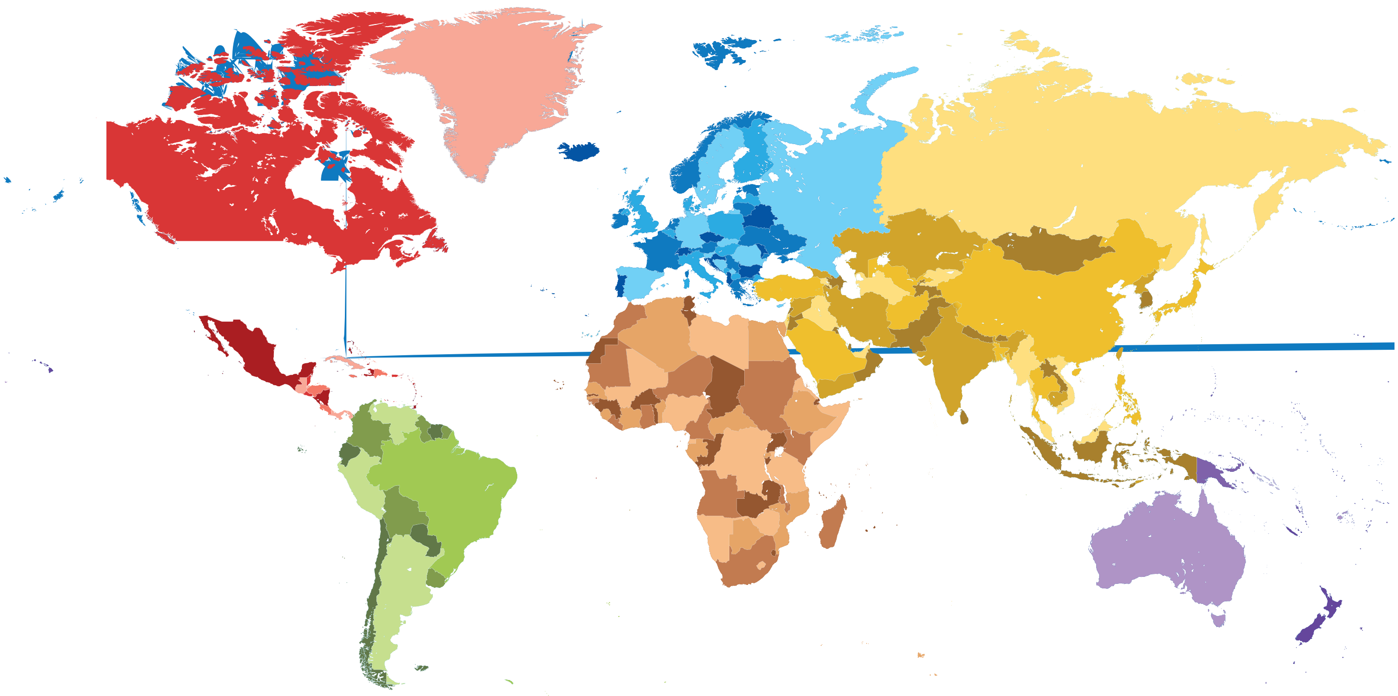
Diversifying Our Global Markets

2011 Annual Report

ASTEC INDUSTRIES, INC.



Energy

Infrastructure

Mining

Astec Industries, Inc. was founded in 1972 with the vision to apply creative thinking and state-of-the-art technology to traditionally low-tech industries, bolstered by a corporate culture renowned for putting customer service first. Based in Chattanooga, Tennessee, the Astec Industries, Inc. family of companies has become America's leading manufacturer of equipment for asphalt road building, aggregate processing, pipeline and utility trenching, oil, gas and water well drilling and wood processing.

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Astec Industries, Inc.
2011 Financial Overview

	2011	2010	2009	2008	2007
Operating Results (in thousands, except noted*)					
Net sales	**$955,729**	$771,335	$738,094	$973,700	$869,025
Net income attributable to controlling interest [1,2]	**39,918**	32,430	3,068	63,128	56,797
Financial position					
Total assets	**$716,883**	$649,639	$590,901	$612,812	$542,570
Working capital	**331,532**	317,395	278,058	251,263	204,839
Equity	**529,183**	492,806	452,260	440,033	377,473
Per common share*					
Net income attributable to controlling interest [1,2]					
Basic	**$1.77**	$1.44	$0.14	$2.83	$2.59
Diluted	**1.74**	1.42	0.14	2.80	2.53
Book value per common share at year end	**23.00**	21.56	19.89	19.45	16.78
Other data					
Weighted average number of common shares outstanding					
Basic	**22,589**	22,517	22,447	22,288	21,968
Diluted	**22,984**	22,830	22,716	22,586	22,445
Associates*	**3,885**	3,284	3,137	3,973	3,886

Certain amounts for 2008 and 2007 have been reclassified to conform with the 2011 presentation.

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

[2] The fourth quarter of 2009 includes impairment charges, primarily goodwill, of $17,036,000, or $13,627,000, net of tax benefit of $3,409,000.

Listed on NASDAQ as ASTE

Letter to Shareholders

In 2011 we continued improvement in the performance of our company although we did not reach the historic highs of 2008. Considering the state of the domestic economy, the lack of direction from Washington, the lack of a highway bill, and the lack of an energy policy, we are very pleased to have achieved the levels of revenues and earnings generated in 2011. Our Net Sales for 2011 were $955.7 Million and our Net Income was $39.9 Million compared to Net Sales of $771.3 Million and Net Income of $32.4 Million for 2010.

The initiatives we started in 2009 began to yield positive results in 2011; namely, to increase the volume of infrastructure equipment sales in international markets, to establish and grow a new mining sales force, and to diversify our equipment into the energy industry. We foresee these initiatives continuing to have an impact in 2012.

Over the past 39 years, our business has been built on developing equipment to build and rebuild America's infrastructure. We now manufacture over 200 different products. Much of this equipment can be used in the mining and energy industry with little modification. To insulate each of our companies from major cyclic downturns we have encouraged each of our presidents to have their respective companies serve multiple markets. Today most of our companies serve at least two markets. Our crushing equipment is easily made applicable to the mining industry with little modification. Our thermal oil heaters and high efficiency water heaters can be used in a wide variety of industries, particularly in the energy industry for natural gas processing plants, tar sands recovery processes, and many other applications. We are pleased to see the growth and application of these products in other industries along with the growth and maturity of the sales forces that we have deployed internationally.

During 2011, we invested heavily in new products as well as in upgrades to existing products. The installation of Tier 4 engines in most of our mobile products is still in progress and has required a significant amount of engineering time to modify the machinery in order to accommodate the larger engine packages that are required. Tier 4 engines make an extremely minor environmental improvement compared to Tier 3 engines, but require major modifications to the equipment as well as significant increases in the cost of the engines. In addition to the Tier 4 modifications, our engineering groups made significant upgrades, added new models, and broadened their product lines. During 2011 we sold our first concrete plant and it is performing successfully. We developed our first prototype wood pellet plant as well as the presses to form the wood into very dense pellets. We expect to begin receiving orders for this equipment in 2012. The Aggregate & Mining Group continued the development of a new line of cone crushers, broadened our line of track mounted crushers, and developed two models of a jaw / cone combination plant for small production in third world countries. In the forest products area we developed a large four flail debarker along with a new and larger model of disc chipper used for eucalyptus wood applications in South America. We continued to develop our new 4300 Drum Chipper and introduced the first models of our Micro Chippers which produce very fine chips applicable for pellet plants. The Asphalt Group developed two models of smaller, highly

2011

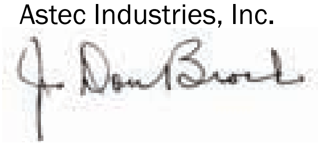
portable asphalt plants for use in rural areas and less populated countries. The Mobile Asphalt Group continued to develop the Power Broom, the Stabilizer line, and the Tier 4 models for its pavers, the Shuttle Buggy®, and the milling machine line. Using the combined expertise at JCI / KPI and Roadtec, we have developed cold in place recycling equipment used to rehabilitate lower traffic roads. The Underground Group introduced a new line of pump trailers used for fracking and for working over existing oil wells.

During 2011 Astec Industries acquired GEFCO and its divisions, Steco and King Oil Tools, located in Enid, Oklahoma. Along with the drill rigs built by American Augers, this gives us the broadest line of drill rigs in America. GEFCO has a large international population of water well rigs as well as rotary table and top drive oil drilling rigs. We also acquired Astec Mobile Machinery GmbH in Hameln, Germany. From this operation we will manufacture high density screeds for the Roadtec pavers as we introduce them into Europe. Astec Mobile Machinery GmbH will function as a distributor and parts depot for the Roadtec product lines as well as a manufacturer of the high density screeds, widening machines, and its line of compaction equipment. We entered a joint venture with MDE in Brazil to manufacture our crushing equipment. This new joint venture is building a new manufacturing facility in Vespasiano, Minas Gerais, Brazil which should be operating later this year. We opened new facilities for Astec Australia and Astec Mobile Machinery GmbH in Germany, and completed plant additions at Heatec, Inc. in the U.S. and at Osborn in South Africa. Also in the U.S., at Astec, Inc. we added new facilities for customer training, and at Roadtec, Inc. we opened a 100 seat auditorium and training complex for the training of Roadtec customers.

We believe the uncertainty factor will persist in the United States economy in 2012 resulting in many of our customers continuing to be cautious buyers. We do believe, however, the areas of the world rich in minerals and oil will continue to grow. We have positioned ourselves to better take advantage of growth markets with our increased sales coverage and our broadened product base. The two companies we acquired in 2011 along with the new joint venture in Brazil should add to our volume and profit during 2012. Many of the new products that we invested heavily in during the past two years should also begin to reap rewards and boost our growth in 2012. This has been a long and tough recession and it continues to linger. Our management team has worked diligently over the last three years to diversify our company products and markets both geographically and in the industries we serve. This has certainly not been easy or without cost, but it will benefit our company in the years to come.

We thank each of you for your support and encouragement during these recent tough years while we look forward to a better 2012.

Sincerely,
Astec Industries, Inc.



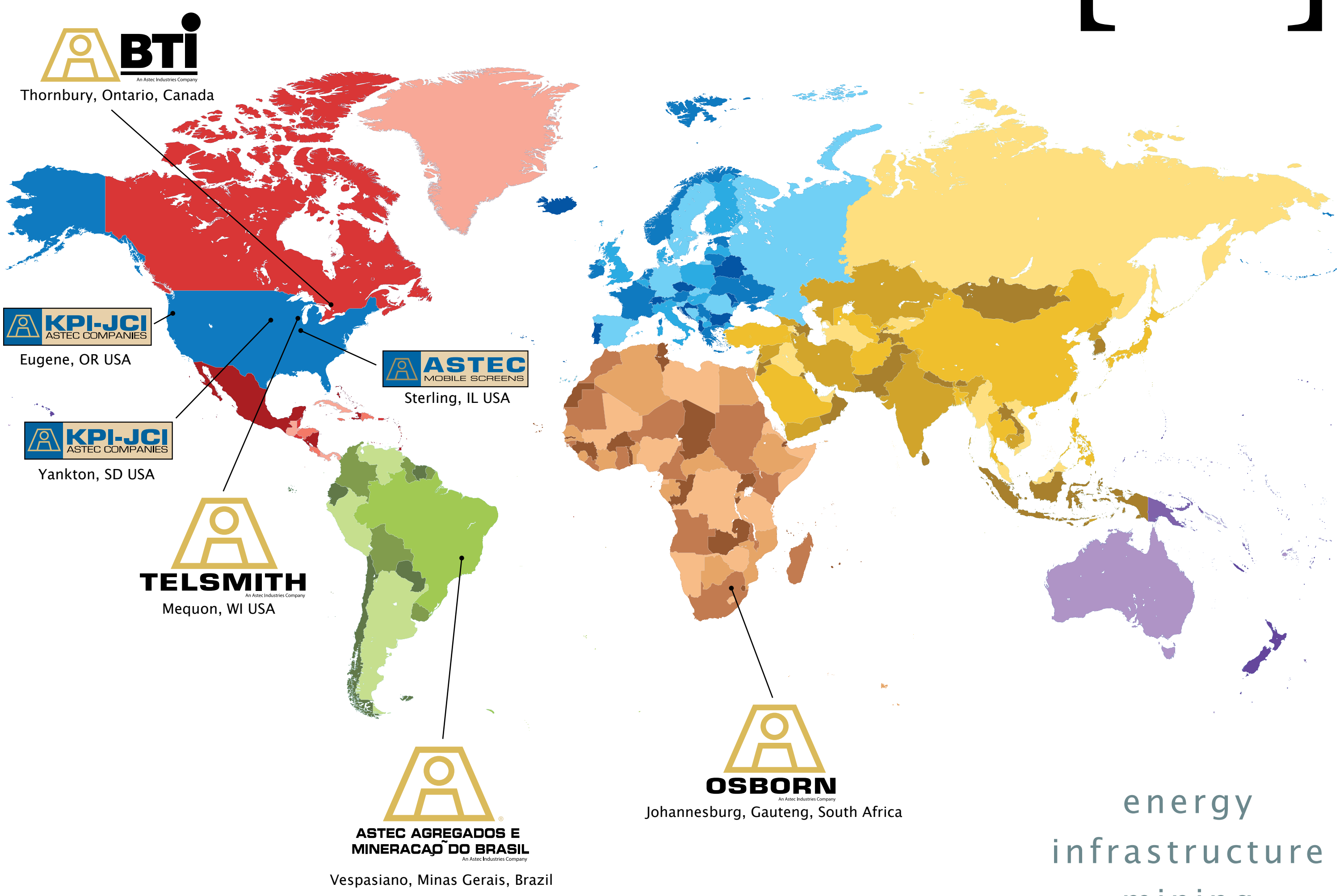
J. Don Brock
Chairman of the Board / CEO

Aggregate and Mining Group

The Aggregate and Mining Group provides innovative solutions for the material handling, mining, quarry, recycling, construction and demolition industries. Superior customer support is a key element to the success of the Aggregate and Mining Group. The group is determined to satisfy customers by offering high quality 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.

core products

crushing equipment • vibrating equipment • portable crushing plants
mine and quarry equipment • demolition equipment • hydraulic hammers
mobile rock breakers • stationary rock breakers • demolition attachments
underground utility equipment • biomass pelletizer equipment
cone crushers • track mounted crushing plants • coal crushers • jaw crushers
aggregate feeders and conveyors • rotary scrubbers • vibrating screens
washing and classifying equipment • stationary screen structures
high frequency screens • track plants • material handling equipment



energy
infrastructure
mining

Aggregate and Mining Group

Crushing Equipment
Vibrating Equipment
Screening Equipment
Track Plants
Portable Plants
Modular Plants

energy
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[mining]

Astec Industries, Inc.

Telsmith, Inc.

Mequon, Wisconsin USA

For over 100 years, Telsmith, Inc. has provided integrated minerals processing solutions to the global aggregate and mining industries through a commitment to ethical business practices, technologically advanced products, manufacturing excellence and world class customer support.

With a focus on improving efficiency, profitability, and safety in customer operations, Telsmith designs and manufactures processing equipment for the reduction and sizing of raw material. 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.

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

A global network of dealers and factory representatives are available to provide the right solution for aggregate, mining, industrial, or recycling needs, as well as the parts and service to keep Telsmith products running for decades.

Telsmith, Inc. facility located in Mequon, Wisconsin, USA.

Modular Primary Crushing plants are available in both impact crusher and jaw crusher styles.

Telsmith Inclined Vibrating Screen installation.

Telsmith's new Electric Drive JCP 2238-38 Two-Stage Portable Crushing Plant can be moved with minimal disconnection.

SBS Model Cone Crushers offer state of the art technology that has evolved from over 100 years of experience.

Telsmith's Quarry Trax are designed as primary units for quarry duty applications.

Aggregate and Mining Group

Mine and Quarry Equipment
Demolition Equipment
Hydraulic Hammers
Mobile Rock Breakers
Rockbreaker Systems
Demolition Attachments
Underground Utility Equipment

energy
[infrastructure]
[mining]

Astec Industries, Inc.

Breaker Technology

Thornbury, Ontario, Canada
Walkerton, Ontario, Canada
Riverside, California, USA
Solon, Ohio, USA

Breaker Technology (BTI) has expanded upon its 50 years of global experience in manufacturing and support services to the mining, construction, aggregate and demolition industries. The rapid growth in mining and mineral related projects globally has been matched by our recent increase in capacity of our equipment and personnel at BTI's main manufacturing facility in Thornbury, Ontario, Canada. This expanded capability has led to the development of several innovative mobile equipment and stationary boom systems for rock breaking and mine support that are gaining industry accolades for their safety and productivity benefits.

The newly launched high velocity control 'Smart Boom' has a fly by wire computer assisted programmable system that seamlessly provides assisted boom operation for increased boom speeds and extended duty life cycles by reducing shock loading. A true game changer, the HVC 'Smart Boom' heralds a new generation of highly efficient and user friendly rock breaker boom systems, that are sure to delight new and old customers alike.

BTI has gained significant traction within the highly competitive underground mining industry with its unparalleled mobile support vehicle fleet. Leading the way is our newly reengineered RMS 18 (Mechanical Scaler), which is setting new standards in safety and comfort. The mechanized scaler's core benefit is superior scaling coverage while removing potentially dangerous loose rock from mineshaft walls and ceilings.

Breaker Technology headquarters in Thornbury, Ontario, Canada.

BTI's LP 15 Boom Lift.

MRXT Pedestal Rockbreaker Systems have a 24 to 36 foot reach and a breaking range of 4,000 to 8,500 feet per pound.

HFS Hammer Feed Scalers perform safe, precision scaling of tunnel roofs and drift walls.

Shotcrete Transport vehicles are heavy duty, low profile vehicles specifically designed for remix operations in underground applications.

BXR Series Mobile Rock Breakers offer outstanding power to weight ratio, and exceptional efficiency with the oil regeneration system.

Aggregate and Mining Group

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

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Astec Industries, Inc.

Osborn Engineered Products SA (PTY) Ltd

Johannesburg, Gauteng, South Africa

Since 1919, Osborn has firmly embedded itself within the African mining and quarrying industries and more recently with asphalt and civil construction customers, through our core value of continuous devotion to meeting the needs of our customer.

This devotion has led to an extensive capital product and service base for the mining, aggregate, asphalt and construction industries. The offering includes machines for the primary market and relevant parts, service and repairs support for the after market.

Our mining and aggregate offering has been developed “in house” and in conjunction with leading international partners to allow us to be flexible in addressing the majority of our customers’ process requirements.

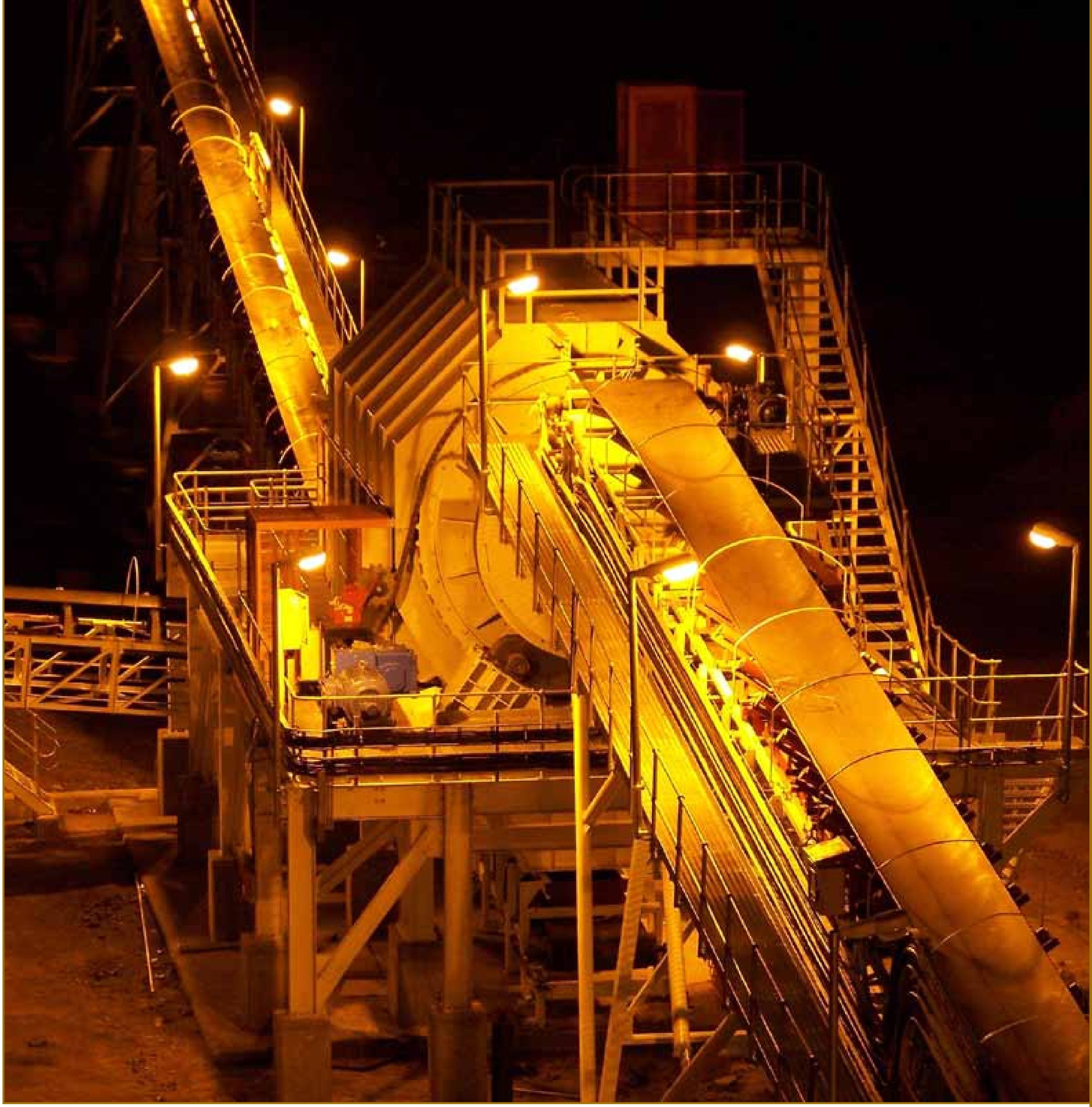
The offering extends in mining from the large fixed plants, which includes rotary breakers, mills and modular primary plants, to flexible modular secondary and tertiary plants and even precise crushing equipment that meets laboratory requirements. These products have been engineered to address the sizing and sorting of the hardest minerals across the range to the soft and sticky applications.

Our construction and asphalt products, developed by our Astec sister companies, have assisted us in developing new customer relationships for future development and support of the growing African Renaissance and the related infrastructure requirements.

Osborn Engineered Products facility located in South Africa.

Osborn’s Gyrasphere Cone Crusher.

Modular Crushing Plant.



Rotary breakers are used for breaking and cleaning of run-of-mine on primary crushed coal.

Osborn Exciter Driven Vibrating Screen.

Track mounted crushing plant.

Aggregate and Mining Group

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

energy
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Astec Industries, Inc.

Kolberg-Pioneer, Inc.

Yankton, South Dakota, USA

Kolberg-Pioneer, Inc. is a worldwide leader in manufacturing equipment for the aggregate, construction, paving and recycling industries. As an innovative, high-integrity manufacturer, Kolberg-Pioneer, Inc. 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, Inc. 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, Inc. and its dedicated KPI-JCI dealer organization have been recognized within the aggregate and recycling industries as suppliers of dependable equipment and experienced application-oriented support.

In 2011, Kolberg-Pioneer, Inc. focused on developing and updating its track mounted products. Kolberg-Pioneer, Inc. introduced the Global Track (GT) series, which are available at a lower cost so customers can maximize their profits, as a way to compete with other manufacturers both domestically and internationally.

The introduction of several new models and products helped KPI-JCI dealers succeed during 2011. The introduction of the LowPro Drive Over Unloader delivered the convenience, efficiency, ease-of-use and environmentally friendly characteristics that material handling operations demand.

The complete crushing packages offered by Kolberg-Pioneer, Inc., feature the entire Vanguard Jaw line and the HSI crushers. KPI is unique to the industry as the only manufacturer to completely design, manufacture and warrant the entire crushing plant.

Kolberg-Pioneer facility located in Yankton, South Dakota, USA.

Track Mounted Jaw Crusher.

LowPro Truck Unloader allows trucks to drive over and unload material.

Portable Screening and Washing Plants can efficiently process material wherever opportunity exists.

The Vanguard Plus Series Jaw Crusher is the highest-capacity jaw crusher on the market.

Track Mounted Impactor Plants are engineered for maximum impact crushing versatility and feature Andreas Series Impact Crushers.

Aggregate and Mining Group

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

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[mining]

Astec Industries, Inc.

Johnson Crushers International, Inc.

Eugene, Oregon, USA

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 2011, the evolution of the Kodiak Plus® family of cone crushers continued. This evolution of the successful predecessor, the Kodiak®, saw implementation of 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. The company continued to drive down costs while refining its traditional line of horizontal screens. JCI focused attention on the KPI-JCI Combo® Screen, which was earlier developed as a response to the limitations of traditional flat and horizontal screens. This truly unique innovation has proven to deliver unsurpassed productivity, efficiency and flexibility in wet or dry applications. The Combo® Screen was showcased at the 2011 CONEXPO-CON/AGG tradeshow.

JCI developed a new product family being promoted as the Global Track (GT) series, which is comprised of products designed to be marketed globally.

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

Johnson Crushers International, Inc. facility located in Eugene, Oregon, USA.

Fast Trax Screening Plants have higher production capacities and feature triple shaft, oval motion screens.

Horizontal Screen with wash down feature.

JCI Rubber Tire Screening plant.

Kodiak® Plus 400 Cone Crusher.

Combo® Screens are proven to deliver unsurpassed productivity, efficiency, and flexibility in wet or dry applications.

Aggregate and Mining Group

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

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[infrastructure]
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Astec Industries, Inc.

Astec Mobile Screens, Inc.

Sterling, Illinois, USA

Astec Mobile Screens is the world's premier supplier of innovative screening solutions. The full line of products includes 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 2011, Astec Mobile Screens continued to highlight the GT145S track screening plant as part of 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.

Astec Mobile Screens also drew national attention for its Multi-Frequency Screen as one of 2011's Top Roll-Outs from Aggregates Manager magazine. The Multi-Frequency Screen combines the movements of both conventional and high-frequency screens and is able to maintain the higher production rates of a PEP screen at a lower angle, while handling higher moisture content materials. The screen was featured at the 2011 CONEXPO-CON/AGG tradeshow.

Astec Mobile Screens continued its 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 shaft impact crusher (HSI).

Astec Mobile Screens, Inc. facility located in Sterling, Illinois, USA.

Portable High Frequency Screening plants are designed to provide higher production capacities.

Stationary High Frequency Screening plants use aggressive vibration applied directly to the screen to allow for the highest capacity production.

Portable High Frequency Screening plant screening material for an asphalt production facility.

Fold 'n Go High Capacity Track Screening plants are engineered to run closed-circuit with other Astec FT track machines.

Multi Frequency Screens are used for sorting small diameter material and high amplitude for screening larger aggregate.

Aggregate and Mining Group

Mobile Screening Plants
Portable Screening Plants
Stationary Screen Structures
High Frequency Screens
Crushing Equipment
Vibrating Equipment

energy
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Astec Industries, Inc.

Astec Agregados E Mineração Do Brasil LTDA

Vespasiano, Minas Gerais, Brazil

To better position Astec Industries for growth in the South American market, a joint venture was recently formed with Manufatura E Desenvolvimento de Equipamentos LTDA. (MDE). Astec Agregados E Mineração Do Brasil LTDA., of which Astec Industries, Inc. holds a 75% share, will provide for localized manufacturing, sales, distribution, and product support to aggregate and mining companies throughout Brazil and South America.

The joint venture is constructing an 110,021 ft^2 (10,221 m^2) manufacturing facility in Vespasiano, Minas Gerais, Brazil which will employee 33 persons when it begins operations in late 2012, eventually growing to around 115 employees. Products initially manufactured at the new facility will include KPI-JCI track mounted crushers, as well as Telsmith jaw and cone crushers. Expansion to additional Astec products and brands is planned to benefit from decreased freight and import costs, as well as achieving market share growth in relation to competitors with an existing manufacturing base in Brazil.

"Over the last decade MDE has established themselves as a leader in the sales, distribution, and product support of aggregate and mineral handling systems within the Brazilian marketplace," says Richard Patek, Group Vice President, Astec Aggregate & Mining Group, "By partnering with MDE, Astec Industries, Inc. can better offer our innovative solutions within this rapidly expanding marketplace."

Astec Agregados E Mineração Do Brasil LTDA proposed facility in Vespasiano, Brazil.

Telsmith 44 Cone Crusher.

Telsmith 3538 Jaw Crusher in a modular plant installation.

GT 125 Track Mounted Jaw Crusher.

Low-Profile Horizontal Screening Plant.

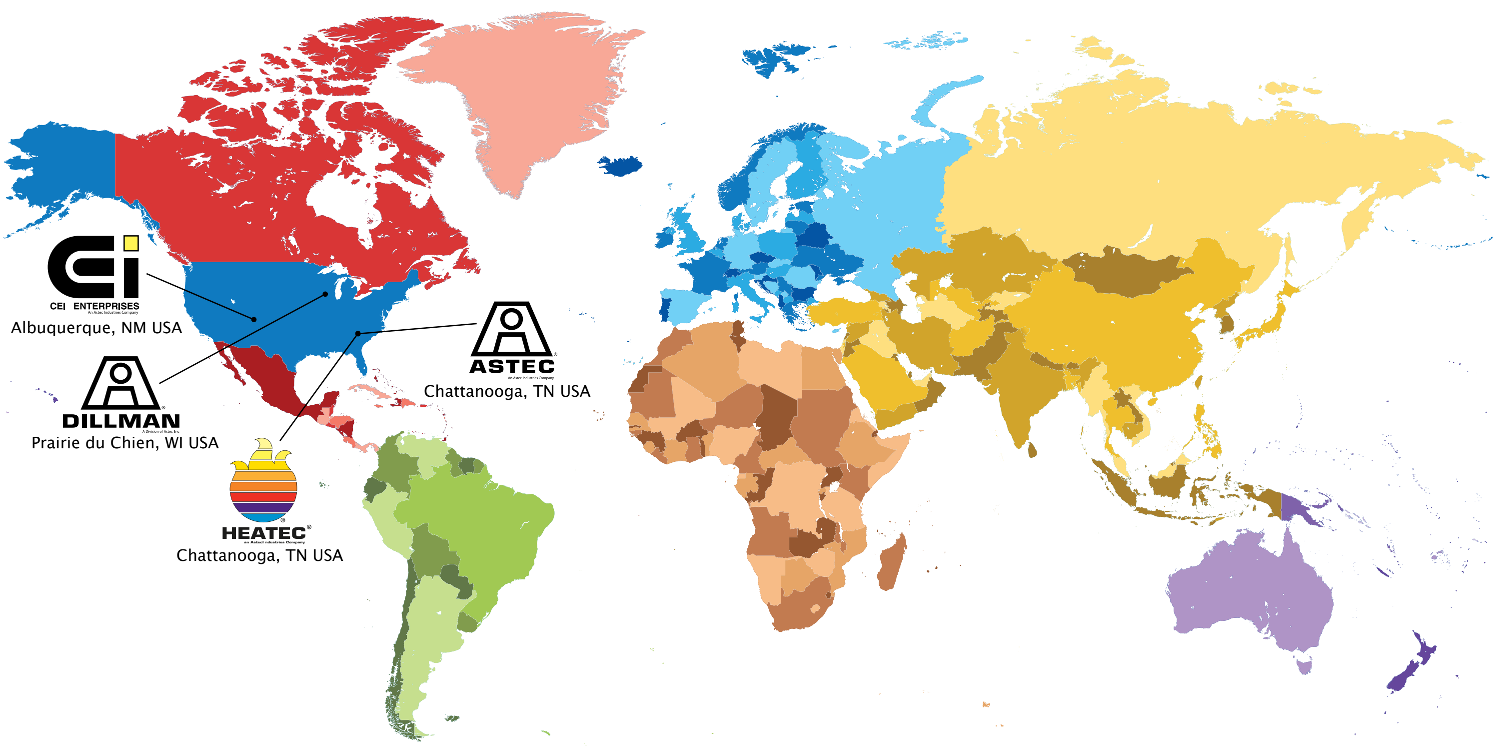
Closed circuit GT200CC mobile crushing and screening plant.

Asphalt Group

The Asphalt Group has earned a reputation for high quality products and customer service. These 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 asphalt pavement 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.

core products

portable asphalt plants • stationary asphalt plants • relocatable asphalt plants
soil remediation plants • concrete plants • wood pellet plants • hot oil heaters
asphalt tanks • polymer blending systems • thermal fluid heaters
water heaters • heated water tanks • asphalt rubber blending systems
asphalt storage tanks • heavy fuel preheaters • emission control equipment
liquid additive systems



energy
infrastructure
mining

Asphalt Group

Portable Asphalt Plants
Relocatable Asphalt Plants
Stationary Asphalt Plants
Soil Remediation Equipment
Wood Pellet Processing Plants
Concrete Plants
Control Systems

[energy]
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mining

Astec Industries, Inc.

Astec, Inc.
Chattanooga, Tennessee, USA

Dillman Equipment
Prairie du Chien, Wisconsin, USA

Astec, Inc. continues to be a world leader in Hot and Warm Mix Asphalt (HMA/WMA) equipment technology, support and training. In 2011, Astec continued to invest in research and development, constructing a prototype wood pellet plant, in cooperation with Breaker Technology, KPI-JCI and Heatec, at its Chattanooga, TN facility. This state-of-the-art plant features a number of industry firsts and Astec expects to have a plant operating in the field in 2012.

In 2011, the Dillman division of Astec launched a new highly portable plant. The Dillman Voyager can be dismantled, moved to a new site and set up and ready for production in about five work days.

Astec also continued to develop its concrete product line and tripled its concrete sales staff in 2011.

Astec rolled out new control solutions in 2011. The new PMIII control system is comprised of individual modules that can be installed together as a package or individually, maximizing the options for customizing the controls. The innovative new Data Acquisition System Hub, or DASH, provides a real-time snapshot of operations. DASH gathers information from multiple plants and makes it accessible via web browser, or flash compatible devices such as Android tablets and smartphones. With DASH installed, trends can be analyzed quickly throughout an operation in order to make more effective management decisions.

Despite the slow global economy, Astec maintained a strong market share based in large part on a solid reputation for quality and service. Astec is optimistic about future prospects and plans to continue to position itself to take full advantage of all opportunities.

Astec, Inc. facility located in Chattanooga, Tennessee, USA.

A Dillman brand portable asphalt plant.

Astec's portable universal low profile concrete plant produces conventional concrete, roller compacted concrete and cement treated base.

Astec's wood pellet processing plants are designed to provide superior quality wood pellets for the biomass industry.

Astec's Double Barrel® drum dryer/mixer can reach capacities up to 600 tons per hour.

Astec designs computer based plant controls for all brands of asphalt production plants, concrete plants and wood pellet plants.

Asphalt Group

Hot Oil Heaters
Industrial Heaters
Direct Contact Water Heaters
Asphalt and Fuel Tanks
Polymer Blending Systems
Steam Generators
Asphalt Terminals
Asphalt Emulsion Plants

[energy]
[infrastructure]
mining

Astec Industries, Inc.

Heatec, Inc.

Chattanooga, Tennessee, USA

Heatec designs, engineers, manufactures and markets a variety of thermal fluid heaters, process heaters, waste heat recovery equipment, liquid storage systems and polymer and rubber blending systems. Heatec also manufactures a complete line of heating and storage equipment for the asphalt industry and water heaters for concrete plants. In addition, Heatec builds a wide variety of industrial heaters to fit a broad range of applications, including heating equipment for marine vessels, roofing material plants, refineries, oil sands, energy related processing, chemical processing, rubber plants and the agribusiness. Heatec has the technical staff to custom design heating systems for a wide variety of applications.

Heatec experienced strong sales for industrial heaters in 2011. Customers for industrial heaters are mainly engaged in the chemical, oil and gas industries.

New products delivered in 2011 for the gas and oil industry included three large portable and self-contained heating units. These units have conventional helical coil heaters. Heatec also built four large Heatec Firestorm® heaters for this industry.

Heatec's sales of asphalt related products also remain strong. These include products for asphalt terminals, emulsion plants and hot mix asphalt plants.

Heatec facility located in Chattanooga, Tennessee, USA.

Heatec Hot Oil Heaters for the asphalt industry are designed around a helical coil.

Steam Generators can produce steam without the use of a fired boiler.

HCI Thermal Fluid and Process Heaters.

Asphalt Terminal located in Texas, USA.

Asphalt Emulsion plant in North Carolina, USA.

Asphalt Group

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

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mining

Astec Industries, Inc.

CEI Enterprises, Inc.

Albuquerque, New Mexico, USA

Since 1969, CEI Enterprises has established itself as a leading manufacturer of production equipment for all corners of the asphalt industry. In addition to this core asphalt business, CEI continues to expand its products into other industries such as oil & gas and chemical processing.

CEI's extensive product range includes RAP King™ and Nomad™ asphalt plants, industry-leading asphalt rubber blending systems, asphalt emulsion plants, polymer blending systems, asphalt heating and storage systems, fuel handling systems, and industrial process equipment.

In 2011 CEI saw a substantial increase in asphalt plant deliveries, particularly to international markets. This includes the company's largest RAP King and Nomad plant projects to date. Both plants, previously available in portable configurations only, are now also available in stationary configurations, and with more options available than ever before. The evolution of these product lines in 2011 also brought two new sizes of plants: a smaller RAP King plant at 130 tph and a larger Nomad plant at 175 tph.

Additional product line updates include CEI's asphalt rubber blending system, with the newest-generation AR plant delivered to California in 2011. CEI continues to provide asphalt terminal heating systems, as well as asphalt plant components such as hot oil heaters, asphalt tanks, fuel tanks, preheaters and emissions control equipment.

CEI Enterprises facility located in Albuquerque, New Mexico, USA.

CEI vertical asphalt tanks come in storage capacities from 10,000 gallons to 40,000 gallons.

Nomad® portable asphalt plants have production capacities of 80, 130 or 175 tons (72, 118 or 159 metric tonnes) per hour.

CEI's RAP King™ drum mixer is capable of producing mixes at 180 tons per hour (163 metric tonnes) using 50% RAP (Reclaimed Asphalt Pavement).

CEI's one-of-a-kind heating system heats diluted asphalt that is then used to coat hot iron pipe.

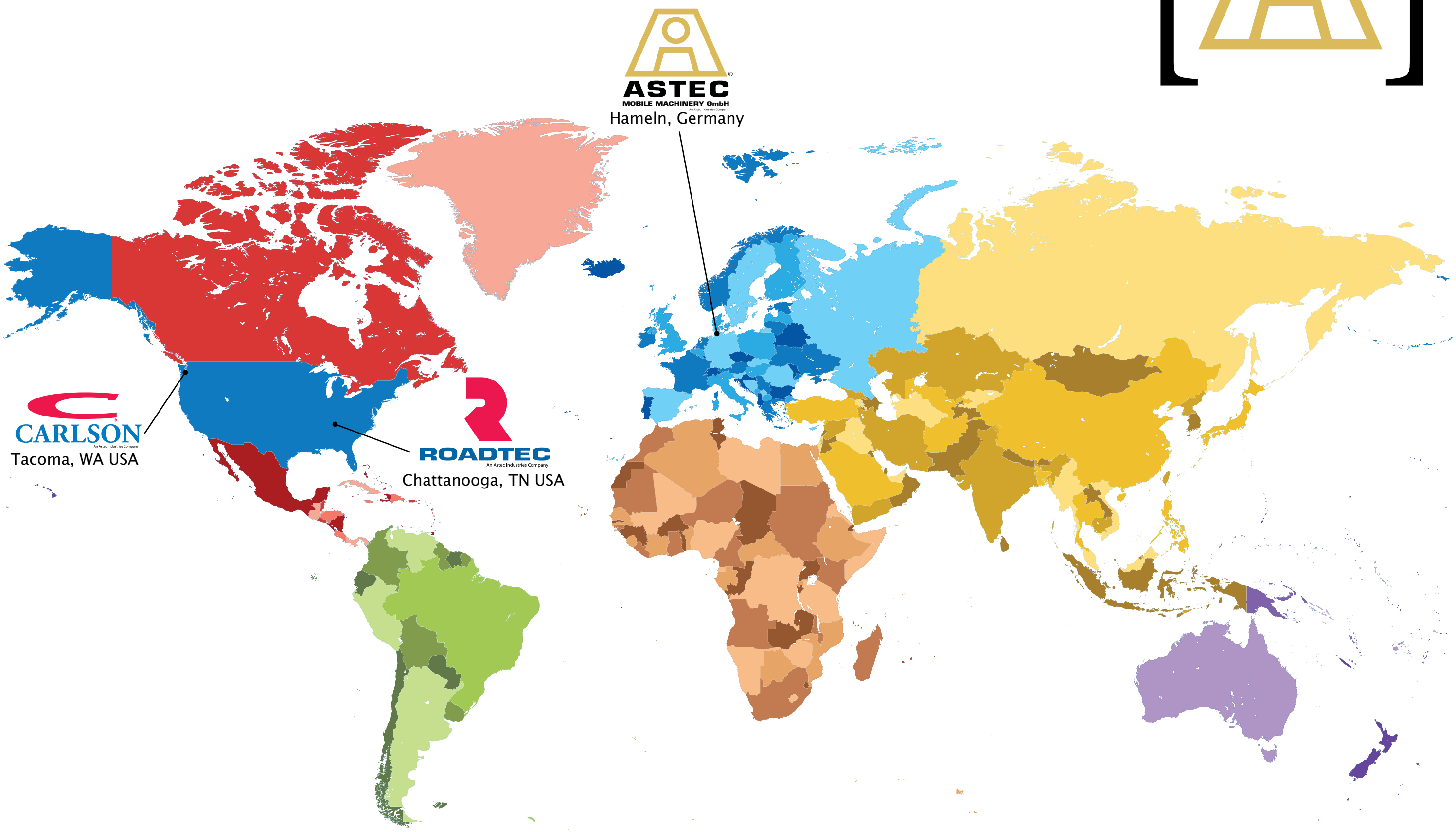
Heavy fuel preheaters are made to heat heavy fuel as it flows to the burner.

Mobile Asphalt Paving Group

The 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 a key to the Mobile Asphalt Paving Group's growth and continues to be its focus.

core products

milling machines • commercial and highway class asphalt pavers
material transfer vehicles • soil stabilizers/reclaimers
cold-in-place asphalt recyclers • asphalt paving screeds
windrow pick-up machines • commercial class asphalt pavers
tamper bar screeds • single drum rollers



energy
infrastructure
mining

Mobile Asphalt Paving Group

Milling Machines
Commercial Class Asphalt Pavers
Highway Class Asphalt Pavers
Material Transfer Vehicles
Cold-In-Place Asphalt Recyclers
Self-Propelled Brooms

energy
[infrastructure]
mining

Astec Industries, Inc.

Roadtec, Inc.

Chattanooga, Tennessee, USA

Roadtec builds mobile asphalt road building equipment. The machines are used in the construction and maintenance of roads and highways worldwide. Despite a difficult business climate in 2011, the company was able to meet and exceed its financial goals.

Roadtec introduced a new product line of self-propelled, heavy-duty brooms in 2011, which is gaining favorable reviews with cold planing contractors. A major re-design across the entire product line to satisfy the requirements of new emission standards is being phased in beginning in 2012 (Tier 4). The company is especially excited about being able to offer remote diagnostic capabilities with Tier 4 machines beginning with all Tier 4 powered cold planers in 2012. This allows Roadtec service personnel as well as the customer to trouble-shoot and monitor most machine functions from anywhere in the world. Plans for the introduction of two new models of soil stabilizers in 2012 are on schedule as well.

Roadtec strives to be a valued resource in the use of roadbuilding equipment. Training of and consultation with customers and prospects has allowed Roadtec to be seen as more than a supplier. Roadtec is a partner and available to help solve problems with their projects in general and with equipment applications in particular.

Roadtec is optimistic that it will meet 2012 goals, as it forges ahead with marketing well-respected products worldwide.

Roadtec facility located in Chattanooga, Tennessee, USA.

RP-195 Rubber Track Asphalt Paver for highway construction.

The RX-700 is a high productivity half-lane planer featuring a Caterpillar® 700 hp engine.

The SB-2500 Shuttle Buggy® Material Transfer Vehicle (MTV) can store and transfer hot-mixed asphalt material from a truck to a paver for continuous paving.

The RT-500 is a top of the line mobile recycle trailer used for cold-in-place recycling.

Roadtec's FB-85 Front Mounted Broom features an axle capacity of 14,000 lbs. and a telescoping broom head.

Mobile Asphalt Paving Group

Asphalt Paving Screeds

Commercial Class Asphalt Pavers

Windrow Pick-Up Machines

energy

[infrastructure]

mining

Astec Industries, Inc.

Carlson Paving Products, Inc.

Tacoma, Washington, USA

Carlson Paving Products, the leader in screed technology for over 25 years, continues its upward march in the highway class asphalt industry. With its offering of five individually unique highway class screeds, and the ability of being attached to highway class pavers that are built by the six major tractor manufacturers in the world, Carlson's product line up has been able to maintain a dominant market share of this important infrastructure building community.

Engineered, designed and supported by the industry's most qualified personnel, Carlson products have been able to dominate a very demanding market segment.

Acquired by Astec Industries in 2000, Carlson Paving Products has enjoyed continued growth and entrance into the commercial paving market. With the introduction of the CP 90, a heavy duty commercial class paver, Carlson provides an excellent alternative of high quality and longer life cycle to a very important segment of the industry that has been long over looked.

Carlson continues its partnership with leaders in the tractor manufacturing industry by offering a strong line of attachments designed to improve safety and the durability of roads to the motoring public and maximize road dollars spent worldwide.

With unmatched support and technical knowledge, Carlson Paving Products and its customer base of top OEM paver manufacturers, dealers and paving contractors will continue to bring innovative changes to the asphalt industry.

Carlson Paving Products, Inc. facility is located in Tacoma, Washington, USA.

Carlson's EZ IV Asphalt Paving Screed.

Carlson CP-90 heavy duty commercial class paver.

Carlson's Paving Screeds meet clean air standards by getting rid of smoke created by diesel flame heated screeds.

EZIII Paving Screeds use an advanced design in heating elements to deliver even controllable heat.

Windrow Pick-Up Machines transfer asphalt mix from windrows in the paving track to the hopper of an asphalt paver.

Mobile Asphalt Paving Group

Shuttle Buggy® Material Transfer Vehicle
Asphalt Pavers–Asphalt Screeds
Milling Machines
Cold–In–Place Recyclers
Front Mounted Brooms
Road Wideners
Vibrating Single Drum Rollers

energy
[infrastructure]
mining

Astec Industries, Inc.

Astec Mobile Machinery GmbH

Hameln, Germany

With its eye on international growth Astec Industries has purchased manufacturing and office space in Hameln, Germany located close to Hanover in the state of Lower Saxony. The entity is named Astec Mobile Machinery GmbH.

Staffed by German engineers, service technicians, and sales staff, the facility will serve all of Europe. Roadtec has taken the lead in developing the facility, however plans are for the location to eventually serve as a European hub for most Astec Industries companies. Roadtec core products are asphalt finishers, cold planers, Shuttle Buggy® material transfer vehicles, soil stabilizers, cold-in-place recycling equipment and self-propelled brooms used in road construction.

Among the projects in the works at Hameln is the development of a tamper bar screed, which will be manufactured at Astec Mobile Machinery beginning in the first quarter of 2012. This screed technology is standard in many European countries and will allow Roadtec to begin marketing its pavers in that region.

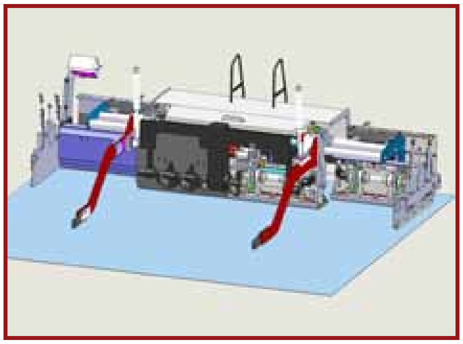
The facility stocks parts and provides service to the growing Astec Industries European customer base.

Astec Mobile Machinery GmbH facility located in Hameln, Germany.

Vibrating Single Drum Roller.

Road Widener.

RP-195 Asphalt Paver.



High Density Screed to be produced in 2012.

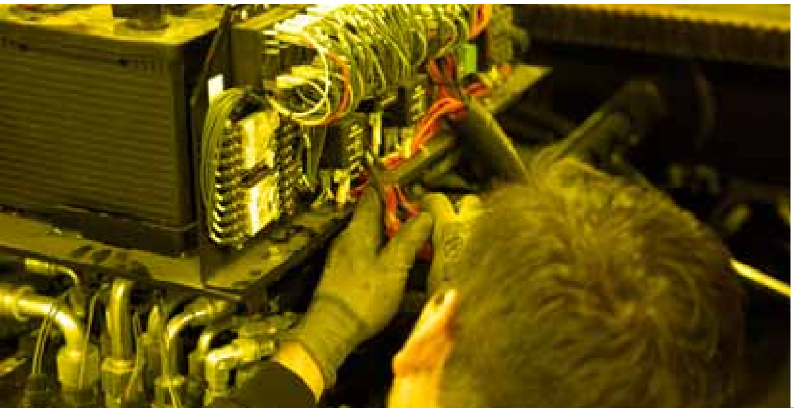
Shuttle Buggy Material Transfer Vehicle.

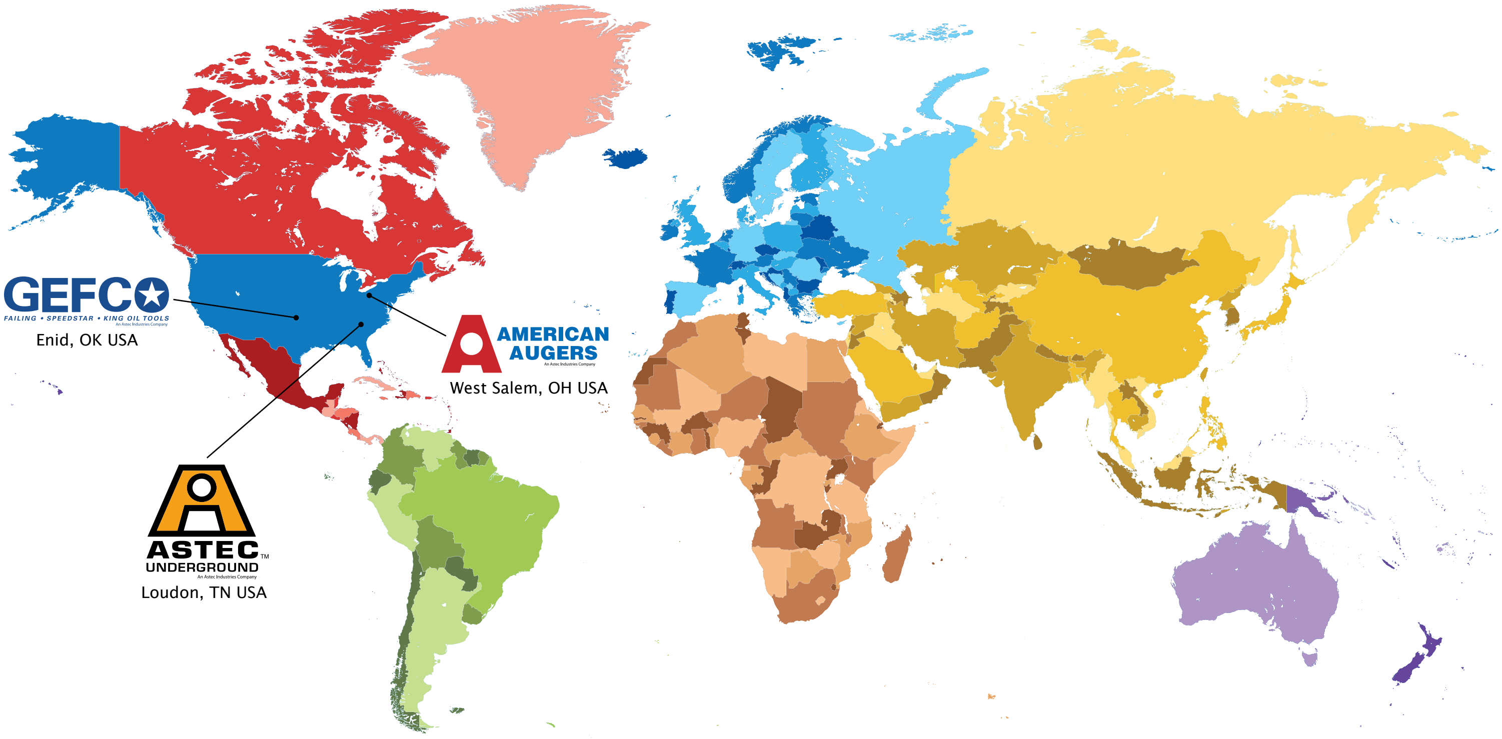
Underground Group

The Underground Group of Astec Industries offers customers the broadest range of breakthrough solutions in the underground construction industry. The companies' product mix includes horizontal directional drills (HDD's), vertical oil and gas rigs, drilling fluid systems, horizontal auger boring machines, geothermal drills, downhole tooling, and accessories. Astec Underground, American Augers, and GEFCO 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 products. Customers seek out these brands for their reputation of dependability and innovation when tackling the toughest underground jobs throughout the world.

core products

[Trenchers • Horizontal Directional Drills • Geothermal Drills • Oil and Gas Drilling Rigs • Auger Boring Machines • Mud Pumps • Mud Cleaning Systems Product Tooling and Accessories • Portable Drilling Rigs • Oilfield Swivels and Equipment • Groundwater Swivels and Equipment





energy
infrastructure
mining

Underground Group

Trenchers

Horizontal Directional Drills

Geothermal Drills

[energy]

[infrastructure]

[mining]

Astec Industries, Inc.

Astec Underground, Inc.

Loudon, Tennessee, USA

Astec Underground manufactures equipment to meet the needs of customers involved in construction, mining, pipelines, energy, and the installation of infrastructure.

Its Trencor high-performance rock trenchers, RoadMiners™, and Surface Miners are recognized for their durability, workmanship, and high-production capability.

Since its inception in 1945 in Alhambra, California as the Jiffy Excavator Tooth Company (Jetco), Trencor rock trenching equipment has earned its reputation for rugged dependability in the most demanding digging conditions around the world.

The mechanical drive system found in Trencor machines can better absorb the pounding shocks inherent in trenching. It is very durable and dependable, providing our customers with years of reliable service and productivity.

Trencor machines are supported through a dedicated parts and service center, available 24-hours a day to help customers minimize downtime and get needed repair parts.

In 2012, the company is introducing a new double-pump trailer for use in the recovery of natural gas. The 1,900-horsepower unit is capable of a maximum discharge pressure of 15,000 psi and a maximum flow rate of 19.6 bpm @3734 psi.

All products are manufactured at the company's 360,000-square-foot facility in Loudon, TN. The company also produces select components for several of the other Astec companies' product lines.

Astec Underground, Inc. facility located in Loudon, Tennessee, USA.

Trencor T1760 Chain Trenchers cut precise trenches through nearly any soil type, including solid rock.

Double-Pump Trailer used for extracting natural gas.

Trencor 1460 RoadMiner produces material ready for processing without the need for a crusher.

Trencor 3000 SM Surface Miner.

The Trencor T1360 features a C-13 Tier 3 Stage IIIA Caterpillar engine that produces 440 horsepower. It can cut up to 42 inches (1.07 m) wide and up to 12 feet (3.66 m) deep.

Underground Group

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

[energy]
[infrastructure]
[mining]

Astec Industries, Inc.

American Augers, Inc.

West Salem, Ohio, USA

The American Augers line of underground construction equipment is second-to-none. The product line features auger boring machines, Maxi-Rig and mid-size directional drills, oil and gas drilling rigs, mud pump and cleaning systems as well as tooling and accessories. American Augers products are manufactured at the company's 241,000 square-foot facility in West Salem, Ohio.

Several new and exciting innovations like the P-600 Mud Pump were introduced in 2011. A stand alone self-powered machine with a rated capacity of 2,067 L / minute, this pump features the new Tri-plex 600 GPM pump from Kerr, and is oilfield proven for rugged reliability.

Another development came with the MPR-6000 Drilling Fluid Mixing, Pumping and Recycling System; a pure innovation for self-contained drilling fluid technology. The MPR-6000 is a high-capacity system that has the ability to mix, pump and provide large volumes of mud "down-hole" for use with mud motors or large reamers. Improvements in overall recycling and cleaning capacity make this unit a "must-have" for all horizontal directional drilling projects.

The first in a new line of Rapid Setup equipment is the DD-1100RS. The mammoth directional drill solves the issue of positioning large equipment quickly and easily.

Finally, 2011 brought the DD-220T, a Track Mounted Directional Drill featuring increased power, increased torque and increased push / pull; all complete with the newly designed driller's cabin.

American Augers, Inc facility is located in West Salem, Ohio, USA.

American Augers customers get hands-on training of an Auger Boring Machine.

MPR-6000 is a high-capacity system that has the ability to mix, pump and provide large volumes of mud "down-hole" for use with mud motors or large reamers.

DD-220T Directional Drill comes with a Cummins® Tier 3/Tier 4 interchangeable engine.

DD-1100 Directional Drill has 1,100,000 lbs. (500 tonnes) of maximum thrust/pullback.

American Augers new Tri-plex 600GPM pump with rated capacity of 600 US gallons (2,067L) per minute.

Underground Group

Portable Drilling Rigs
Rotary Drilling Swivels
Drilling Equipment

[energy]
[infrastructure]
mining

Astec Industries, Inc.

GEFCO, Inc.

Enid, Oklahoma, USA

GEFCO, Inc. designs and manufactures a wide variety of products under several trade names including GEFCO, King Oil Tools, SpeedStar, George E. Failing and Steco. Founded in 1931, GEFCO has been providing quality and innovative products to its customers for over 80 years.

GEFCO is a world leader in the design and manufacture of portable drilling rigs and related equipment for the water well, geothermal and shallow oil & gas exploration and production industries. The names GEFCO, SpeedStar and Failing are synonymous with quality in the drilling industry. GEFCO prides itself on its long history of providing the most rugged and dependable equipment available.

GEFCO also designs and manufactures rotary drilling swivels, hydraulic power swivels, elevator links in 150 ton to 350 ton sizes and other handling equipment for the drilling industry. These products are marketed under the very popular name King Oil Tools.

Transfer and Dump trailers for the demolition and refuse industries are marketed under the name Steco. From its beginnings in the early 1960's Steco has created a reputation for designing and building the highest quality trailer in the industry.

All of the GEFCO products are manufactured in its 350,000 square foot facility located in Enid, Oklahoma.

GEFCO, Inc. facility located in Enid, Oklahoma, USA

SpeedStar SS-135 Portable Drilling Rig is used for shallow water well, geo-thermal and shallow exploration industries.

SpeedStar SS-22 Portable Drilling Rig is geared toward large mud drilling projects.

GEFCO Portable Drilling Rig for shallow oil and gas as well as large water well projects.

King Oil Tool King Swivel.

King Oil Tool Power Swivel.

Astec Industries, Inc.

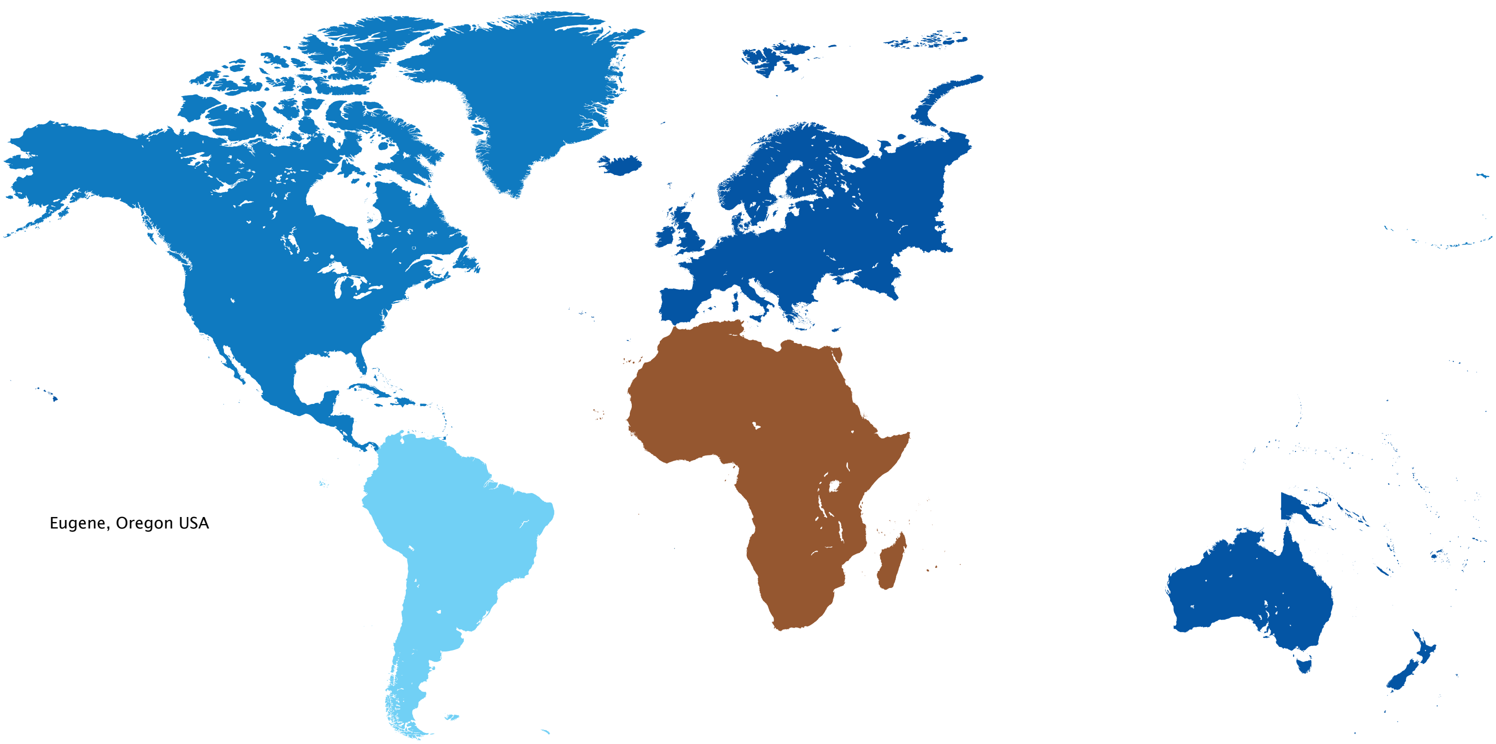
Other Group

Peterson Pacific Corp. 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 landscape.

Astec Australia sells paving equipment, asphalt plants, heating equipment, blending plants, aggregate processing equipment, mining equipment, and trenching equipment. The company differentiates itself in the marketplace 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.

core products

[Whole Tree Chippers • Whole Tree Debarkers • Horizontal Grinders • Blower Truck and Trailers • Screening Equipment • Astec, Inc. Equipment • Heatec, Inc. Equipment • CEI Enterprise, Inc. Equipment • Roadtec, Inc. Equipment • Carlson Paving Products, Inc. Equipment • Breaker Technology Equipment • Telsmith, Inc. Equipment • Astec Underground and Trencor Equipment • Osborn Engineered Products • KPI–JCI and Astec Mobile Screens Equipment.



energy
infrastructure
mining

Other Group

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

[energy]
[infrastructure]
mining

Astec Industries, Inc.

Peterson Pacific Corp.

Eugene, Oregon, USA

Peterson Pacific Corp. is a Eugene, Oregon based manufacturer of horizontal grinders, disc and drum chippers, debarkers, screens, blower trucks and trailers that serve a wide variety of global markets. Peterson has 110,000 square feet of modern manufacturing space, and an East Coast distribution warehouse to quickly respond to local customer needs. Peterson machines are sold and supported through a worldwide network of distributors and direct sales and service representatives.

Responding to the ever-increasing world-wide demand for clean pulp and paper chips, Peterson developed the 6830 flail debarker and 7900EL disc chipper, both of which can handle 30-inch (76.2 cm) diameter trees which are typically found on eucalyptus plantations. These machines will raise the standard for in-field chipping operations.

Peterson's popular 4800E debarker was totally redesigned for 2011 and released as the 4800F model. Now equipped with a Tier 4, Caterpillar C9 engine, the 4800F has 350 hp available. Peterson's IQAN control system controls the machine to provide excellent machine performance and fuel economy.

The 4300-series drum chippers continue to be a significant player in the biomass market with their ability to accept a wide variety of feedstock, and their superior fuel economy not seen on their competitor's machines. Peterson drum chippers can be configured to make microchips that have remarkable consistency which has proven popular with pelletizing operations.

Peterson also introduced the new 5700C horizontal grinder—a wheeled version of the popular 5710C model. International demand for Peterson products remains strong, with over 35% of its products sold in 2011 going to international markets.

Peterson Pacific, Corp. facility located in Eugene, Oregon, USA.

The 4310 Drum Chipper is suited for high volume biomass producers who have a wide variety of feed material.

The Peterson 6830 Debarker is a dedicated chain flail debarking machine designed for long-stem chipping operations that require low bark or ash content.

Powered by a Caterpillar® C27 engine making 1050 HP (783 kW), the Peterson 5700C Horizontal Grinder has the power to handle the toughest jobs.

The Peterson 7900EL Disc Chipper is designed for high volume operations that require the ability to chip large diameter feedstock or multiple stems.

The Peterson 4800F Multiple Log Delimber/ Debarker is designed to be used in tandem with whole tree chippers to produce high quality pulp chips.

Other Group

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

[energy]
[infrastructure]
[mining]

Astec Industries, Inc.

Astec Australia PTY LTD

Acacia Ridge, Queensland, Australia

Committed to delivering quality equipment, exceptional service and growth, Astec Australia continues to increase operations in Australia and New Zealand for the Astec Industries family of companies.

Astec Australia experienced solid growth in 2011, securing more customers, reaching new areas and offering a greater range of products and services.

Key advancements include the addition of Roadtec's cold planer, which has contributed to an increase of the paving fleet operating in Australia for the Mobile Asphalt Group by almost 50 percent since 2009. Asphalt plant sales for Astec, Inc. and the Asphalt Group also increased this year with sales to Western Australia, South Australia, New South Wales and Queensland.

The Aggregate and Mining Group benefited from Astec Australia's commitment to diversification with service and support for Telsmith, Kolberg-Pioneer, Johnson Crushers International, Breaker Technology and Astec Mobile Screens. The Astec Underground Group supplied Trencor trenchers to Western Australia, Eastern Australia and New Zealand.

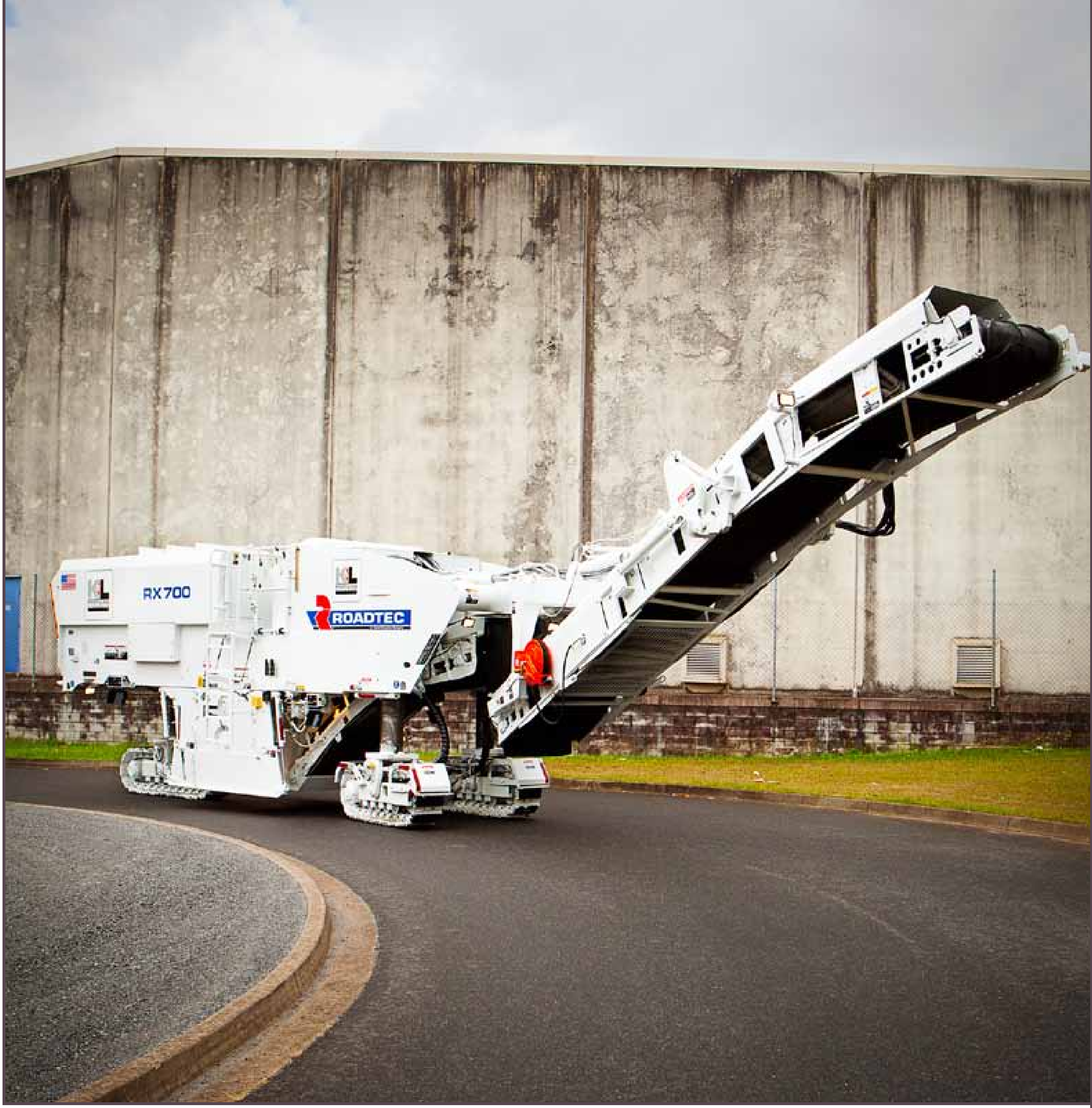
2011 saw Astec Australia expand its service network, with a new facility in Western Australia, a service agency in New South Wales and representation in Victoria. Brisbane operations expanded with a new multimillion-dollar facility.

Astec Australia will continue to grow in 2012, adding depth to our core asphalt business and further developing our aggregate and mining business. We will continue to provide customers with specialized customer service, support and training for Astec Industries products.

Astec Australia PTY LTD facility located in Acacia Ridge, Queensland, Australia.

Astec Relocatable Asphalt Production Plant.

The T1060 Trencher has a chain-driven head shaft with chain drives fully enclosed in an oil bath for longer life.

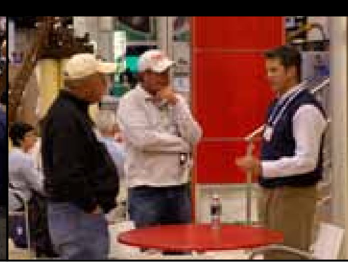


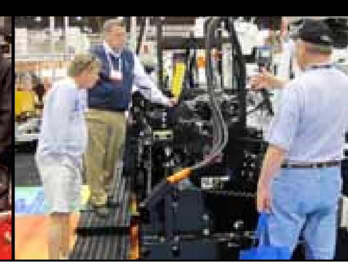
The RP-175 is a powerful, compact 8' (2.5m) wide Rubber-Track Asphalt Paver designed to work in all types of sub-grades and paving applications.

The K400 Cone Crusher has the highest crushing efficiency in the market by reducing high percentages of recirculating loads.

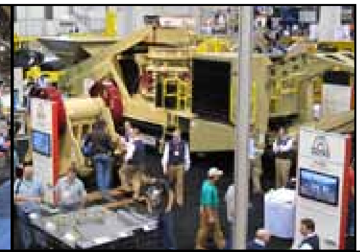
Telsmith Incline Screen installation.

For the first time in company history, all of the Astec Industries, Inc. subsidiaries exhibited in one booth at ConExpo-Con/Agg in Las Vegas, Nevada. Astec equipment occupied 40,000 square feet (3,716 m^2) of exhibit space in the Central Hall of the Las Vegas Convention Center.









ASTEC
INDUSTRIES, INC.

FINANCIAL INFORMATION

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

	2011	2010	2009	2008	2007
Consolidated Statement of Income Data					
Net sales	$955,729	$771,335	$738,094	$973,700	$869,025
Gross profit[1]	218,794	179,047	152,427	233,311	209,176
Gross profit %	22.9%	23.2%	20.7%	24.0%	24.1%
Selling, general and administrative expenses[2]	138,845	114,141	107,455	122,621	107,600
Goodwill and other intangible asset impairment charge[3]	--	--	17,036	--	--
Research and development	22,422	17,482	18,029	18,921	15,449
Income from operations	57,527	47,424	9,907	91,769	86,127
Interest expense	193	352	537	851	853
Other income (expense), net[4]	1,084	675	1,137	6,255	399
Net Income attributable to controlling interest	39,918	32,430	3,068	63,128	56,797
Earnings per common share*					
Net Income attributable to controlling interest					
Basic	1.77	1.44	0.14	2.83	2.59
Diluted	1.74	1.42	0.14	2.80	2.53
Consolidated Balance Sheet Data					
Working capital	$331,532	$317,395	$278,058	$251,263	$204,839
Total assets	716,883	649,639	590,901	612,812	542,570
Total short-term debt	--	--	--	3,427	--
Long-term debt, less current maturities	--	--	--	--	--
Total equity	529,183	492,806	452,260	440,033	377,473
Book value per diluted common share at year-end*	23.00	21.56	19.89	19.45	16.78

[1] 2011 Gross profit includes charges of $2,162,000 related to sale of utility product line assets in the Underground Group.

[2] 2011 Selling, general and administrative expenses include an impairment charge of $2,304,000 related to aviation equipment classified as held for sale during 2011.

[3] 2009 includes impairment charges, primarily goodwill, of $17,036,000, or $15,022,000 after tax.

[4] 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**
2011	Net sales	$230,189	$247,756	$214,624	$263,160
	Gross profit	54,704	61,971	46,400	55,720[1]
	Net income	10,158	14,105[2]	7,764	7,992[1,2]
	Net income attributable to controlling interest	10,144	14,086[2]	7,723	7,964[1,2]
	Earnings per common share*				
	Net income attributable to controlling interest:				
	Basic	0.45	0.62	0.34	0.35
	Diluted	0.44	0.61	0.34	0.35
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

Common Stock Price*

2011 High	$37.41	$39.97	$39.54	$35.68
2011 Low	29.78	33.74	28.20	26.53
2010 High	$32.09	$36.94	$32.35	$33.60
2010 Low	22.98	27.05	25.28	27.31

[1] Gross profit in the fourth quarter of 2011 includes charges of $2,162,000 related to sale of the utility product line in the Underground Group.

[2] Impairment charges of $2,170,000 in the second quarter of 2011 and $134,000 in the fourth quarter of 2011 were included in selling and general administrative expense related to aviation equipment classified as available for sale.

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 of record is approximately 1,120.

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 70.

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, wood pellet processing, solid waste transfer and dump trailers; and
- manufacture and sell replacement parts for equipment in each of its product lines.

The Company has 16 manufacturing companies, 15 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, concrete mixing plants and wood pellet processing equipment. 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 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 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 U.S. Congress funded federal transportation expenditures for the fiscal year ending September 30, 2011 at the 2010 level of $41.1 billion, and it has approved short-term funding of federal transportation expenditures for the six-month period ending on March 31, 2012 at the same levels. The level of future federal highway construction is uncertain and any future funding may be at lower levels than in the past.

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 20 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 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; however interest rates may increase in 2012.

Significant portions of the Company's revenues relate to the sale of equipment involved in the production, handling, recycling or 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 effect of increased oil prices on 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 2011. The Company expects oil prices to continue to fluctuate in 2012. Minor fluctuations in oil prices 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 further development of domestic oil and natural gas production capabilities is needed and would positively impact the domestic economy and the Company's business.

Steel is a major component in the Company's equipment. Steel prices rose during the fourth quarter of 2011 and have continued to rise during the first quarter of 2012. The rate of increase has been moderate in comparison to prior years and is based mostly on scrap price increases. With demand for steel appearing to be relatively strong, the Company expects this trend to continue through the second quarter of 2012. We continue to utilize forward looking contracts coupled with advanced steel purchases to minimize the impact to the Company of increased steel prices. The Company will continue to review the trends in steel prices as we progress toward the second half of 2012 and establish future contract pricing accordingly.

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 2010 and most of 2011, 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, which could negatively impact 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 2011, 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 2012.

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 of 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: 2011 vs. 2010

Net Sales

Net sales increased $184,394,000 or 23.9%, from $771,335,000 in 2010 to $955,729,000 in 2011. 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. In February 2012, the Company sold the Underground Group's utility product line. Sales of equipment and parts in this product line totaled $18,389,000 and $16,148,000 in 2011 and 2010, respectively. The overall increase in sales for 2011 compared to 2010 reflects the strengthening economic conditions, in both foreign and domestic markets.

Domestic sales for 2011 were $561,376,000 or 58.7% of consolidated net sales compared to $476,928,000 or 61.8% of consolidated net sales for 2010, an increase of $84,448,000 or 17.7%. The overall increase in domestic sales for 2011 compared to 2010 reflects the strengthening economic conditions for the Company's products in the domestic market.

International sales for 2011 were $394,353,000 or 41.3% of consolidated net sales compared to $294,407,000 or 38.2% of consolidated net sales for 2010, an increase of $99,946,000 or 33.9%. The overall increase in international sales for 2011 compared to 2010 is due to strong economic conditions in the international markets the Company serves as well as the increased efforts of the Company to grow its international business.

Parts sales as a percentage of consolidated net sales decreased 160 basis points to 24.4% in 2011 from 26.0% in 2010. In dollars, parts sales increased 16.3% to $233,210,000 in 2011 from $200,451,000 in 2010.

Gross Profit

Consolidated gross profit as a percentage of sales decreased 30 basis points to 22.9% in 2011 from 23.2% in 2010. The decrease in gross margin is partially due to certain sales price increases lagging behind raw material price increases on the aged backlog of equipment orders and parts sales, which typically yield a higher gross margin, decreased as a percentage of total sales year over year, as described above. Gross profit was also negatively impacted by charges of $2,162,000 related to the sale of the Underground Group's utility product line assets.

Selling, General and Administrative Expense

Selling, general and administrative expenses for 2011 were $138,845,000 or 14.5% of net sales, compared to $114,141,000 or 14.8% of net sales, for 2010, an increase of $24,704,000 or 21.6%. The increase was primarily due to an increase in payroll and related expenses of $8,833,000, an increase in travel expenses of $1,226,000, an increase in sales commissions of $2,909,000, expenses related to the triennial Con-Expo show of $3,140,000, an increase in legal and professional expense of $2,162,000 and the write down of aviation assets held for sale of $2,304,000.

Research and Development

Research and development expenses increased $4,940,000 or 28.3% to $22,422,000 in 2011 from $17,482,000 in 2010. During 2011 the Company invested heavily in research and development across all segments for numerous new equipment offerings including the development of a wood pellet processing plant.

Interest Expense

Interest expense in 2011 decreased $159,000, or 45.2%, to $193,000 from $352,000 in 2010. The decrease in interest expense in 2011 compared to 2010 related primarily to the decrease in interest paid on state tax settlements incurred in 2011 over 2010 levels.

Interest Income

Interest income decreased $73,000 or 7.6% to $883,000 in 2011 from $956,000 in 2010. The decrease in interest income resulted from a decrease in amounts invested in 2011 compared to 2010.

Other Income (Expense), Net

Other income (expense), net was $1,084,000 in 2011 compared to $675,000 in 2010, an increase of $409,000 or 60.6% due to an increase in licensing fee income of $215,000 in 2011 compared to 2010.

Income Tax

Income tax expense for 2011 was $19,281,000, compared to income tax expense of $16,131,000 for 2010. The effective tax rates for 2011 and 2010 were 32.5% and 33.1%, respectively. The primary reason for the decrease in the effective tax rate from 2010 to 2011 is the increased research and development tax credits and the qualified production activity deductions in 2011 compared to 2010.

Net Income Attributable To Controlling Interest

The Company had net income attributable to controlling interest of $39,918,000 in 2011 compared to $32,430,000 in 2010 for an increase of $7,488,000, or 23.1%. Earnings per diluted share were $1.74 in 2011 compared to $1.42 in 2010, an increase of $0.32 or 22.5%. Weighted average diluted shares outstanding for the years ended December 31, 2011 and 2010 were 22,984,221 and 22,829,799, 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, 2011 was $279,598,000 compared to $233,140,000, adjusted for acquisitions, at December 31, 2010, an increase of $46,458,000, or 19.9%. The increase in the backlog of orders was due to an increase in domestic backlog of $36,998,000 or 33.3% and an increase in international backlog of $9,460,000 or 7.7%. The increase in backlog occurred in each of the Company's segments except for the Mobile Asphalt Paving Group, which typically operates with a smaller backlog than the other segments due to the nature of their products.The Mobile Asphalt Paving Group's backlog returned to a more normal level at December 31, 2011, a decrease of $8,960,000 or 59.3%, after an unusual increase in December 2010 due to temporary delays in fulfilling customer orders. The Asphalt Group backlog increased $6,984,000 or 6% from 2010. The Asphalt Group increase was domestic order related and is due to an increase in component sales for retro-fit asphalt plant equipment and the receipt of a contract to supply asphalt plants to the US Army. The Aggregate and Mining Group increased $16,304,000 or 20% with $13,322,000 or 81.7% of the increase in domestic orders. The Company attributes the increase in the Aggregate and Mining Group's domestic backlog to customers replacing older equipment and stronger dealer stock orders due to strengthening economic conditions. The Underground Group backlog increased $10,968,000 or 15% from 2010 and is attributed to domestic orders for equipment to service the oil and gas industry. 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)

	2011	2010	$ Change	% Change
Asphalt Group	$ 260,404	$ 226,419	$ 33,985	15.0%
Aggregate and Mining Group	333,278	256,400	76,878	30.0%
Mobile Asphalt Paving Group	187,988	166,436	21,552	12.9%
Underground Group	84,771	60,105	24,666	41.0%
Other Group	89,288	61,975	27,313	44.1%

Asphalt Group: Sales in this group increased to $260,404,000 in 2011 compared to $226,419,000 in 2010, an increase of $33,985,000 or 15.0%. Domestic sales for the Asphalt Group increased 9.8% in 2011 compared to 2010 primarily due to improving economic conditions. International sales for the Asphalt Group increased 30.2% in 2011 compared to 2010 resulting from increased efforts by the Company to grow its international business. The increase in international sales occurred primarily in Europe, Canada, India and South America. Parts sales for the Asphalt Group increased 13.2% in 2011.

Aggregate and Mining Group: Sales in this group were $333,278,000 in 2011 compared to $256,400,000 in 2010, an increase of $76,878,000 or 30.0%. Domestic sales for the Aggregate and Mining Group increased 32.6% in 2011 compared to 2010 primarily due to improving economic conditions. International sales for the Aggregate and Mining Group increased 27.9% in 2011 compared to 2010. This increase in international sales reflect the increased efforts by the Company to grow its international business, improved economic conditions and significant weakness in the dollar compared to many of the markets the Company serves. The increase in international sales occurred primarily in South America, Africa, Asia, Europe and China. Parts sales for the Aggregate and Mining Group increased 18.2% in 2011 compared to 2010.

Mobile Asphalt Paving Group: Sales in this group were $187,988,000 in 2011 compared to $166,436,000 in 2010, an increase of $21,552,000 or 12.9%. Domestic sales for the Mobile Asphalt Paving Group increased 14.5% in 2011 over 2010. The Company believes this increase was due to improved economic conditions and the impact of short term federal funding bills passed by Congress. International sales for the Mobile Asphalt Paving Group increased 6.6% in 2011 compared to 2010. 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 Russia, Middle East and South America. Parts sales for this group increased 17.3% in 2011.

Underground Group: Sales in this group were $84,771,000 in 2011 compared to $60,105,000 in 2010, an increase of $24,666,000 or 41.0%. Domestic sales for the Underground Group increased 40.1% in 2011 compared to 2010. The primary reason for this increase is the acquisition of GEFCO which occurred in the fourth quarter of 2011 and accounted for $10,886,000 of sales. International sales for the Underground Group increased 41.9% in 2011 compared to 2010. The increase in international sales occurred in Australia, South America, and Canada. Parts sales for the Underground Group increased 9.5% in 2011.

Other Group: Sales for the Other Group were $89,288,000 in 2011 compared to $61,975,000 in 2010, an increase of $27,313,000 or 44.1%. Domestic sales for the Other Group, which are generated by Peterson Pacific Corp., remained flat in 2011 compared to 2010 due to continuing weak domestic construction activities in the markets they serve. International sales for the Other Group, which are generated by Astec Australia increased 91.0% in 2011 over 2010 and was primarily in the Australian market. Astec Australia functions as a dealer for the Company's other subsidiaries and has increased its focus to sell, install and service equipment for the asphalt, aggregate and mining, mobile asphalt and underground construction markets of Australia. Parts sales for the Other Group increased 23.4% in 2011.

Segment Profit (Loss) (in thousands)

	2011	2010	$ Change	% Change
Asphalt Group	$ 29,310	$ 28,672	$ 638	2.2%
Aggregate and Mining Group	31,493	16,578	14,915	90.0%
Mobile Asphalt Paving Group	26,485	23,234	3,251	14.0%
Underground Group	(7,106)	(8,092)	986	12.2%
Other Group	(38,216)	(27,138)	(11,078)	(40.8%)

Asphalt Group: Profit for this group was $29,310,000 for 2011 compared to $28,672,000 for 2010, an increase of $638,000 or 2.2%. This group had an increase of $5,088,000 in gross profit over 2010 which was driven by the $33,985,000 increase in sales. Segment profits were negatively impacted by an increase in research and development expense $2,467,000 for 2011 over 2010 as well as certain sales price increases lagging behind raw material price increases on the aged backlog of equipment orders.

Aggregate and Mining Group: Profit for this group was $31,493,000 in 2011 compared to a $16,578,000 in 2010, an increase of $14,915,000 or 90.0%. This group had an increase of $22,673,000 in gross profit during 2011 which was driven by the $76,878,000 increase in sales and increased efficiency in plant utilization in 2011, which improved operating margins by $7,197,000. This gross profit increase was offset by increases in selling, general and administrative expenses and research and development expenses of $9,413,000 including payroll related expenses, travel expense and sales commission expense.

Mobile Asphalt Paving Group: Profit for this group was $26,485,000 in 2011 compared to profit of $23,234,000 in 2010, an increase of $3,251,000 or 14.0%. This group had an increase of $5,382,000 in gross profit during 2011 driven by the $21,552,000 increase in sales. Also positively affecting gross profit was increased plant utilization of $2,040,000 during 2011 compared to 2010. This group had an increase in selling, general and administrative expenses of $3,906,000 primarily driven by payroll related expenses, travel expense and sales commission expense.

Underground Group: This group had a loss of $7,106,000 in 2011 compared to a loss of $8,092,000 in 2010 for an improvement of $986,000 or 12.2%. This group had an increase of $4,316,000 in gross profit during 2011 driven by the $24,666,000 increase in sales. Positively affecting gross profit was increased plant utilization of $1,078,000. The gross profit for the Underground Group was negatively impacted by charges of $2,162,000 related to the sale of the utility product line assets. Selling, general and administrative expenses increased $2,277,000 due primarily to increases in payroll related expenses, bad debt expense, exhibit expense and the acquisition of GEFCO in the fourth quarter of 2011.

Other Group: The Other Group had a loss of $38,216,000 in 2011 compared to a loss of $27,138,000 in 2010, a decrease of $11,078,000 or 40.8%. Gross profit for this group increased $2,288,000 or 17.3% year over year due in part to $27,313,000 in increased sales for this group. The increased sales were offset by an increase in payroll and related expenses of $1,937,000 and the write down of aviation assets held for sale of $2,304,000. The profit in this group is also significantly impacted by U.S. federal income tax expense which is recorded at the parent company. Income tax expense in this group increased $3,859,000 in 2011 compared to 2010.

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 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 formuladriven 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 goodwill and other 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 goodwill and other 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%

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. Increased efficiency in plant utilization in 2011, which improved operating margins by $2,078,000, reduced the negative impact of the reduced sales on gross profit.

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 goodwill and other intangible asset impairment charges in the consolidated statements of income 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 goodwill and other 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.

Liquidity and Capital Resources

The Company's primary sources of liquidity and capital resources are its cash on hand, investments, borrowing capacity under a $100,000,000 revolving credit facility and cash flows from operations. The Company had $57,505,000 of cash available for operating purposes at December 31, 2011. 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, 2011. Net of letters of credit of $12,360,000, the Company had borrowing availability of $87,640,000 under the credit facility.

During April 2007, the Company entered into an unsecured credit agreement with Wachovia Bank, National Association ("Wachovia") whereby Wachovia 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 Wells Fargo. The 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 loan maturity date to May 2012.

The Company is currently in negotiations with Wells Fargo and expects to enter into a new five-year credit agreement prior to May 2012. The Company does not expect the new credit agreement's terms will significantly differ from the current agreement.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd, ("Osborn") has a credit facility of $9,257,000 (ZAR 75,000,000) 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, 2011, Osborn had no outstanding borrowings under the credit facility, but $4,137,000 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 and a $2,000,000 letter of credit issued by the parent Company. As of December 31, 2011, Osborn had available credit under the facility of $5,120,000. The facility has an ongoing, indefinite term subject to periodic reviews by the bank. The interest rate is the South Africa prime rate which was 9.0% at December 31, 2011 and 2010. The unused facility fee is 0.793%.

The Company's Australian subsidiary, Astec Australia Pty Ltd ("Astec Australia") has a 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 $3,809,000 (AUD 3,750,000), secured by cash balances in the amount of $762,000 (AUD 750,000) and a $1,600,000 letter of credit issued by the parent Company. No amounts were outstanding under the credit facilities at December 31, 2011. The interest rate is the Australian adjusted Bank Business Rate plus a margin of 1.05%. The interest rate was 12.01% and 12.46% at December 31, 2011 and 2010, respectively.

Cash Flows from Operating Activities (in thousands)

	2011	2010	Increase / Decrease
Net income	$ 40,020	$ 32,572	$ 7,448
Adjustments:			
Depreciation and amortization	19,259	18,728	531
Provision for warranty	13,029	13,365	(336)
Asset impairment charges	2,724	--	2,724
Sale / purchase of trading securities, net	1,733	946	787
Other, net	1,919	1,839	80
Changes in working capital:			
(Increase) decrease in receivables	(24,554)	(11,911)	(12,643)
(Increase) decrease in inventories	(32,017)	(2,115)	(29,902)
(Increase) decrease in prepaid expenses	177	5,532	(5,355)
Increase (decrease) in accounts payable	9,002	7,351	1,651
Increase (decrease) in customer deposits	6,235	8,328	(2,093)
Increase (decrease) in accrued product warranties	(10,524)	(12,293)	1,769
Increase (decrease) in other accrued liabilities	4,983	2,267	2,716
Other, net	321	(2,573)	2,894
Net cash provided by operating activities	$ 32,307	$ 62,036	$ (29,729)

Net cash provided by operating activities decreased $29,729,000 in 2011 compared to 2010. The primary reasons for the decrease in operating cash flows are increases in cash used to fund increases in receivables of $12,643,000, inventory of $29,902,000 and prepaid expenses of $5,355,000. These negative cash changes were offset by increases in cash provided by net income of $7,448,000 plus a non-cash asset impairment charge of $2,724,000, accounts payable of $1,651,000, and other accrued liabilities of $2,716,000. These changes in operating cash flows reflect increased sales and production activity during 2011 compared to 2010 as well as planned inventory purchases made to fulfill the Company's backlog which was 19.9% higher at December 31, 2011 compared to December 31, 2010.

Cash Flows from Investing Activities (in thousands)

	2011	2010	Increase / Decrease
Expenditures for property and equipment	$ (36,130)	$ (11,336)	$ (24,794)
Business acquisitions	(33,407)	--	(33,407)
Other	760	202	558
Net cash used by investing activities	$ (68,777)	$ (11,134)	$ (57,643)

Net cash used by investing activities in 2011 increased $57,643,000 compared to 2010 due primarily to an increase in cash used for capital expenditures of $24,794,000 and business acquisitions of $33,407,000.

Cash Flows from Financing Activities (in thousands)

	2011	2010	Increase / Decrease
Proceeds from issuance of common stock	$ 812	$ 1,431	$ (619)
Other, net	73	595	(522)
Net cash provided by financing activities	$ 885	$ 2,026	$ (1,141)

Financing activities provided cash of $885,000 in 2011 while in 2010 financing activities provided cash of $2,026,000 for a net change of $1,141,000.

The Company expects to make a $12,000,000 initial investment in its 75% Company-owned Brazilian joint venture using available cash balances during 2012. This joint venture plans to construct a manufacturing facility in Brazil during 2012 with an expected cost of approximately $20,000,000. The joint venture plans to fund the acquisition costs of the plant and equipment with borrowings from a local Brazilian bank.

Capital expenditures for 2012, excluding those by the Brazilian joint venture, are forecasted to total $37,400,000. The Company expects to finance these expenditures using currently available cash balances, internally generated funds and available credit under the Company's expected new 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 expected new credit facility will be sufficient to meet the Company's working capital and capital expenditure requirements through December 31, 2012.

Financial Condition

The Company's current assets increased to $485,554,000 at December 31, 2011 from $447,821,000 at December 31, 2010, an increase of $37,733,000, or 8.4%. The increase is primarily attributable to increases in inventory of $46,084,000 and trade receivables of $19,963,000 offset by a decrease in cash and cash equivalents of $37,092,000. These increases include $29,785,000 of current assets of businesses acquired in 2011.

The Company's current liabilities increased $23,596,000 to $154,022,000 at December 31, 2011 from $130,426,000 at December 31, 2010. The increase is primarily attributable to increases in customer deposits of $6,685,000, accounts payable of $10,677,000, accrued product warranty of $2,772,000 and accrued payroll and related liabilities of $2,776,000. These items increased primarily due to increased sales and production activity in 2011 compared to 2010. These increases include $9,298,000 of current liabilities of businesses acquired in 2011.

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, 2011, since there were no 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 14.6% and 12.8% of total assets at December 31, 2011 and 2010, respectively, and 12.7% and 11.1% of total revenue for the years ended December 31, 2011 and 2010, respectively. Each period the balance sheets and related results of operations of the Company's foreign subsidiaries 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.

Due to the limited exposure to foreign exchange rate risk, a 10% fluctuation in the foreign exchange rates at December 31, 2011 or 2010 would not have a material impact on the Company's consolidated financial statements.

Contractual Obligations

Contractual obligations and the period in which payments are due as of December 31, 2011 are as follows (in thousands):

	Payments Due by Period				
Contractual Obligations	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**3 to 5 Years**	**More Than 5 Years**
Operating lease obligations	$ 2,671	$ 1,519	$ 871	$ 275	$ 6
Inventory purchase obligations	749	749	--	--	--
Total	$ 3,420	$ 2,268	$ 871	$ 275	$ 6

The above table excludes our liability for unrecognized tax benefits, which totaled $949,000 at December 31, 2011, since we cannot predict with reasonable reliability the timing of cash settlements to the respective taxing authorities.

In 2011, the Company made contributions of approximately $483,000 to its pension plan, compared to $972,000 in 2010. The Company estimates that it will contribute a total of $349,000 to the pension plan during 2012. The Company's funding policy is to make the minimum annual contributions required by applicable regulations.

Contingencies

Management has reviewed all claims and lawsuits and has made adequate provision for any losses that can be reasonably estimated. 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.

Certain customers have financed purchases of the Company's products through arrangements in which the Company is contingently liable for customer debt aggregating $3,537,000 and $3,037,000 at December 31, 2011 and 2010, respectively. These obligations have average remaining terms of 5.25 years. The Company has recorded a liability of $343,000 related to these guarantees at December 31, 2011.

The Company is contingently liable under letters of credit of approximately $16,497,000, primarily for performance guarantees to customers, banks or insurance carriers.

Off-balance Sheet Arrangements

As of December 31, 2011 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 2004, the Company 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 a liability with respect to this matter because no estimate of the amount of any such liability can be made at this time.

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 reduce the carrying value of the inventory. In addition, certain items in inventory become obsolete over time, and the Company reduces the carrying value of these items to their net realizable value. These reductions are determined by the Company based on estimates, assumptions and judgments made from the information available at that time. The Company does not believe it is reasonably likely that the inventory values will materially change in the near future.

Self-Insurance Reserves: The Company insures 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 $1,000,000 per occurrence and $2,500,000 per year in the aggregate. The Company carries general liability, excess liability and umbrella policies for claims in excess of those covered by the captive.

For workers' compensation claims, the captive is liable for the first $350,000 per occurrence and $3,250,000 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 probable 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.

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.

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 delivered or services have been rendered 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. Most of the equipment sold by the Company is based on standard configurations, some of which are modified to meet customer needs or specifications. The Company provides customers with technical design and performance specifications and performs pre-shipment testing to ensure the equipment performs according to design specifications, regardless of whether the Company provides installation services in addition to selling the equipment.

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.

The Company has certain sales accounted for as multiple-element arrangements, whereby revenue attributable to the sale of a product is recognized when it is shipped, and the revenue attributable to services provided with respect to the product (such as installation services) is recognized when the service is performed. Consideration is determined using the fair value method and approximates the sales price of the product shipped or services 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: 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. Risk factors that may be considered include an economic downturn in the general economy, a geographic market or the commercial and residential construction industries, a change in the assessment of future operations as well as the cyclical nature of our industry and the customization of the equipment we sell which may cause adverse fluctuations in operating results. Other risk factors considered would be an increase in the price or a decrease in the availability of oil that could reduce the demand for our products in addition to the significant fluctuations in the purchase price of raw materials that could have a negative impact on the cost of production and gross margins as well as others more fully described in the Risk Factors section of our Form 10-K. 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.

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. See Note 1, Summary of Significant Accounting Policies, for a detailed description of testing performed by the Company to determine if the recorded value of intangible assets or goodwill has been impaired.

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.

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; however, no options have been granted under the plans since 2006. The Company's original five year stock incentive plan was put in place during 2006 for the years ended 2006 through 2011. The Company's 2011 Incentive Plan was approved by the shareholders in their annual meeting held in April 2011. This plan will operate in similar fashion to the 2006 Incentive Plan for each of the five years ending December 31, 2015. 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 plans are granted shortly after the end of each year and are based upon the performance of the Company and its individual subsidiaries. Under the 2011 Incentive Plan, RSU's can be earned for performance in each of the years from 2011 through 2015 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 on the earlier of the end of five years from the date of grant or at such time as the recipient retires after reaching age 65. Estimated forfeitures are based upon the expected turnover rates of the employees receiving awards under the plan.

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;
- plans for technological innovation;
- compliance with covenants in our credit facility;
- ability to enter into new credit facility and the terms thereof;
- liquidity and capital expenditures;
- sufficiency of working capital, cash flows and available capacity under the Company's credit facilities;
- compliance with government regulations;
- compliance with manufacturing and delivery timetables;
- forecasting of results;
- general economic trends and political uncertainty;

- government funding and growth of highway construction and commercial projects;
- taxes or usage fees;
- interest rates;
- integration of acquisitions;
- industry trends;
- pricing, demand and availability of oil and liquid asphalt;
- pricing, demand and availability of steel;
- development of domestic oil and natural gas production;
- condition of the economy;
- strength of the dollar relative to foreign currencies;
- the success of new product lines;
- 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;
- demand for products;
- future fillings of backlogs;
- employees;
- the seasonality of our business;
- tax assets and reserves for uncertain tax positions;
- critical accounting policies and the impact of accounting changes;
- our backlog;
- ability to satisfy contingencies;
- contributions to retirement plans and plan expenses;
- reserve levels for self-insured insurance plans and product warranties;
- construction of new manufacturing facilities;
- supply of raw materials; and
- inventory.

These forward-looking statements are based largely on management's expectations, which are subject to a number of known and unknown risks, uncertainties and other factors discussed in this report and in documents filed by the Company with the Securities and Exchange Commission, which may cause actual results, financial or otherwise, to be materially different from those anticipated, expressed or implied by the forward-looking statements. All forward-looking statements included in this document are based on information available to the Company on the date hereof, and the Company assumes no obligation to update any such forward-looking statements to reflect future events or circumstances. You can identify these statements by forward-looking words such as "expect", "believe", "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 "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

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, 2011. 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. The scope of management's assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 excluded the businesses that the Company acquired on August 10, 2011 (Astec Mobile Machinery GmbH) and October 1, 2011 (GEFCO, Inc.). The total consolidated assets with respect to the excluded businesses were $44,205,000 as of December 31, 2011, and the total consolidated revenues with respect to the excluded businesses were $11,254,000 for the year ended December 31, 2011. Management will complete its assessment of the internal controls over financial reporting of these newly acquired operations during the 2012 fiscal year. Based on its assessment, management concluded that, as of December 31, 2011, excluding the new business acquisitions discussed above, 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, 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, 2011, 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.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Astec Mobile Machinery GmbH and GEFCO, Inc., which were acquired in 2011 and are included in the 2011 consolidated financial statements of Astec Industries, Inc., and in aggregate constitute $44,205,000 of consolidated total assets and $11,254,000 of consolidated revenues. Our audit of internal control over financial reporting of Astec Industries, Inc. also did not include an evaluation of the internal control over financial reporting of acquired operations of Astec Mobile Machinery GmbH or GEFCO, Inc.

In our opinion, Astec Industries, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the 2011 consolidated financial statements of Astec Industries, Inc. and our report dated February 29, 2012 expressed an unqualified opinion thereon.

Ernst + Young LLP

Chattanooga, Tennessee
February 29, 2012

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, 2011 and 2010 and the related consolidated statements of income, equity, and cash flows for each of the three years in the period ended December 31, 2011. 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, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, 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, 2011, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 29, 2012 expressed an unqualified opinion thereon.

Ernst + Young LLP

Chattanooga, Tennessee
February 29, 2012

CONSOLIDATED BALANCE SHEETS

(in thousands, except shares and share data)

	December 31	
Assets	**2011**	**2010**
Current assets:		
Cash and cash equivalents	$ 57,505	$ 94,597
Trade receivables, less allowance for doubtful accounts of $2,398 in 2011 and $1,820 in 2010	97,941	77,978
Other receivables	4,119	2,885
Inventories	299,065	252,981
Prepaid expenses	7,032	7,325
Deferred income tax assets	16,856	10,339
Other current assets	3,036	1,716
Total current assets	485,554	447,821
Property and equipment, net	188,018	168,242
Investments	9,739	11,672
Goodwill	14,989	13,907
Other long-term assets	18,583	7,997
Total assets	$ 716,883	$ 649,639
Liabilities and Equity		
Current liabilities:		
Accounts payable	$ 55,170	$ 44,493
Customer deposits	42,287	35,602
Accrued product warranty	12,663	9,891
Accrued payroll and related liabilities	18,897	16,121
Accrued loss reserves	3,779	3,796
Other accrued liabilities	21,226	20,523
Total current liabilities	154,022	130,426
Deferred income tax liabilities	15,983	12,653
Other long-term liabilities	17,695	13,754
Total liabilities	187,700	156,833
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 - 22,711,448 in 2011 and 22,646,822 in 2010	4,542	4,529
Additional paid-in capital	132,744	128,831
Accumulated other comprehensive income	841	8,046
Company shares held by SERP, at cost	(2,487)	(2,217)
Retained earnings	392,937	353,019
Shareholders' equity	528,577	492,208
Non-controlling interest	606	598
Total equity	529,183	492,806
Total liabilities and equity	$ 716,883	$ 649,639

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

(in thousands, except shares and share data)

	Year Ended December 31		
	2011	2010	2009
Net sales	$ 955,729	$ 771,335	$ 738,094
Cost of sales	736,935	592,288	585,667
Gross profit	218,794	179,047	152,427
Selling, general and administrative expenses	138,845	114,141	107,455
Goodwill and other intangible asset impairment charges	--	--	17,036
Research and development expenses	22,422	17,482	18,029
Income from operations	57,527	47,424	9,907
Other income:			
Interest expense	193	352	537
Interest income	883	956	734
Other income (expense), net	1,084	675	1,137
Income before income taxes	59,301	48,703	11,241
Income taxes	19,281	16,131	8,135
Net income	40,020	32,572	3,106
Net income attributable to non-controlling interest	102	142	38
Net income attributable to controlling interest	$ 39,918	$ 32,430	$ 3,068
Earnings per Common Share			
Net income attributable to controlling interest:			
Basic	$ 1.77	$ 1.44	$ 0.14
Diluted	1.74	1.42	0.14
Weighted average number of common shares outstanding:			
Basic	22,588,721	22,517,246	22,446,940
Diluted	22,984,221	22,829,799	22,715,780

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Year Ended December 31		
	2011	2010	2009
Cash Flows from Operating Activities			
Net income	$ 40,020	$ 32,572	$ 3,106
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	18,551	18,022	17,752
Amortization	708	706	924
Provision (credit) for doubtful accounts	1,510	(11)	1,023
Provision for warranty	13,029	13,365	10,908
Deferred compensation provision (benefit)	(45)	539	(399)
Deferred income tax provision (benefit)	(1,982)	(497)	382
Asset impairment charges	2,724	--	17,036
(Gain) loss on disposition of fixed assets	(54)	(8)	66
Tax benefit from stock option exercises	(310)	(579)	(50)
Stock-based compensation	2,800	2,395	1,407
Sale (purchase) of trading securities, net	1,733	946	(2,513)
(Increase) decrease in, net of amounts acquired:			
Trade and other receivables	(24,554)	(11,911)	8,171
Inventories	(32,017)	(2,115)	40,875
Prepaid expenses	177	5,532	(698)
Other assets	45	511	905
Increase (decrease) in, net of amounts acquired:			
Accounts payable	9,002	7,351	(16,124)
Customer deposits	6,235	8,328	(15,938)
Accrued product warranty	(10,524)	(12,293)	(12,514)
Income taxes payable	420	972	(486)
Accrued retirement benefit costs	(446)	(1,098)	128
Accrued loss reserves	342	(1,210)	228
Other accrued liabilities	4,983	2,267	(2,667)
Other	(40)	(1,748)	(2,321)
Net cash provided by operating activities	32,307	62,036	49,201
Cash Flows from Investing Activities			
Business acquisitions	(33,407)	--	(475)
Proceeds from sale of property and equipment	260	202	283
Expenditures for property and equipment	(36,130)	(11,336)	(17,463)
Sale of intangible assets acquired	500	--	--
Net cash used by investing activities	(68,777)	(11,134)	(17,655)

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(in thousands)

	Year Ended December 31		
	2011	2010	2009
Cash Flows from Financing Activities			
Proceeds from issuance of common stock	$ 812	$ 1,431	$ 880
Tax benefit from stock option exercise	310	579	50
Repayments under revolving line of credit	--	--	(3,427)
Cash from sale (acquisition) of shares of subsidiary	29	41	(635)
Purchase of company shares by Supplemental Executive Retirement Plan, net	(266)	(25)	(78)
Net cash provided (used) by financing activities	885	2,026	(3,210)
Effect of exchange rates on cash	(1,507)	1,240	2,419
Increase (decrease) in cash and cash equivalents	(37,092)	54,168	30,755
Cash and cash equivalents, beginning of year	94,597	40,429	9,674
Cash and cash equivalents, end of year	$ 57,505	$ 94,597	$ 40,429
Supplemental Cash Flow Information			
Cash paid during the year for:			
Interest	$ 193	$ 352	$ 488
Income taxes, net of refunds	$ 21,473	$ 8,504	$ 9,319

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EQUITY

For the Years Ended December 31, 2011, 2010 and 2009 (in thousands, except shares)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Company Shares Held by SERP	Retained Earnings	Non-Controlling Interest	Total Equity
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
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
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**
Net income						39,918	102	40,020
Other comprehensive income:								
Change in unrecognized pension and post retirement cost, net of income taxes of ($976)				(1,711)				(1,711)
Foreign currency translation adjustments				(5,494)			(93)	(5,587)
Comprehensive income							9	32,722
Decrease in ownership percentage of subsidiary							(1)	(1)
Stock-based compensation	5,725	1	2,799					2,800
Exercise of stock options and RSU vesting, including tax benefit	58,901	12	1,110					1,122
Purchase of Company stock held by SERP, net			4		(270)			(266)
Balance December 31, 2011	**22,711,448**	**$ 4,542**	**$ 132,744**	**$ 841**	**$ (2,487)**	**$ 392,937**	**$ 606**	**$ 529,183**

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended December 31, 2011, 2010 and 2009

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, 2011 are as follows:

American Augers, Inc.	Astec Australia Pty Ltd
Astec, Inc.	Astec Insurance Company
Astec Mobile Machinery GmbH	Astec Mobile Screens, Inc.
Astec Underground, Inc.	Breaker Technology, Inc.
Breaker Technology Ltd.	Carlson Paving Products, Inc.
CEI Enterprises, Inc.	GEFCO, Inc.
Heatec, Inc.	Johnson Crushers International, Inc.
Kolberg-Pioneer, Inc.	Osborn Engineered Products SA (Pty) Ltd (97% owned)
Peterson Pacific Corp.	Roadtec, Inc.
Telsmith, Inc.	

All intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates - The preparation of 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, Germany 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 ($346,000), ($450,000), and $361,000 in 2011, 2010 and 2009, 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 as of the end of each reporting period 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 financial assets and liabilities held by the Company at December 31, 2011 and 2010 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 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 probable 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 uncollectible by management. As of December 31, 2011, concentrations of credit risk with respect to receivables are limited due to the wide variety of customers.

Allowance for Doubtful Accounts - The following table represents a rollforward of the allowance for doubtful accounts for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	Year Ended December 31		
	2011	2010	2009
Reserve balance, beginning of year	$ 1,820	$ 2,215	$ 1,496
Provision (benefit)	1,510	(11)	1,023
Write offs	(884)	(437)	(393)
Foreign exchange gain (loss)	(48)	53	89
Reserve balance, end of year	$ 2,398	$ 1,820	$ 2,215

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 the Company determines that the value of inventory has become impaired through damage, deterioration, obsolescence, changes in price levels, excessive levels of inventory or other causes, the Company reduces the carrying value to estimated market 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 (20 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.

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 over their useful lives, ranging from 3 to 15 years.

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 using a two-step method 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 as each subsidiary is a legal entity that is managed separately and manufactures and distributes distinct product lines.

In 2011, the Company early adopted, as permitted, new accounting guidance related to annual goodwill impairment testing. The guidance gives the Company the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount. If the Company concludes that this is the case for a reporting unit, it would proceed to calculating the fair value for that reporting unit as described below. Otherwise, the Company would not be required to perform any further goodwill impairment testing for that reporting unit.

The first step of the goodwill impairment test compares book value of a reporting unit, including goodwill, with the unit's fair value. In this first step, the Company estimates the fair values of each of its reporting units that have goodwill using the income approach.

The income approach uses a reporting unit's projection of estimated future operating results and cash flows which are then discounted using a weighted average cost of capital determined based on current market conditions for the individual reporting unit. The projection uses management's best estimates of cash flows over the projection period based on estimates of annual and terminal growth rates in sales and costs, changes in operating margins, selling, general and administrative expenses, working capital requirements and capital expenditures.

The Company typically estimates the fair value of the operating subsidiaries/reporting units that do not have goodwill using either the income or market approaches, depending on which approach is considered to be the most appropriate for each reporting unit. The Company typically estimates the fair value of the reporting units that serve operating units in supporting roles, such as the captive insurance company and the corporate reporting unit, using the cost approach. The Company then compares the sum of the fair values of all reporting units to its calculation of the fair value of the consolidated Company using the market approach, which is inferred from the market capitalization of the Company at the date of the valuation, to confirm that the Company's estimation of the fair value of its reporting units is reasonable.

If the book value of a reporting unit exceeds its fair value, an indication of possible goodwill impairment exists, the second step of the impairment test must be performed to determine the amount, if any, of goodwill impairment. In this second step, the total implied fair value of the reporting unit's goodwill is estimated by allocating the fair value of the reporting unit to all its assets, including any unrecognized intangible assets and liabilities other than goodwill. The difference between the total fair value of the reporting unit and the fair value of its assets and liabilities other than goodwill is the implied fair value of its goodwill. The amount of any impairment loss is equal to the excess, if any, of the book value of the goodwill over the implied fair value of its goodwill.

Determining the "step one" fair values of the Company's reporting units involves the use of significant estimates and assumptions. Due to the inherent uncertainty involved in making these estimates and assumptions, actual results could differ materially from those estimates.

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 $1,000,000 per occurrence and $2,500,000 per year in the aggregate. The Company carries general liability, excess liability and umbrella policies for claims in excess of those covered by the captive.

For workers' compensation claims, the captive is liable for the first $350,000 per occurrence and $3,250,000 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 delivered or services have been rendered and there is a reasonable assurance of collection of the sales proceeds. The Company generally obtains purchase authorizations from its customers for a specified amount of products 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. Most of the equipment sold by the Company is based on standard configurations, some of which are modified to meet customer needs or specifications. The Company provides customers with technical design and performance specifications and performs pre-shipment testing to ensure the equipment performs according to design specifications, regardless of whether the Company provides installation services in addition to selling the equipment.

Certain contracts include terms and conditions pursuant to 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.

The Company accounts for certain sales as multiple-element arrangements, whereby the revenue attributable to the sale of a product is recognized when the product is shipped and the revenue attributable to services provided with respect to the product (such as installation services) 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 income any taxes assessed by a governmental authority that are directly imposed on revenue-producing transactions between the Company and its customers, 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 $3,583,000, $3,056,000, and $3,002,000 in advertising costs during 2011, 2010 and 2009, 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 Retirement Plans - The determination of obligations and expenses under the Company's pension plan 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 Retirement Plans and include among others, the discount rate, expected return on plan assets and the expected mortality rates. 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 obligations and future expenses.

The Company recognizes as an asset or liability, the overfunded or underfunded status of its pension plan. 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 plan 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; however, no options have been granted under the plans since 2006. The Company's stock incentive plans were put in place during 2006 and will continue through 2015. 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 2006 Incentive Plans were granted shortly after the end of each year through 2010 based upon the performance of the Company and its individual subsidiaries. RSU's were granted for performance in each of the years from 2006 through 2010 with additional RSU's granted based upon cumulative five-year performance. Upon the expiration of the 2006 Incentive Plan, the Company adopted a 2011 Incentive Plan which operates similar to the 2006 Incentive Plan for each of the five years ending December 31, 2015. 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. 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		
	2011	**2010**	**2009**
Numerator:			
Net income attributable to controlling interest	$ 39,918,000	$ 32,430,000	$ 3,068,000
Denominator:			
Denominator for basic earnings per share	22,588,721	22,517,246	22,446,940
Effect of dilutive securities:			
Employee stock options and restricted stock units	294,234	214,668	172,525
Supplemental executive retirement plan	101,266	97,885	96,315
Denominator for diluted earnings per share	22,984,221	22,829,799	22,715,780
Net income attributable to controlling interest per share:			
Basic	$ 1.77	$ 1.44	$ 0.14
Diluted	1.74	1.42	0.14

For the years ended December 31, 2011, 2010 and 2009, options totaling 885, 1,000 and 32,000, respectively, were antidilutive and were not included in the diluted EPS computation.

Derivatives and Hedging Activities - The Company recognizes all derivatives in the consolidated balance sheets at their 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, 2011 and 2010.

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

Litigation Contingencies - In the normal course of business in the industry, the Company is named as a defendant in a number of legal proceedings associated with product liability and other matters. 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. 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.

Subsequent Events Review - Management has evaluated events occurring between December 31, 2011 and the date these financial statements were filed with the Securities and Exchange Commission for proper recording or disclosure therein.

Recent Accounting Pronouncements - In October 2009, the FASB issued Accounting Standards Update No. 2009-13, "Revenue Recognition (Topic 605), Multiple-Deliverable Revenue Arrangements". The guidance supersedes 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. The Company adopted the revised guidance effective January 1, 2011, using prospective application. The adoption of this guidance did not have a significant impact on the Company's financial statements.

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, "Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS" which results in common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"). Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. While the FASB stated that for many of the requirements it did not intend for the amendments in the update to result in a change in the application of the requirements of Topic 820, some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Additionally, other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The update is effective for interim and annual periods beginning after December 15, 2011 and its amendments must be applied prospectively. The Company plans to adopt its provisions effective January 1, 2012. The Company has not yet determined the impact, if any, the application of this update will have on its financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, "Comprehensive Income (Topic 220), Presentation of Comprehensive Income" which will change the way companies present other comprehensive income and its components in financial statements. The new standards, which are effective for fiscal years and interim periods beginning after December 15, 2011, require that companies present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The Company plans on adopting the provisions of this update in its first quarter 2012 financials. As the revised rules deal only with presentation, adopting this update is not expected to have an impact on the Company's financial position or results of operations.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, "Intangibles – Goodwill and Other (Topic 350), Testing Goodwill for Impairment" which in certain situations simplifies how the Company is required to test goodwill for impairment. Companies will now have the option to first assess qualitative factors to determine whether it is more likely than not (a likelihood of more than 50%) that the fair value of a reporting unit is less than its carrying amount. If after considering the totality of events and circumstances an entity determines it is more likely than not that the fair value of a reporting unit exceeds its carrying amount, performing the two-step impairment test is unnecessary. The update is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011; however, early adoption is permitted. The Company adopted the provisions of the update for the impairment testing performed supporting its December 31, 2011 financial statements. The adoption of this pronouncement did not have a significant impact on the Company's financial statements.

In December 2011, the FASB issued Accounting Standards Update No. 2011-11, "Balance Sheet (Topic 210), Disclosures about Offsetting Assets and Liabilities" which describes when it is appropriate to offset financial assets and liabilities on the balance sheet. Companies will now have to disclose both gross and net information about instruments eligible for offset in the statement of financial position as well as instruments and transactions subject to an agreement similar to a master netting arrangement as well as the collateral received in a master netting arrangement. The new disclosure will enable users of financial statements to understand significant quantitative differences in balance sheets prepared under US GAAP and IFRS related to the offsetting of financial instruments. The update is effective for annual and interim reporting periods beginning on or after January 1, 2013. As the revised rule deals only with presentation, adopting this update is not expected to have an impact on the Company's financial position or results of operations.

2. Inventories

Inventories consist of the following (in thousands):

	December 31	
	2011	**2010**
Raw materials and parts	$ 125,730	$ 96,731
Work-in-process	71,490	60,463
Finished goods	80,157	77,583
Used equipment	21,688	18,204
Total	$ 299,065	$ 252,981

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.

As indicated in the tables below, the Company has determined that its financial assets and liabilities at December 31, 2011 and 2010 are level 1 and level 2 in the fair value hierarchy (in thousands):

	December 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Trading equity securities:				
SERP money market fund	$ 989	$ --	$ --	$ 989
SERP mutual funds	1,732	--	--	1,732
Preferred stocks	441	--	--	441
Trading debt securities:				
Corporate bonds	1,649	2,238	--	3,887
Municipal bonds	211	2,880	--	3,091
Floating rate notes	97	233	--	330
U.S. Treasury bill	250	--	--	250
Other government bonds	--	343	--	343
Derivative financial instruments	--	307	--	307
Pension assets	9,378	--	--	9,378
Total financial assets	$ 14,747	$ 6,001	$ --	$ 20,748
Financial Liabilities:				
SERP liabilities	$ 6,076	$ --	$ --	$ 6,076
Derivative financial instruments	--	50	--	50
Total financial liabilities	$ 6,076	$ 50	$ --	$ 6,126

	December 31, 2010			
	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

During 2011, the Company reevaluated the volume of trading activity for several of the debt securities held for investment by Astec Insurance. Based upon this review, several of the investments previously classified as level 2 are classified as level 1 as of December 31, 2011.

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, 2011				
Trading equity securities	$ 3,160	$ 81	$ 79	$ 3,162
Trading debt securities	7,761	211	71	7,901
Total	$ 10,921	$ 292	$ 150	$ 11,063
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

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 Retirement Plans, 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, 2011 and 2010, $1,324,000 and $1,156,000, 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 2011, 2010 and 2009, respectively, on investments still held as of the end of each reporting period, amounted to ($77,000), $219,000 and $1,015,000.

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 2011 and 2010 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 goodwill and other intangible asset impairment charges in the consolidated statements of income.

The changes in the carrying amount of goodwill by reporting segment during the years ended December 31, 2011 and 2010 are as follows (in thousands):

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	Other	Total
Balance, December 31, 2009	$ 5,922	$ 6,339	$ 1,646	$ --	$ --	$ 13,907
Balance, December 31, 2010	5,922	6,339	1,646	--	--	13,907
Business acquisition	--	--	1,171	--	--	1,171
Foreign currency translation	--	--	(89)	--	--	(89)
Balance, December 31, 2011	$ 5,922	$ 6,339	$ 2,728	$ --	$ --	$ 14,989

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 certain aviation equipment being classified as held for sale, an impairment charge of $2,304,000 was recorded in 2011 in selling, general and administrative expenses by the All Others Group to reduce the carrying value of the asset to its fair value as determined based upon the industry blue book valuations of used aircraft (level 3 in the fair value hierarchy). The $800,000 carrying value of these assets held for sale is included in other current assets in the Company's December 31, 2011 consolidated balance sheet. Additional impairment charges of $394,000 were recorded in 2011 related to long-lived assets and other charges related to inventory valuation of $1,845,000 were included in cost of sales in the Underground Group due to the sale of the utility product line assets. An additional impairment charge of $26,000 was recorded in 2011 by the Asphalt Group related to long-lived assets.

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 relationships in the Underground Group and $34,000 was attributed to patents in the All Others Group. This expense is included in "Goodwill and other intangible asset impairment charges" in the consolidated statements of income.

Amortization expense on intangible assets was $573,000, $598,000 and $693,000 for 2011, 2010 and 2009, respectively. Intangible assets, which are included in other long-term assets on the accompanying consolidated balance sheets, consisted of the following at December 31, 2011 and 2010 (in thousands):

	2011			2010		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Amortizable assets:						
Dealer network and customer relationships	$ 7,635	$ (1,069)	$ 6,566	$ 3,620	$ (830)	$ 2,790
Other	1,667	(446)	1,221	1,624	(1,130)	494
Total amortizable assets	9,302	(1,515)	7,787	5,244	(1,960)	3,284
Non-amortizable assets:						
Trade names	2,003	--	2,003	2,003	--	2,003
Total	$ 11,305	$ (1,515)	$ 9,790	$ 7,247	$ (1,960)	$ 5,287

Intangible asset amortization expense is expected to be $1,738,000, $990,000, $855,000, $813,000 and $697,000 in the years ending December 31, 2012, 2013, 2014, 2015 and 2016, respectively, and $2,694,000 thereafter.

7. Property and Equipment

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

	December 31	
	2011	**2010**
Land	$ 13,052	$ 7,968
Building and land improvements	134,513	118,650
Manufacturing and office equipment	209,939	196,130
Aviation equipment	14,830	15,449
Less accumulated depreciation	(184,316)	(169,955)
Total	$ 188,018	$ 168,242

Depreciation expense was $18,551,000, $18,022,000 and $17,752,000 for the years ended December 31, 2011, 2010 and 2009, 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 $2,493,000, $2,380,000 and $2,794,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

Minimum rental commitments for all noncancelable operating leases at December 31, 2011 are as follows (in thousands):

2012	$1,519
2013	544
2014	327
2015	157
2016	118
Thereafter	6
	$2,671

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 therefore the credit agreement is now with Wells Fargo.

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, 2011, 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 related interest rate was 0.795% and 0.76% at December 31, 2011 and 2010, 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, 2011, the Company had no borrowings outstanding under the Wells Fargo credit facility but did have letters of credit outstanding totaling $12,360,000, resulting in borrowing availability of $87,640,000 on the credit facility. The Company was in compliance with the covenants under its credit facility as of December 31, 2011.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd, ("Osborn") has a credit facility of $9,257,000 (ZAR 75,000,000) 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, 2011, Osborn had no outstanding borrowings under the credit facility, but $4,137,000 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 and a $2,000,000 letter of credit issued by the parent Company. As of December 31, 2011, Osborn had available credit under the facility of $5,120,000. The facility has an ongoing, indefinite term subject to periodic reviews by the bank. The interest rate is the South Africa prime rate which was 9.00% at December 31, 2011 and 2010. The unused facility fee is 0.793%.

The Company's Australian subsidiary, Astec Australia Pty Ltd ("Astec Australia") has a 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 $3,809,000 (AUD 3,750,000), secured by cash balances in the amount of $762,000 (AUD 750,000) and a $1,600,000 letter of credit issued by the parent Company. No amounts were outstanding under the credit facility at December 31, 2011. The interest rate is the Australian adjusted Bank Business Rate plus a margin of 1.05%. The interest rate was 12.01% and 12.46% at December 31, 2011 and 2010, 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 product, 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 2011, 2010 and 2009 are as follows (in thousands):

	2011	2010	2009
Reserve balance, beginning of year	$ 9,891	$ 8,714	$ 10,050
Warranty liabilities accrued	13,029	13,365	10,908
Warranty liabilities settled	(10,567)	(12,270)	(12,416)
Other	310	82	172
Reserve balance, end of year	$ 12,663	$ 9,891	$ 8,714

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, 2011 were $8,692,000 compared to $8,044,000 at December 31, 2010, of which $4,913,000 and $4,248,000 was included in other long-term liabilities at December 31, 2011 and 2010, respectively.

12. Pension and Retirement Plans

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. The Company's funding policy for the plan is to make the minimum annual contributions required by applicable regulations.

The Company's investment strategy for the 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 Plan Committee 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.

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

	Pension Benefits	
	2011	2010
Change in benefit obligation		
Benefit obligation, beginning of year	$ 11,454	$ 10,739
Interest cost	604	607
Actuarial loss	2,141	603
Benefits paid	(500)	(495)
Benefit obligation, end of year	13,699	11,454
Accumulated benefit obligation	$ 13,699	$ 11,454
Change in plan assets		
Fair value of plan assets, beginning of year	$ 9,376	$ 7,896
Actual gain on plan assets	19	1,003
Employer contribution	483	972
Benefits paid	(500)	(495)
Fair value of plan assets, end of year	9,378	9,376
Funded status, end of year	$ (4,321)	$ (2,078)
Amounts recognized in the consolidated balance sheets		
Noncurrent liabilities	$ (4,321)	$ (2,078)
Net amount recognized	$ (4,321)	$ (2,078)
Amounts recognized in accumulated other comprehensive income consist of		
Net loss	$ 6,567	$ 3,960
Net amount recognized	$ 6,567	$ 3,960
Weighted average assumptions used to determine benefit obligations as of December 31*		
Discount rate	4.46%	5.40%
Expected return on plan assets	7.00%	8.00%
Rate of compensation increase	N/A	N/A

The measurement date used for the plan 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 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		2011 & 2010 Target Allocation Ranges
	2011	2010	
Equity securities	63.5%	63.8%	53 - 73%
Debt securities	32.7%	30.3%	21 - 41%
Money market funds	3.8%	5.9%	0 - 15%
Total	100.0%	100.0%	

Net periodic benefit cost for 2011, 2010 and 2009 included the following components (in thousands, except as noted *):

	Pension Benefits		
	2011	2010	2009
Components of net periodic benefit cost			
Interest cost	$ 604	$ 607	$ 613
Expected return on plan assets	(741)	(610)	(531)
Amortization of net loss	257	255	301
Net periodic benefit cost	$ 120	$ 252	$ 383
Other changes in plan assets and benefit obligations recognized in other comprehensive income			
Net loss (gain)	$ 2,864	$ 210	$ (344)
Amortization of net loss	(257)	(255)	(301)
Total recognized in other comprehensive income	2,607	(45)	(645)
Total recognized in net periodic benefit cost and other comprehensive income	$ 2,727	$ 207	$ (262)
Weighted average assumptions used to determine net periodic benefit cost for years ended December 31*			
Discount rate	5.40%	5.78%	6.19%
Expected return on plan assets	8.00%	8.00%	8.00%

The Company expects to contribute $349,000 to the plan during 2012.

Amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit cost in 2012 for the amortization of a net loss is $502,000.

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

	Pension Benefits
2012	$ 570
2013	590
2014	670
2015	690
2016	720
2017 - 2021	4,110

The Company sponsors a 401(k) defined contribution plan to provide eligible employees with additional income upon retirement. The Company's contributions to the plan are based on employee contributions. The Company's contributions totaled $4,515,000, $3,866,000, and $3,982,000 in 2011, 2010 and 2009, 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, 2011		December 31, 2010	
	Cost	Market	Cost	Market
Company stock	$ 2,487	$ 3,354	$ 2,217	$ 3,133
Equity securities	2,696	2,722	2,549	2,674
Total	$ 5,183	$ 6,076	$ 4,766	$ 5,807

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 income 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 income of $45,000 and $399,000 in 2011 and 2009 and expense of $539,000 in 2010, respectively, related to the change in the fair value of the Company stock held in the SERP.

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 income 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 $12,565,000 during 2011. At December 31, 2011, the Company reported $307,000 of derivative assets in other current assets and $50,000 of derivative liabilities in other current liabilities. The Company reported $1,221,000 of derivative liabilities in other accrued liabilities and $30,000 in other long-term liabilities as of December 31, 2010. The Company recognized, as a component of cost of sales, net losses on the change in fair value of derivative financial instruments of $144,000, $1,473,000 and $20,000 for the years ended December 31, 2011, 2010 and 2009, respectively. There were no derivatives that were designated as hedges at December 31, 2011 or 2010.

14. Income Taxes

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

	2011	2010	2009
United States	$ 51,711	$ 39,729	$ 13,999
Foreign	7,590	8,974	(2,758)
Income before income taxes	$ 59,301	$ 48,703	$ 11,241

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

	2011	2010	2009
Current provision:			
Federal	$ 16,633	$ 12,145	$ 6,608
State	3,149	2,352	924
Foreign	1,481	2,131	221
Total current provision	21,263	16,628	7,753
Deferred provision (benefit):			
Federal	(1,777)	(802)	867
State	(625)	(22)	698
Foreign	420	327	(1,183)
Total deferred provision (benefit)	(1,982)	(497)	382
Total provision:			
Federal	14,856	11,343	7,475
State	2,524	2,330	1,622
Foreign	1,901	2,458	(962)
Total provision	$ 19,281	$ 16,131	$ 8,135

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.

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):

	2011	2010	2009
Tax at the statutory federal income tax rate	$ 20,755	$ 17,046	$ 3,935
Qualified production activity deduction	(1,178)	(720)	(187)
State income tax, net of federal income tax	1,640	1,514	1,054
Goodwill and intangible asset impairment charges	--	--	2,114
Other permanent differences	193	290	116
Research and development tax credits	(2,134)	(1,849)	(454)
Change in valuation allowance	62	218	909
Other items	(57)	(368)	648
Income tax provision	$ 19,281	$ 16,131	$ 8,135

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 2011	December 31 2010
Deferred tax assets:		
Inventory	$ 8,468	$ 6,625
Warranty reserves	3,868	3,240
Bad debt reserves	834	559
State tax loss carryforwards	1,706	1,585
Other	10,268	7,683
Valuation allowances	(2,030)	(1,968)
Total deferred tax assets	23,114	17,724
Deferred tax liabilities:		
Property and equipment	20,262	18,022
Other	1,979	2,016
Total deferred tax liabilities	22,241	20,038
Net deferred tax asset (liability)	$ 873	$ (2,314)

As of December 31, 2011, the Company has state net operating loss carryforwards of $36,870,000 for tax purposes, which will be available to offset future taxable income. If not used, these carryforwards will expire between 2012 and 2025. 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 2011, the deferred tax valuation allowance on these carryforwards was increased by $125,000 based upon the projected ability of certain entities to utilize their state net operating loss carryforwards. Additionally, prior to 2011, the Company determined that the recovery of certain other deferred tax assets was uncertain. The valuation allowance for these deferred tax assets was decreased by $63,000 in 2011.

Any 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 is 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. There are no such undistributed earnings as of December 31, 2011.

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 2008. 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 2005.

At December 31, 2011, the Company has a liability for unrecognized tax benefits of $949,000 which includes accrued interest and penalties of $201,000. The Company had a liability recorded for unrecognized tax benefits at December 31, 2010 of $570,000 which included accrued interest and penalties of $83,000. The Company recognizes interest and penalties accrued related to unrecognized tax benefits in tax expense. The Company recognized tax costs of $118,000 in 2011 and tax benefits of $14,000 in 2010 for penalties and interest related to amounts representing additional liabilities in 2011 and related to amounts that were settled for less than previously accrued in 2010. The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate is $807,000 and $515,000 at December 31, 2011 and 2010, respectively. The Company does not expect a significant increase or decrease to the total amount of unrecognized tax benefits within the next twelve months.

A reconciliation of the beginning and ending unrecognized tax benefits is as follows (in thousands):

	2011	2010	2009
Balance, beginning of year	$ 570	$ 675	$ 939
Additions for tax positions related to the current year	224	142	106
Additions for tax positions related to prior years	263	74	190
Reductions due to lapse of statutes of limitations	(108)	(132)	(253)
Decreases related to settlements with tax authorities	--	(189)	(307)
Balance, end of year	$ 949	$ 570	$ 675

The December 31, 2011 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 related impact to the deferred tax accounting.

15. Contingent Matters

Certain customers have financed purchases of Company products through arrangements in which the Company is contingently liable for customer debt of $3,537,000 and $3,037,000 at December 31, 2011 and 2010, respectively. At December 31, 2011, the maximum potential amount of future payments for which the Company would be liable is equal to $3,537,000. 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 $343,000 related to these guarantees at December 31, 2011.

In addition, the Company is contingently liable under letters of credit issued by Wells Fargo totaling $12,360,000 as of December 31, 2011, including a $1,600,000 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, 2011, Osborn is contingently liable for a total of $4,137,000 in performance advance payment and retention guarantees. As of December 31, 2011, the maximum potential amount of future payments under these letters of credit and guarantees for which the Company could be liable is $16,497,000.

The Company is currently a party to various claims and legal proceedings that have arisen in the ordinary course of business. If management believes that a loss arising from such claims and legal proceedings is probable and can reasonably be estimated, the Company records the amount of the loss (excluding estimated legal fees), or the minimum estimated liability when the loss is estimated using a range, and no point within the range is more probable than another. As management becomes aware of additional information concerning such contingencies, any potential liability related to these matters is assessed and the estimates are revised, if necessary. If management believes that a 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 2004, the Company 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 a liability with respect to the 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 44,330 unexercised and outstanding options as of December 31, 2011 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 135,802 as of December 31, 2011 of which 127,949 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 $239,000, $189,000 and $203,000 during 2011, 2010 and 2009, respectively.

A summary of the Company's stock option activity and related information for the year ended December 31, 2011 follows:

	Options	Weighted Average Exercise Price	Remaining Contractual Life	Intrinsic Value
Options outstanding, beginning of year	100,476	$ 17.82		
Options exercised	(48,293)	16.76		
Options outstanding, end of year	52,183	18.79	3.04 Years	$ 704,000
Options exercisable, end of year	52,183	$ 18.79	3.04 Years	$ 704,000

The total intrinsic value of stock options exercised during the years ended December 31, 2011, 2010 and 2009 was $870,000, $1,525,000 and $125,000, respectively. Cash received from options exercised during the years ended December 31, 2011, 2010 and 2009, totaled $810,000, $1,431,000 and $880,000, 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 $310,000, $579,000 and $50,000, respectively for the years ended December 31, 2011, 2010 and 2009. No stock options were granted or vested nor was any stock option expense recorded during the three years ended December 31, 2011. As of December 31, 2011, 2010 and 2009, 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 allowed up to 700,000 shares to be granted to employees. RSU's granted each year was determined based upon the performance of individual subsidiaries and consolidated annual financial performance. Additional RSU's were granted in 2011 based upon cumulative five-year performance. Generally, each award vests 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 additional RSU's are expected to be granted under this plan. In early 2011, a subsequent plan was formulated under the Company's 2011 Incentive Plan which was approved by the Company's shareholders in their annual meeting held in April 2011. This plan also allows the Company to grant up to 700,000 RSU's to employees and will operate in a similar fashion to the 2006 Incentive Plan for each of the five years ending December 31, 2015. The fair value of the RSU's that vested during 2011 was $406,000. No RSU's vested during 2010 or 2009.

RSU's granted in 2007 through 2011 and expected to be granted in 2012 for each prior year's performance and RSU's expected to be granted in 2016 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	7,979	2,750	60,371	$ 38.76
February, 2008	2007	74,800	1,105	2,600	71,095	$ 38.52
February, 2009	2008	69,200	300	900	68,000	$ 22.22
February, 2010	2009	51,000	--	500	50,500	$ 24.29
February, 2011	2010	65,000	--	4,360	60,640	$ 34.33
February, 2011	2006-2010	58,495	--	1,847	56,648	$ 34.33
February, 2012	2011	33,331	--	--	33,331	$ 32.21
February, 2016	2011-2016	33,331	--	--	33,331	$ 32.21
Total		456,257	9,384	12,957	433,916	

Compensation expense of $2,602,000, $2,206,000, and $1,204,000 was recorded in the years ended December 31, 2011, 2010 and 2009, respectively, to reflect the fair value of the original RSU's granted or anticipated to be granted less estimated forfeitures, amortized over the portion of the vesting period occurring during the period. Related income tax benefits of $848,000, $731,000 and $433,000 were recorded in 2011, 2010 and 2009, respectively. The fair value of the 66,662 RSU's expected to be granted in February 2012 and 2016 was based upon the market value of the related stock at December 31, 2011 and will be adjusted to the fair value as of each period end until the grant dates. Based upon the fair value and net RSU's shown above, it is anticipated that $4,636,000 of additional compensation costs will be recognized in future periods through 2021. The weighted average period over which this additional compensation cost will be expensed is 4.8 years.

Changes in restricted stock units during the year ended December 31, 2011 are as follows:

	2011
Unvested restricted stock units, beginning of year	255,916
Restricted stock units granted	123,495
Restricted stock units forfeited	(400)
Restricted stock units vested	(11,757)
Unvested restricted stock units, end of year	367,254

The grant date fair value of the restricted stock units granted during 2011, 2010 and 2009 was $4,240,000, $1,239,000 and $1,538,000, 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.

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 three 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 three 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.

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 2011 (in thousands)

	Asphalt Group	Aggregate and Mining Group	Mobile Asphalt Paving Group	Underground Group	All Others	Total
Revenues from external customers	$ 260,404	$ 333,278	$ 187,988	$ 84,771	$ 89,288	$ 955,729
Intersegment revenues	24,925	25,219	18,629	5,274	--	74,047
Interest expense	14	3	5	3	168	193
Depreciation and amortization	4,268	6,932	2,788	2,820	2,451	19,259
Income taxes	1,401	1,834	1,009	(593)	15,630	19,281
Segment profit (loss)	29,310	31,493	26,485	(7,106)	(38,216)	41,966
Segment assets	370,137	359,931	155,676	134,376	408,903	1,429,023
Capital expenditures	9,172	8,138	6,678	945	11,197	36,130

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
Goodwill and other 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

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

	2011	2010	2009
Sales			
Total external sales for reportable segments	$ 866,441	$ 709,360	$ 681,048
Intersegment sales for reportable segments	74,047	55,384	46,314
Other sales	89,288	61,975	57,046
Elimination of intersegment sales	(74,047)	(55,384)	(46,314)
Total consolidated sales	$ 955,729	$ 771,335	$ 738,094
Net income attributable to controlling interest			
Total profit for reportable segments	$ 80,182	$ 60,392	$ 32,097
Other losses	(38,216)	(27,138)	(29,614)
Net income attributable to non-controlling interest	(102)	(142)	(38)
(Elimination) recapture of intersegment profit	(1,946)	(682)	623
Total consolidated net income attributable to controlling interest	$ 39,918	$ 32,430	$ 3,068
Assets			
Total assets for reportable segments	$ 1,020,120	$ 912,142	$ 859,834
Other assets	408,903	367,474	301,219
Elimination of intercompany profit in inventory	(3,890)	(1,944)	(1,263)
Elimination of intercompany receivables	(461,721)	(435,980)	(389,129)
Elimination of investment in subsidiaries	(160,988)	(119,562)	(119,562)
Other eliminations	(85,541)	(72,491)	(60,198)
Total consolidated assets	$ 716,883	$ 649,639	$ 590,901
Interest expense			
Total interest expense for reportable segments	$ 25	$ 215	$ 316
Other interest expense	168	137	221
Total consolidated interest expense	$ 193	$ 352	$ 537
Depreciation and amortization			
Total depreciation and amortization for reportable segments	$ 16,808	$ 16,472	$ 16,462
Other depreciation and amortization	2,451	2,256	2,214
Total consolidated depreciation and amortization	$ 19,259	$ 18,728	$ 18,676
Capital expenditures			
Total capital expenditures for reportable segments	$ 24,933	$ 10,966	$ 17,159
Other capital expenditures	11,197	370	304
Total consolidated capital expenditures	$ 36,130	$ 11,336	$ 17,463

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

	2011	2010	2009
United States	$ 561,378	$ 476,928	$ 465,473
Asia	11,678	5,797	19,037
Southeast Asia	8,605	4,845	4,498
Europe	41,464	19,395	23,807
South America	76,646	43,598	28,900
Canada	88,570	81,839	73,657
Australia	52,150	24,804	22,623
Africa	65,813	60,838	50,368
Central America	14,130	15,549	10,376
Middle East	22,446	24,863	25,878
West Indies	5,461	5,698	4,770
Other	7,388	7,181	8,707
Total foreign	394,351	294,407	272,621
Total consolidated sales	$ 955,729	$ 771,335	$ 738,094

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

	December 31	
	2011	2010
United States	$ 173,271	$ 154,918
Canada	3,525	3,384
Germany	2,559	--
Africa	7,930	8,117
Australia	9,526	4,533
Total foreign	23,540	16,034
Total	$ 196,811	$ 170,952

18. Accumulated Other Comprehensive Income

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

	December 31	
	2011	2010
Foreign currency translation adjustment	$ 4,851	$ 10,345
Unrecognized pension and post-retirement benefit cost, net of tax of $2,482 and $1,506, respectively	(4,010)	(2,299)
Accumulated other comprehensive income	$ 841	$ 8,046

19. Other Income (Expense) - Net

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

	2011	2010	2009
Investment income	$ 27	$ 129	$ 615
Licensing fees	449	230	215
Other	608	316	307
Total	$ 1,084	$ 675	$ 1,137

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

20. Business Combinations

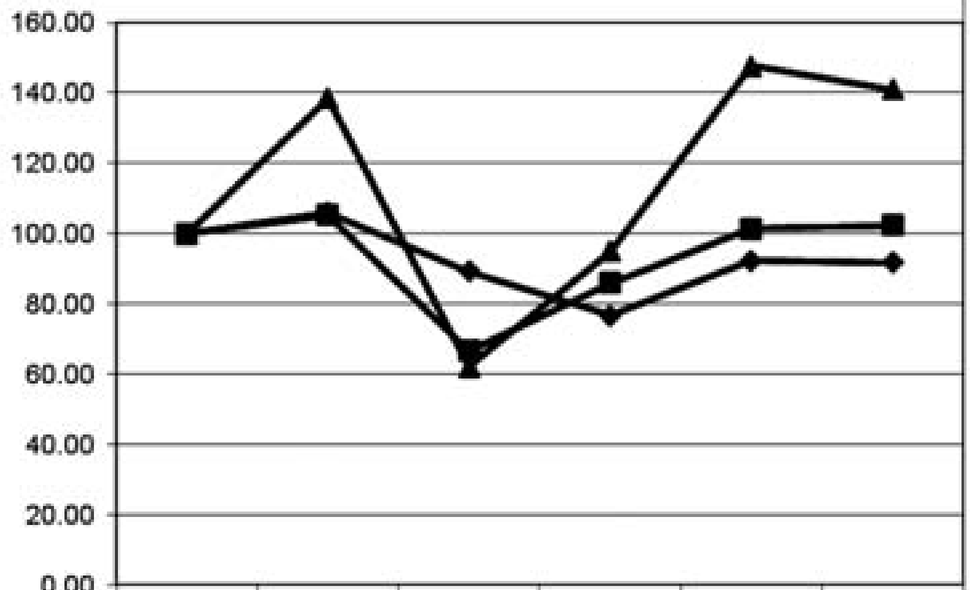
On August 10, 2011, the Company purchased substantially all of the assets of Protec Technology and Machinery GmbH ("Protec"), a German corporation; Construction Machinery GmbH ("Construction Machinery"), a German corporation; and Protec Technology Ltd.("Protec, Ltd."), a Hong Kong corporation for $3,000,000. The Company formed a new subsidiary, Astec Mobile Machinery GmbH, located in Hameln, Germany to operate the acquired businesses. The new Company designs, manufactures and distributes equipment for the Company's Mobile Asphalt Group in markets outside of the United States.

On October 1, 2011, the Company acquired the GEFCO and STECO divisions of Blue Tee Corp. for $30,407,000. The Company formed a new subsidiary, GEFCO, Inc., to operate the acquired businesses from their existing Enid, Oklahoma facilities. This purchase resulted in the recognition of $3,877,000 of amortizable intangible assets which consist of trade names (15 year useful life) and customer relationships (8 year useful life). The effective date of the purchase was October 1, 2011, and the results of GEFCO Inc.'s operations have been included in the consolidated financial statements since that date. During January 2012, the purchase price allocation was finalized and funds previously held in escrow have been distributed.

GEFCO (formerly known as George E. Failing Company) was established in 1931 and was a leading manufacturer of portable drilling rigs and related equipment for the water well, environmental, groundwater monitoring, construction, mining and shallow oil & gas exploration and production industries. STECO, which began in the late 1950's, was a manufacturer of transfer and dump trailers for the solid waste, construction and demolition industries. STECO was a pioneer in the development and production of hydraulic dump trailers. GEFCO, Inc. will continue to manufacture Failing, SpeedStar, King Oil Tools and STECO equipment.

The revenue and pre-tax income of Protec, Protec, Ltd., Construction Machinery, GEFCO and STECO were not significant in relation to the Company's 2011 financial statements 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.



	2006	2007	2008	2009	2010	2011
Astec Industries Inc	100.00	105.94	89.25	76.74	92.32	91.74
NYSE/AMEX/NASDAQ Market (US Companies)	100.00	105.22	66.58	85.94	101.49	102.44
NYSE/AMEX/NASDAQ Stocks (SIC 3530-3537 US Comp) Construction, Mining, and Materials Handling Machinery and Equipment	100.00	138.48	62.04	95.15	147.78	141.01

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.

2011 Board of Directors

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Managing Partner of River Associates LLC

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Former Chairman of the Board of Directors of
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William G. Dorey
Former CEO and President of
Granite Construction Incorporated

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Officer of The Dixie Group, Inc.

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W. Norman Smith
Group Vice President - Asphalt,
Astec Industries, Inc.

Glen E. Tellock
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COMMITTEES

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Daniel K. Frierson
W. Norman Smith

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William B. Sansom
Glen E. Tellock

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

Compensation Committee:
James B. Baker
Phillip E. Casey
William G. Dorey
William D. Gehl

CORPORATE EXECUTIVE OFFICERS

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President and CEO

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Vice President,
CFO and Treasurer

Stephen C. Anderson
V.P. of Administration,
Corporate Secretary and
Director of Investor Relations

Robin A. Leffew
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

F. McKamy Hall, CPA
V.P. of Business Development

SUBSIDIARY OFFICERS

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Breaker Technology Ltd.
Breaker Technology, Inc.

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President
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General Manager
Astec Australia Pty Ltd

Joseph P. Vig
President
Kolberg-Pioneer, Inc.

OTHER INFORMATION

Transfer Agent	Computershare 480 Washington Blvd., Jersey City, NJ 07310 800.617.6437, www.bnymellon.com/shareowner/equityaccess
Stock Exchange	NASDAQ, National Market - ASTE
Auditors	Ernst & 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 May 3, 2012 at 10:00 A.M., EST in the Training Center at Astec, Inc. located at 4101 Jerome Avenue, Chattanooga, TN 37407.

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