		Post-retirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation				
Benefit obligation, beginning of year	\$ 10,739	\$ 10,120	\$ 579	\$ 466
Service cost	--	--	44	40
Interest cost	607	613	27	27
Actuarial loss	603	473	421	95
Benefits paid	(495)	(467)	(421)	(49)
Plan change	--	--	(82)	--
Benefit obligation, end of year	11,454	10,739	568	579
Accumulated benefit obligation	\$ 11,454	\$ 10,739	\$ --	\$ --
Change in plan assets				
Fair value of plan assets, beginning of year	\$ 7,896	\$ 6,783	\$ --	\$ --
Actual gain on plan assets	1,003	1,348	--	--
Employer contribution	972	232	421	49
Benefits paid	(495)	(467)	(421)	(49)
Fair value of plan assets, end of year	9,376	7,896	--	--
Funded status, end of year	\$ (2,078)	\$ (2,843)	\$ (568)	\$ (579)
Amounts recognized in the consolidated balance sheets				
Current liabilities	\$ --	\$ --	\$ (90)	\$ (69)
Noncurrent liabilities	(2,078)	(2,843)	(478)	(510)
Net amount recognized	\$ (2,078)	\$ (2,843)	\$ (568)	\$ (579)
Amounts recognized in accumulated other comprehensive income (loss) consist of				
Net loss (gain)	\$ 3,960	\$ 4,005	\$ (120)	\$ (593)
Transition obligation	--	--	47	71
Prior service credit	--	--	(82)	--
Net amount recognized	\$ 3,960	\$ 4,005	\$ (155)	\$ (522)
Weighted average assumptions used to determine benefit obligations as of December 31*				
Discount rate	5.40%	5.78%	4.50%	4.95%
Expected return on plan assets	8.00%	8.00%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A

The measurement date used for all plans was December 31.

In determining the expected return on plan assets, 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.

All assets in the Company's pension plan are invested in an exchange traded mutual fund. The allocation of assets within the mutual fund as of the measurement date (December 31) and the target asset allocation ranges by asset category are as follows:

Asset Category	Actual Allocation		2010 & 2009 Target Allocation Ranges
	2010	2009	
Equity securities	63.8%	61.7%	53 - 73%
Debt securities	30.3%	33.7%	21 - 41%
Money market funds	5.9%	4.6%	0 - 15%
Total	100.0%	100.0%	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The weighted average annual assumed rate of increase in per capita health care costs is 9.0% for 2011 and is assumed to decrease gradually to 5.0% by 2017 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 (in thousands):

	2010	2009
Effect on total service and interest cost		
1% Increase	\$ 4	\$ 3
1% Decrease	(4)	(7)
Effect on accumulated post-retirement benefit obligation		
1% Increase	20	32
1% Decrease	(19)	(29)

Net periodic benefit cost for 2010, 2009 and 2008 included the following components (in thousands, except as noted *):

	Pension Benefits			Post-retirement Benefits		
	2010	2009	2008	2010	2009	2008
Components of net periodic benefit cost						
Service cost	\$ --	\$ --	\$ --	\$ 44	\$ 40	\$ 46
Interest cost	607	613	607	27	27	60
Expected return on plan assets	(610)	(531)	(733)	--	--	--
Amortization of prior service cost	--	--	--	--	--	14
Amortization of transition obligation	--	--	--	24	25	34
Settlement	--	--	--	--	--	109
Amortization of net (gain) loss	255	301	29	(52)	(65)	109
Net periodic benefit cost	\$ 252	\$ 383	\$ (97)	\$ 43	\$ 27	\$ 372
Other changes in plan assets and benefit obligations recognized in other comprehensive income						
Net loss (gain)	\$ 210	\$ (344)	\$ 3,391	\$ 421	\$ 95	\$ 15
Amortization of net gain (loss)	(255)	(301)	(29)	52	65	(109)
Prior service cost (credit)	--	--	--	(82)	--	22
Amortization of prior service credit	--	--	--	--	--	(14)
Transition obligation	--	--	--	--	--	(38)
Amortization of transition obligation	--	--	--	(24)	(25)	(34)
Total recognized in other comprehensive income	(45)	(645)	3,362	367	135	(158)
Total recognized in net periodic benefit cost and other comprehensive income	\$ 207	\$ (262)	\$ 3,265	\$ 410	\$ 162	\$ 214
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31*						
Discount rate	5.78%	6.19%	6.41%	4.95%	6.19%	5.59%
Expected return on plan assets	8.00%	8.00%	8.00%	N/A	N/A	N/A

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company expects to contribute \$343,000 to the pension plan and \$90,000 to the post-retirement benefit plan during 2011.

	Pension Benefits	Post-retirement Benefits
Amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost in 2011 (in thousands)		
Amortization of net (gain) loss	\$ 257	\$ (7)
Amortization of prior service credit	--	(10)
Amortization of transition obligation	--	24

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

	Pension Benefits	Post-retirement Benefits
2011	\$ 534	\$ 90
2012	572	43
2013	583	29
2014	657	50
2015	674	58
2016 - 2020	3,832	559

The Company sponsors a 401(k) defined contribution plan to provide eligible employees with additional income upon retirement. The Company's contributions to the plan are based on employee contributions. The Company's contributions totaled \$3,866,000, \$3,982,000, and \$4,857,000 in 2010, 2009 and 2008, respectively.

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' compensation. Investments are self-directed by participants and can include Company stock. Upon retirement, participants receive their apportioned share of the plan assets in the form of cash.

Assets of the SERP consist of the following (in thousands):

	December 31, 2010		December 31, 2009	
	Cost	Market	Cost	Market
Company stock	\$ 2,217	\$ 3,133	\$ 2,128	\$ 2,569
Equity securities	2,549	2,674	2,363	2,334
Total	\$ 4,766	\$ 5,807	\$ 4,491	\$ 4,903

The Company periodically adjusts the deferred compensation liability such that the balance of the liability equals the total fair market value of all assets held by the trust established under the SERP. Such liabilities are included in other long-term liabilities on the consolidated balance sheets. The equity securities are included in investments in the consolidated balance sheets and classified as trading equity securities. See Note 4, Investments for additional information. The cost of the Company stock held by the plan is included as a reduction in shareholders' equity in the consolidated balance sheets.

The change in the fair market value of Company stock held in the SERP results in a charge or credit to "selling, general and administrative expenses" in the consolidated statements of operations because the acquisition cost of the Company stock in the SERP is recorded as a reduction of shareholders' equity and is not adjusted to fair market value; however, the related liability is adjusted to the fair market value of the stock as of each period end. The Company recognized expense of \$539,000 in 2010 and income of \$399,000 and \$502,000 in 2009 and 2008, respectively, related to the change in the fair value of the Company stock held in the SERP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. Derivative Financial Instruments

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is foreign currency risk. From time to time the Company's foreign subsidiaries enter into foreign currency exchange contracts to mitigate exposure to fluctuations in currency exchange rates. The fair value of the derivative financial instrument is recorded on the Company's balance sheet and is adjusted to fair value at each measurement date. The changes in fair value are recognized in the consolidated statements of operation in the current period. The Company does not engage in speculative transactions nor does it hold or issue financial instruments for trading purposes. The average U.S. dollar equivalent notional amount of outstanding foreign currency exchange contracts was \$8,686,000 during 2010. The Company reported \$1,221,000 of derivative liabilities in other accrued liabilities and \$30,000 in other long-term liabilities at December 31, 2010. At December 31, 2009, the Company reported \$111,000 of derivative liabilities in other accrued liabilities and \$10,000 in other long-term liabilities. The Company recognized, as a component of cost of sales, net losses on derivative financial instruments of \$1,473,000 and \$20,000 for the years ended December 31, 2010 and 2009, respectively. There were no gains or losses recognized on derivative financial instruments in 2008. There were no derivatives that were designated as hedges at December 31, 2010 or December 31, 2009.

14. Income Taxes

For financial reporting purposes, income before income taxes includes the following components (in thousands):

	2010	2009	2008
United States	\$ 39,729	\$ 13,999	\$ 92,013
Foreign	8,974	(2,758)	6,048
Income before income taxes	\$ 48,703	\$ 11,241	\$ 98,061

The provision for income taxes consists of the following (in thousands):

	2010	2009	2008
Current provision:			
Federal	\$ 12,145	\$ 6,608	\$ 26,802
State	2,352	924	4,420
Foreign	2,131	221	992
Total current provision	16,628	7,753	32,214
Deferred provision (benefit):			
Federal	(802)	867	1,821
State	(22)	698	185
Foreign	327	(1,183)	546
Total deferred provision (benefit)	(497)	382	2,552
Total provision:			
Federal	11,343	7,475	28,623
State	2,330	1,622	4,605
Foreign	2,458	(962)	1,538
Total provision	\$ 16,131	\$ 8,135	\$ 34,766

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 (in thousands):

	2010	2009	2008
Tax at the statutory federal income tax rate	\$ 17,046	\$ 3,935	\$ 34,321
Qualified production activity deduction	(720)	(187)	(1,082)
State income tax, net of federal income tax	1,514	1,054	3,005
Goodwill and intangible asset impairment charges	--	2,114	--
Other permanent differences	290	116	199
Research and development tax credits	(1,849)	(454)	(1,110)
Change in valuation allowance	218	909	(276)
Other items	(368)	648	(291)
Income tax provision	\$ 16,131	\$ 8,135	\$ 34,766

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 (in thousands):

	December 31	
	2010	2009
Deferred tax assets:		
Inventory reserves	\$ 6,625	\$ 5,634
Warranty reserves	3,240	3,032
Bad debt reserves	559	670
State tax loss carryforwards	1,585	1,452
Other	7,683	6,872
Valuation allowances	(1,968)	(1,750)
Total deferred tax assets	17,724	15,910
Deferred tax liabilities:		
Property and equipment	18,022	17,283
Other	2,016	1,535
Total deferred tax liabilities	20,038	18,818
Net deferred tax liability	\$ (2,314)	\$ (2,908)

As of December 31, 2010, the Company has state net operating loss carryforwards of \$40,100,000 for tax purposes, which will be available to offset future taxable income. If not used, these carryforwards will expire between 2011 and 2024. A significant portion of the valuation allowance for deferred tax assets 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 a periodic basis and the valuation allowance is adjusted accordingly. In 2010, the valuation allowance on these carryforwards was increased by \$194,000 based upon the projected ability of certain entities to utilize their state net operating loss carryforwards. The Company has also determined that the recovery of certain other deferred tax assets is uncertain. Accordingly, in 2010 the valuation allowance for these deferred tax assets was increased by \$24,000.

Undistributed earnings of the Company'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, the Company 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2007. 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 2004.

At December 31, 2010, the Company has a liability for unrecognized tax benefits of \$570,000 which includes accrued interest and penalties of \$83,000. The Company had a liability recorded for unrecognized tax benefits at December 31, 2009 of \$675,000 which included accrued interest and penalties of \$97,000. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense. The Company recognized tax benefits of \$14,000 and \$43,000 in 2010 and 2009, respectively, for penalties and interest related to amounts that were settled for less than previously accrued. The total amount of unrecognized tax benefits that, if recognized, would affect the effective rate is \$515,000 and \$539,000 at December 31, 2010 and 2009, respectively. The Company does not expect a significant increase or decrease to the total amount of unrecognized tax benefits within the next 12 months. A reconciliation of the beginning and ending unrecognized tax benefits is as follows (in thousands):

	2010	2009	2008
Balance, beginning of year	\$ 675	\$ 939	\$ 1,873
Additions for tax positions related to the current year	142	106	422
Additions for tax positions related to prior years	74	190	59
Reductions due to lapse of statutes of limitations	(132)	(253)	(143)
Decreases related to settlements with tax authorities	(189)	(307)	(1,272)
Balance, end of year	\$ 570	\$ 675	\$ 939

The December 31, 2010 balance of unrecognized tax benefits includes 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.

15. Contingent Matters

Certain customers have financed purchases of Company products through arrangements in which the Company is contingently liable for customer debt of \$3,037,000 and \$4,276,000 at December 31, 2010 and 2009, respectively. At December 31, 2010, the maximum potential amount of future payments for which the Company would be liable is equal to \$3,037,000. These arrangements also provide that the Company will receive the lender's full security interest in the equipment financed if the Company is required to fulfill its contingent liability under one of these arrangements. The Company has recorded a liability of \$288,000 related to these guarantees at December 31, 2010.

In addition, the Company is contingently liable under letters of credit issued by Wells Fargo totaling \$7,557,000 as of December 31, 2010, including a \$1,000,000 and a \$2,000,000 letter of credit issued on behalf of Astec Australia and Osborn, respectively, two of the Company's foreign subsidiaries. The outstanding letters of credit expire at various dates through October 2013. As of December 31, 2010, Osborn is contingently liable for a total of \$3,910,000 in performance advance payment and retention guarantees. As of December 31, 2010, the maximum potential amount of future payments under these letters of credit and guarantees for which the Company could be liable is \$11,467,000.

Pursuant to a purchase agreement executed in late 2010, the Company is committed to purchase real estate facilities in Australia for a total of \$4,390,000 (AUD 4,320,000), of which \$488,000 (AUD 480,000) was paid as a deposit prior to December 31, 2010. Final closing on the acquisition is expected in the first half of 2011, after which time the property will be used as the primary facilities of Astec Australia in place of their currently leased property.

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,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

if necessary. If management believes that a material 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.

During 2009, the Company received notice that Johnson Crushers International, Inc. is subject to an enforcement action brought by the U.S. Environmental Protection Agency and the Oregon Department of Environmental Quality related to an alleged failure to comply with federal and state air permitting regulations. Each agency is expected to seek sanctions that will include monetary penalties. No penalty has yet been proposed. The Company believes that it has cured the alleged violations and is cooperating fully with the regulatory agencies. At this stage of the investigations, the Company is unable to predict the outcome and the amount of any such sanctions.

During 2004, the Company also received notice from the Environmental Protection Agency that it may be responsible for a portion of the costs incurred in connection with an environmental cleanup in Illinois. The discharge of hazardous materials and associated cleanup relate to activities occurring prior to the Company's acquisition of Barber-Greene in 1986. The Company believes that over 300 other parties have received similar notice. At this time, the Company cannot predict whether the EPA will seek to hold the Company liable for a portion of the cleanup costs or the amount of any such liability.

The Company has not recorded any liabilities with respect to either matter because no estimate of the amount of any such liability can be made at this time.

16. Shareholders' Equity

Under terms of the Company's employee stock option plans, officers and certain other employees were granted options to purchase the Company's common stock at no less than 100% of the market price on the date the option was granted. No additional options can be granted under these plans; however the Company has reserved unissued shares of common stock for exercise of the 92,623 unexercised and outstanding options as of December 31, 2010 under these employee plans. All options granted under these plans vested prior to 2007.

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 vest and become fully exercisable immediately. All stock options have a 10-year term. The shares reserved under the 1998 Non-employee Directors Stock Plan total 141,527 as of December 31, 2010 of which 133,674 shares are available for future grants of stock or deferred stock to directors. No additional options can be granted under this plan. The fair value of stock awards granted to non-employee directors totaled \$189,000, \$203,000 and \$182,000 during 2010, 2009 and 2008, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the Company's stock option activity and related information for the year ended December 31, 2010 follows:

	Options	Weighted Average Exercise Price	Remaining Contractual Life	Intrinsic Value
Options outstanding, beginning of year	302,964	\$ 20.08		
Options exercised	(90,224)	15.86		
Options expired unexercised	(112,264)	25.50		
Options outstanding, end of year	100,476	17.82	3.30 Years	\$ 1,470,000
Options exercisable, end of year	100,476	\$ 17.82	3.30 Years	\$ 1,470,000

The total intrinsic value of stock options exercised during the years ended December 31, 2010, 2009 and 2008 was \$1,525,000, \$125,000 and \$1,696,000, respectively. Cash received from options exercised during the years ended December 31, 2010, 2009 and 2008, totaled \$1,431,000, \$880,000 and \$4,669,000, respectively and is included in the accompanying consolidated statements of cash flows as a financing activity. The excess tax benefit realized from the exercise of these options totaled \$579,000, \$50,000 and \$637,000, respectively for the years ended December 31, 2010, 2009 and 2008. No stock options were granted or vested nor was any stock option expense recorded during the three years ended December 31, 2010. As of December 31, 2010, 2009 and 2008, there were no unrecognized compensation costs related to stock options previously granted.

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 ("RSU's") 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. RSU's granted each year will be determined based upon the performance of individual subsidiaries and consolidated annual financial performance. Additional RSU's will be granted in 2011 based upon cumulative five-year performance. Generally, 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. No RSU's vested during 2010 or 2009. The fair value of the RSU's that vested in 2008 was \$46,000.

RSU's granted in 2007 through 2010 and expected to be granted in 2011 for each prior year's performance and RSU's expected to be granted in 2011 for five-year cumulative performance are as follows:

Actual or Anticipated Grant Date	Performance Period	Original	Forfeitures	Vested	Net	Fair Value Per RSU
March, 2007	2006	71,100	7,579	600	62,921	\$ 38.76
February, 2008	2007	74,800	1,105	600	73,095	\$ 38.52
February, 2009	2008	69,200	300	--	68,900	\$ 22.22
February, 2010	2009	51,000	--	--	51,000	\$ 24.29
February, 2011	2010	63,000	--	--	63,000	\$ 32.41
February, 2011	2006-2010	66,083	--	--	66,083	\$ 32.41
Total		395,183	8,984	1,200	384,999	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Compensation expense of \$2,206,000, \$1,204,000, and \$2,202,000 was recorded in the years ended December 31, 2010, 2009 and 2008, respectively, to reflect the fair value of the original RSU's granted or anticipated to be granted less forfeitures, amortized over the portion of the vesting period occurring during the period. Related income tax benefits of \$731,000, \$433,000 and \$782,000 were recorded in 2010, 2009 and 2008, respectively. The fair value of the 129,083 RSU's expected to be granted in February 2011 was based upon the market value of the related stock at December 31, 2010 and will be adjusted to the fair value as of each period end until the date of grant. Based upon the fair value and net RSU's shown above, it is anticipated that \$4,307,000 of additional compensation costs will be recognized in future periods through 2016. The weighted average period over which this additional compensation cost will be expensed is 3.9 years.

Changes in restricted stock units during the year ended December 31, 2010 are as follows:

	2010
Unvested restricted stock units, beginning of year	206,166
Restricted stock units granted	51,000
Restricted stock units forfeited	(1,250)
Unvested restricted stock units, end of year	255,916

The grant date fair value of the restricted stock units granted during 2010, 2009 and 2008 was \$1,239,000, \$1,538,000 and \$2,881,000, 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 (other than the "Acquiring Person" as defined below) 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. Once the Rights are separated from the Common Stock, then the Rights entitle the holder (other than the Acquiring Person) to purchase shares of Common Stock (rather than Preferred Stock) having a current market value equal to twice the Unit purchase price. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. Operations by Industry Segment and Geographic Area

The Company has four reportable segments. These segments are combinations of business units that offer similar products and services. A brief description of each segment is as follows:

Asphalt Group - This segment consists of three business units that design, engineer, 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, thermal fluid storage tanks and concrete plants. 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 business units that design, engineer, 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 business units that design, engineer, 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 business units that design, engineer, manufacture and market auger boring machines, directional drills, fluid/mud systems, chain and wheel trenching equipment, rock saws, road miners, geothermal drills and oil and natural gas drills. The principal purchasers of these products are pipeline and utility contractors and oil and natural gas drillers.

All Others - This category consists of the Company's other business units, including Peterson Pacific Corp., Astec Australia Pty Ltd, 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 U.S. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intersegment sales and transfers are valued at prices comparable to those for unrelated parties. For management purposes, the Company does not allocate U.S. federal income taxes or corporate overhead (including interest expense) to its business units.

Segment information for 2010 (in thousands)

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	\$ 226,419	\$ 256,400	\$ 166,436	\$ 60,105	\$ 61,975	\$ 771,335
Intersegment revenues	14,391	24,294	13,471	3,228	--	55,384
Interest expense	84	52	66	13	137	352
Depreciation and amortization	4,176	6,714	2,806	2,776	2,256	18,728
Income taxes	1,489	2,436	993	(558)	11,771	16,131
Segment profit (loss)	28,672	16,578	23,234	(8,092)	(27,138)	33,254
Segment assets	342,813	335,008	137,744	96,577	367,474	1,279,616
Capital expenditures	2,399	4,271	3,951	345	370	11,336

Segment information for 2009 (in thousands)

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	\$ 258,527	\$ 218,332	\$ 136,836	\$ 67,353	\$ 57,046	\$ 738,094
Intersegment revenues	14,309	23,497	8,194	314	--	46,314
Interest expense	17	242	52	5	221	537
Depreciation and amortization	4,440	6,472	2,787	2,763	2,214	18,676
Intangible asset impairment charge	--	10,909	--	286	5,841	17,036
Income taxes	1,675	(1,230)	570	(754)	7,874	8,135
Segment profit (loss)	33,455	(172)	13,374	(14,560)	(29,614)	2,483
Segment assets	325,827	314,288	122,047	97,672	301,219	1,161,053
Capital expenditures	2,512	5,903	2,109	6,635	304	17,463

Segment information for 2008 (in thousands)

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	\$ 257,336	\$ 350,350	\$ 150,692	\$ 135,152	\$ 80,170	\$ 973,700
Intersegment revenues	24,072	26,971	4,931	3,755	--	59,729
Interest expense	174	167	383	--	127	851
Depreciation and amortization	4,116	6,065	2,634	2,726	1,802	17,343
Income taxes	2,920	2,286	609	(54)	29,005	34,766
Segment profit (loss)	40,765	37,032	15,087	12,510	(41,153)	64,241
Segment assets	302,008	314,366	109,113	109,383	304,661	1,139,531
Capital expenditures	4,097	15,280	4,282	6,494	9,779	39,932

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The totals of segment information for all reportable segments reconciles to consolidated totals as follows (in thousands):

	2010	2009	2008
Sales			
Total external sales for reportable segments	\$ 709,360	\$ 681,048	\$ 893,530
Intersegment sales for reportable segments	55,384	46,314	59,729
Other sales	61,975	57,046	80,170
Elimination of intersegment sales	(55,384)	(46,314)	(59,729)
Total consolidated sales	\$ 771,335	\$ 738,094	\$ 973,700
Net income attributable to controlling interest			
Total profit for reportable segments	\$ 60,392	\$ 32,097	\$ 105,394
Other losses	(27,138)	(29,614)	(41,153)
Net income attributable to non-controlling interest	(142)	(38)	(167)
(Elimination) recapture of intersegment profit	(682)	623	(946)
Total consolidated net income attributable to controlling interest	\$ 32,430	\$ 3,068	\$ 63,128
Assets			
Total assets for reportable segments	\$ 912,142	\$ 859,834	\$ 834,870
Other assets	367,474	301,219	304,661
Elimination of intercompany profit in inventory	(1,944)	(1,263)	(1,886)
Elimination of intercompany receivables	(435,980)	(389,129)	(324,860)
Elimination of investment in subsidiaries	(119,562)	(119,562)	(119,562)
Other eliminations	(72,491)	(60,198)	(80,411)
Total consolidated assets	\$ 649,639	\$ 590,901	\$ 612,812
Interest expense			
Total interest expense for reportable segments	\$ 215	\$ 316	\$ 724
Other interest expense	137	221	127
Total consolidated interest expense	\$ 352	\$ 537	\$ 851
Depreciation and amortization			
Total depreciation and amortization for reportable segments	\$ 16,472	\$ 16,462	\$ 15,541
Other depreciation and amortization	2,256	2,214	1,802
Total consolidated depreciation and amortization	\$ 18,728	\$ 18,676	\$ 17,343
Capital expenditures			
Total capital expenditures for reportable segments	\$ 10,966	\$ 17,159	\$ 30,153
Other capital expenditures	370	304	9,779
Total consolidated capital expenditures	\$ 11,336	\$ 17,463	\$ 39,932

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Sales into major geographic regions were as follows (in thousands):

	2010	2009	2008
United States	\$ 476,928	\$ 465,473	\$ 620,987
Asia	5,797	19,037	33,203
Southeast Asia	4,845	4,498	11,712
Europe	19,395	23,807	39,182
South America	43,598	28,900	36,492
Canada	81,839	73,657	77,226
Australia	24,804	22,623	26,059
Africa	60,838	50,368	63,315
Central America	15,549	10,376	26,664
Middle East	24,863	25,878	28,842
West Indies	5,698	4,770	4,779
Other	7,181	8,707	5,239
Total foreign	294,407	272,621	352,713
Total consolidated sales	\$ 771,335	\$ 738,094	\$ 973,700

Long-lived assets by major geographic region are as follows (in thousands):

	December 31	
	2010	2009
United States	\$ 154,918	\$ 163,135
Canada	3,384	3,512
Africa	8,117	6,558
Australia	4,533	538
Total foreign	16,034	10,608
Total	\$ 170,952	\$ 173,743

18. Accumulated Other Comprehensive Income

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

	December 31	
	2010	2009
Foreign currency translation adjustment	\$ 10,345	\$ 6,626
Unrecognized pension and post-retirement benefit cost, net of tax of \$1,506 and \$1,408, respectively	(2,299)	(2,075)
Accumulated other comprehensive income	\$ 8,046	\$ 4,551

19. Other Income (Expense) - Net

Other income (expense), net consists of the following (in thousands):

	2010	2009	2008
Investment income	\$ 129	\$ 615	\$ 5,907
Other	546	522	348
Total	\$ 675	\$ 1,137	\$ 6,255

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Business Combinations

On October 1, 2008, the Company acquired all of the outstanding capital stock of Dillman Equipment, Inc., a Wisconsin corporation ("Dillman") and Double L Investments, Inc., a Wisconsin corporation which owned the real estate and improvements used by Dillman, for \$20,384,000 including cash acquired of \$4,066,000 plus transaction costs of \$183,000. In addition to the purchase price paid to the sellers, the Company also paid off \$912,000 of outstanding debt coincident with the purchase. The transaction resulted in the recognition of \$4,765,000 of goodwill. The effective date of the purchase was October 1, 2008, and the results of Dillman's operations have been included in the consolidated financial statements since that date. Subsequent to the closing, the two acquired corporations were merged into Astec, Inc., a subsidiary of the Company and Dillman operates as a division of Astec, Inc. from its current location in Prairie du Chien, Wisconsin. During June 2009, the purchase price allocation was finalized and funds previously held in escrow have been distributed. No significant adjustments to amounts previously recorded were made as a result of the final accounting.

Dillman was incorporated in 1994 and is a manufacturer of asphalt storage silos, counterflow drum plants, cold feed systems, recycle systems, baghouses, dust silos, air pollution control systems, portable asphalt plants, drag slats, transfer conveyors, plant controls, control houses, silos, asphalt storage tanks, parts and field services.

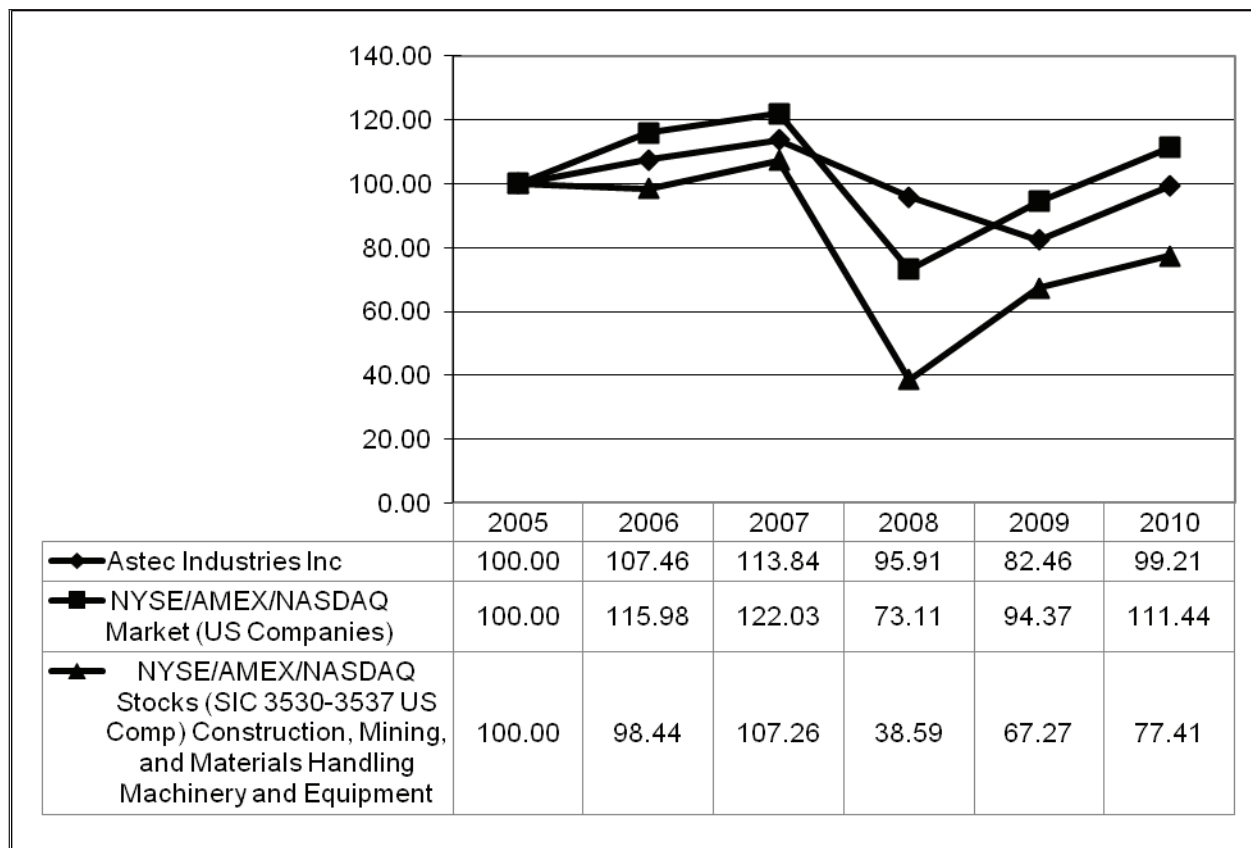
On October 1, 2008, the Company purchased substantially all of the assets and assumed certain liabilities of Q-Pave Pty Ltd, an Australia company ("Q-Pave") for \$1,797,000. At the time of the purchase, Q-Pave had payables to other Company subsidiaries totaling \$1,589,000 which was a component of the purchase price. The effective date of the purchase was October 1, 2008, and the results of Astec Australia Pty Ltd's operations have been included in the consolidated financial statements since that date. During June 2009, the purchase price allocation was finalized which resulted in an increase in intangible assets of \$342,000 to a total of \$616,000.

Astec Australia Pty Ltd is the Australian and New Zealand distributor for many of the products produced by the Company's manufacturing business units.

On September 25, 2009, the Company purchased substantially all of the assets of Industrial Mechanical & Integration ("IMI") located in Walkerton Ontario, Canada for \$463,000 plus a conditional earn-out. The purchase of IMI resulted in the recognition of \$1,242,000 of intangible assets which consist of drawings (5-year weighted average useful life), non-compete agreement (3-year weighted average useful life) and in process research and development. The acquisition included machine technology used to manufacture equipment which produces wood pellets utilized in generating renewable energy among other applications. The pellet producing machines are being engineered, manufactured and marketed by existing subsidiaries of the Company. No conditional earn-out payments are due to the seller based upon 2009 and 2010 sales of the specified equipment.

The revenue and pre-tax income of Dillman, Q-Pave and IMI were not significant in relation to the Company's financial statements of their respective years of acquisition, and would not have been significant on a pro forma basis to any earlier periods.

Comparison of 5 Year Cumulative Total Return
Assumes Initial Investment of \$100
Performance Graph for Astec Industries, Inc.



Notes:

- A. Data complete through last fiscal year.
- B. Corporate Performance Graph with peer group uses peer group only performance (excludes only company).
- C. Peer group indices use beginning of period market capitalization weighting.
- D. Calculated (or Derived) based from CRSP NYSE/AMEX/NASDAQ Stock Market (US Companies) Center for Research in Security Prices (CRSP®), Graduate School of Business, The University of Chicago.

2010 Board of Directors

J. Don Brock, PhD

Chairman of the Board, President and
Chief Executive Officer of Astec Industries, Inc.

James B. Baker

Managing Partner of River Associates LLC

Phillip E. Casey

Former Chairman of the Board of
Directors of Gerdau Ameristeel Corporation

Daniel K. Frierson

Chairman of the Board and Chief Executive
Officer of The Dixie Group, Inc.

William D. Gehl

Former Chairman of the Board and Chief
Executive Officer of Gehl Company

Ronald F. Green

Former Chairman of Advatech, LLC.

William B. Sansom

Chairman and Chief Executive Officer of The
H.T. Hackney Co.

W. Norman Smith

Group Vice President - Asphalt,
Astec Industries, Inc.

Glen E. Tellock

Chairman, President and Chief Executive
Officer of The Manitowoc Company, Inc.

COMMITTEES

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Daniel K. Frierson
W. Norman Smith

**Nominating and Corporate
Governance Committee:**

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Ronald F. Green
William B. Sansom
Glen E. Tellock

Audit Committee:

James B. Baker
Phillip E. Casey
William D. Gehl
William B. Sansom
Glen E. Tellock

Compensation Committee:

James B. Baker
Phillip E. Casey
William D. Gehl
Ronald F. Green

CORPORATE EXECUTIVE OFFICERS

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Chairman of the Board
President and CEO

F. McKamy Hall, CPA
Vice President
CFO and Treasurer

Stephen C. Anderson
Corporate Secretary
Director of Investor Relations

David C. Silvius, CPA
Corporate Controller

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

W. Norman Smith
Group Vice President
Asphalt Group

Richard A. Patek
Group Vice President
Aggregate and Mining Group

Joseph P. Vig
Group Vice President
AggReCon Group

SUBSIDIARY OFFICERS

Michael A. Bremmer
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CEI Enterprises, Inc.

Benjamin G. Brock
President
Astec, Inc.

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

Joe K. Cline
President
Astec Underground, Inc.

Larry R. Cumming
President
Peterson Pacific Corp.

Richard J. Dorris
President
Heatec, Inc.

Jeffery J. Elliott
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Johnson Crushers
International, Inc.

Timothy D. Gonigam
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Astec Mobile Screens, Inc.

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

Richard A. Patek
President
Telsmith, Inc.

James F. Pfeiffer
President
American Augers, Inc.

Jeffrey L. Richmond
President
Roadtec, Inc.

David H. Smale
General Manager
Astec Australia Pty Ltd

Joseph P. Vig
President
Kolberg-Pioneer, Inc.

David L. Winters
President
Carlson Paving Products, Inc.

OTHER INFORMATION

Transfer Agent	BNY Mellon 480 Washington Blvd., Jersey City, NJ 07310 800.617.6437, www.bnymellon.com/shareowner/equityaccess
Stock Exchange	NASDAQ, National Market - ASTE
Auditors	Ernst and Young LLP, Chattanooga, TN
General Counsel and Litigation	Chambliss, Bahner & Stophel, P.C., Chattanooga, TN
Securities Counsel	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 Ph 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 Company's Code of Conduct is posted at www.astecindustries.com.

The Annual Meeting will be held on April 28, 2011 at 10:00 A.M., EST in the Training Center at Astec, Inc. located at 4101 Jerome Avenue, Chattanooga, TN 37407.

Bauma
2010
Munich, Germany



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