UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2016
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number **001-11595**

Astec Industries, Inc.

(Exact name of registrant as specified in its charter)

Tennessee	**62-0873631**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1725 Shepherd Road, Chattanooga, Tennessee	**37421**
(Address of principal executive offices)	(Zip Code)

(423) 899-5898
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YES ý NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
YES ý NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ý	Accelerated Filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES ☐ NO ý

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 24, 2016
Common Stock, par value $0.20	**23,041,341**

ASTEC INDUSTRIES, INC.
INDEX

PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

Astec Industries, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 68,473	$ 25,062
Investments	1,889	1,539
Trade receivables	124,047	98,865
Other receivables	3,443	3,132
Inventories	379,477	384,776
Prepaid expenses and other	29,702	28,423
Total current assets	607,031	541,797
Property and equipment, net	173,080	170,206
Investments	12,661	11,540
Goodwill	29,259	30,835
Other long-term assets	24,597	22,975
Total assets	$ 846,628	$ 777,353
LIABILITIES AND EQUITY		
Current liabilities:		
Current maturities of long-term debt	$ 4,769	$ 4,528
Accounts payable	54,498	48,385
Accrued product warranty	11,858	9,100
Customer deposits	62,439	40,082
Accrued payroll and related liabilities	19,462	17,375
Accrued loss reserves	3,255	2,838
Accrued income taxes payable	1,422	103
Other current liabilities	21,515	19,601
Total current liabilities	179,218	142,012
Long-term debt	5,857	5,154
Deferred income tax liabilities	2,182	2,348
Other long-term liabilities	19,797	17,981
Total liabilities	207,054	167,495
Shareholders' equity	638,228	608,072
Non-controlling interest	1,346	1,786
Total equity	639,574	609,858
Total liabilities and equity	$ 846,628	$ 777,353

See Notes to Unaudited Condensed Consolidated Financial Statements

Astec Industries, Inc.
Condensed Consolidated Statements of Income
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net sales	$ 294,394	$ 268,042	$ 573,116	$ 556,791
Cost of sales	220,942	205,809	427,708	428,512
Gross profit	73,452	62,233	145,408	128,279
Selling, general, administrative and engineering expenses	44,961	43,308	88,766	87,112
Income from operations	28,491	18,925	56,642	41,167
Interest expense	326	420	793	717
Other income, net of expenses	276	273	819	2,033
Income from operations before income taxes	28,441	18,778	56,668	42,483
Income taxes	10,300	7,120	20,849	15,909
Net income	18,141	11,658	35,819	26,574
Net loss attributable to non-controlling interest	(51)	(147)	(116)	(335)
Net income attributable to controlling interest	$ 18,192	$ 11,805	$ 35,935	$ 26,909
Earnings per common share				
Net income attributable to controlling interest:				
Basic	$ 0.79	$ 0.51	$ 1.56	$ 1.17
Diluted	$ 0.79	$ 0.51	$ 1.55	$ 1.16
Weighted average number of common shares outstanding:				
Basic	22,999	22,942	22,982	22,923
Diluted	23,135	23,119	23,135	23,117
Dividends declared per common share	$ 0.10	$ 0.10	$ 0.20	$ 0.20

See Notes to Unaudited Condensed Consolidated Financial Statements

Astec Industries, Inc.
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net income	$ 18,141	$ 11,658	$ 35,819	$ 26,574
Other comprehensive income (loss):				
Change in unrecognized pension and post-retirement benefit costs	--	--	--	28
Income tax (provision) benefit on change in unrecognized pension and post-retirement benefit costs	(111)	(18)	(111)	9
Foreign currency translation adjustments	(2,017)	2,540	(287)	(3,718)
Income tax provision on foreign currency translation adjustments	(394)	(410)	(728)	(60)
Other comprehensive income (loss)	(2,522)	2,112	(1,126)	(3,741)
Comprehensive income	15,619	13,770	34,693	22,833
Comprehensive income (loss) attributable to non-controlling interest	14	(140)	74	(677)
Comprehensive income attributable to controlling interest	$ 15,605	$ 13,910	$ 34,619	$ 23,510

See Notes to Unaudited Condensed Consolidated Financial Statements

Astec Industries, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Cash flows from operating activities:		
Net income	$ 35,819	$ 26,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,787	12,111
Provision (benefit) for doubtful accounts	320	(330)
Provision for warranties	8,300	8,462
Deferred compensation provision	998	324
Stock-based compensation	1,020	856
Tax benefit from stock incentive plans	--	(344)
Deferred income tax benefit	(3,353)	(3,319)
Gain on disposition of fixed assets	(97)	(205)
Distributions to SERP participants	(92)	(2,595)
Change in operating assets and liabilities:		
Sale (purchase) of trading securities, net	(1,106)	(736)
Trade and other receivables	(25,782)	(10,345)
Inventories	5,299	5,410
Prepaid expenses	(6,116)	3,245
Other assets	1,536	8
Accounts payable	6,497	(8,516)
Accrued product warranty	(5,569)	(7,671)
Customer deposits	22,357	(13,255)
Prepaid and income taxes payable, net	4,704	2,664
Other	7,531	2,024
Net cash provided by operating activities	64,053	14,362
Cash flows from investing activities:		
Expenditures for property and equipment	(13,265)	(10,669)
Proceeds from sale of property and equipment	144	298
Other	(121)	819
Net cash used by investing activities	(13,242)	(9,552)
Cash flows from financing activities:		
Payment of dividends	(4,608)	(4,595)
Borrowings under bank loans	1,339	77,207
Repayments of bank loans	(2,337)	(74,784)
Tax benefit from stock issued under incentive plans	--	344
Sale (purchase) of Company shares held by SERP, net	(97)	2,081
Withholding tax paid upon vesting of restricted stock units	(1,022)	(600)
Purchase of subsidiary's shares	(724)	(653)
Net cash used by financing activities	(7,449)	(1,000)
Effect of exchange rates on cash	49	(480)
Net increase in cash and cash equivalents	43,411	3,330
Cash and cash equivalents, beginning of period	25,062	13,023
Cash and cash equivalents, end of period	$ 68,473	$ 16,353

See Notes to Unaudited Condensed Consolidated Financial Statements

Astec Industries, Inc.
Condensed Consolidated Statement of Equity
For the Six Months Ended June 30, 2016
(in thousands)
(unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in-Capital	Accumulated Other Compre-hensive Loss	Company Shares Held by SERP	Retained Earnings	Non-controlling Interest	Total Equity
Balance, December 31, 2015	22,988	$ 4,598	$ 137,883	$ (23,564)	$ (1,778)	$ 490,933	$ 1,786	$ 609,858
Net income (loss)	--	--	--	--	--	35,935	(116)	35,819
Other comprehensive income (loss)	--	--	--	(1,126)	--	--	190	(936)
Dividends declared	--	--	4	--	--	(4,612)	--	(4,608)
Stock-based compensation	1	--	1,020	--	--	--	--	1,020
Change in ownership percent of subsidiary	--	--	--	--	--	--	(787)	(787)
Stock issued under incentive plans	52	10	(10)	--	--	--	--	--
Withholding tax paid upon vesting of RSUs	--	--	(1,022)	--	--	--	--	(1,022)
SERP transactions, net	--	--	7	--	(105)	--	--	(98)
Cumulative effect of adopting ASU No. 2016-09	--	--	150	--	--	(95)	--	55
Other	--	--	--	--	--	--	273	273
Balance, June 30, 2016	23,041	$ 4,608	$ 138,032	$ (24,690)	$ (1,883)	$ 522,161	$ 1,346	$ 639,574

See Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated under the Securities Act of 1933. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six-month periods ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. It is suggested that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Astec Industries, Inc. Annual Report on Form 10-K for the year ended December 31, 2015.

The unaudited condensed consolidated balance sheet as of December 31, 2015 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

Dollar and share amounts shown are in thousands, except per share amounts, unless otherwise specified.

Certain amounts previously reported for 2015 have been reclassified to conform with current year presentation.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers", which supersedes existing revenue guidance under U.S. GAAP. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The implementation of this new standard will require companies to use more judgment and to make more estimates than under current guidance. The standard is effective for public companies for annual periods beginning after December 15, 2017. The Company plans to adopt the new standard effective January 1, 2018. The Company has not yet determined what impact, if any, the adoption of this new standard will have on the Company's financial position or results of operations.

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory", which changes the measurement basis for inventory from the lower of cost or market to lower of cost and net realizable value and also eliminates the requirement for companies to consider replacement cost or net realizable value less an approximate normal profit margin when determining the recorded value of inventory. The standard is effective for public companies in fiscal years beginning after December 15, 2016, and the Company expects to adopt the standard effective January 1, 2017. The Company has not yet determined what impact, if any, the adoption of this new standard will have on the Company's financial position or results of operations.

In January 2016, the FASB issued ASU No. 2016-01, "Financial Instruments—Overall (Subtopic 825-10)", which requires, among other things, equity investments with readily determinable fair values, except those accounted for under the equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with changes in fair value recognized in net income. The standard is effective for public companies in fiscal years beginning after December 15, 2017, and the Company expects to adopt the standard effective January 1, 2018. The Company has not yet determined what impact, if any, the adoption of this new standard will have on the Company's financial position or results of operations.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)", which significantly changes the accounting for operating leases by lessees. The accounting applied by lessors is largely unchanged from that applied under previous guidance. The new guidance requires lessees to recognize lease assets and lease liabilities in the balance sheet, initially measured at the present value of the lease payments, for leases which were classified as operating leases under previous guidance. Lease cost included in the statement of income will be calculated so that the cost of the lease is allocated over the lease term, generally on a straight-line basis. Lessees may make an accounting policy election to exclude leases with a term of 12 months or less from the requirement to record related assets and liabilities. The new standard is effective for public companies for fiscal years beginning after December 15, 2018. The Company plans to adopt the new standard effective January 1, 2019. The Company has not yet determined what impact the adoption of this new standard will have on the Company's financial position or results of operations.

In March 2016, the FASB issued ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606)", which does not change the core principles of ASU No. 2014-09 discussed above, but rather clarifies the implementation guidance in order to eliminate the potential for diversity in practice arising from inconsistent application of the principal versus agent guidance. Under the new guidance, when an entity determines it is a principal in a transaction, the entity recognizes revenue in the gross amount of consideration; however in transactions where an entity determines it in an agent, the entity recognizes revenue in the amount of any fee or commission to which it expects to be entitled. The standard is effective for public companies for annual periods beginning after December 15, 2017. The Company plans to adopt the new standard effective January 1, 2018. The Company has not yet determined what impact, if any, the adoption of this new standard will have on the Company's financial position or results of operations.

In March 2016, the FASB issued ASU No. 2016-09, "Compensation—Stock Compensation (Topic 718)", as part of its Simplification Initiative. The standard's provisions impact several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification in the statement of cash flows. The standard is effective for public companies for annual periods beginning after December 15, 2016, with early adoption permitted. The Company adopted the new standard effective January 1, 2016 and has recorded a cumulative effect adjustment in retained earnings as of January 1, 2016 of $95, net of tax, related to the adoption of the new provisions allowing for restricted stock unit forfeitures to be accounted for at the time they occur as opposed to being estimated during the vesting period. Additionally, income tax benefits of $209, which would have been recorded in additional paid-in-capital under prior guidance, have been recorded in the first quarter of 2016 consolidated income statements related to excess tax benefits resulting from the vesting of restricted stock units in 2016. As allowed under the provision's guidelines, amounts for 2015 have not been restated in the accompanying financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments". The standard changes how credit losses are measured for most financial assets and certain other instruments that currently are not measured through net income. The standard will require an expected loss model for instruments measured at amortized cost as opposed to the current incurred loss approach. In valuing available for sale debt securities, allowances will be required to be recorded, rather than the current approach of reducing the carrying amount, for other than temporary impairments. A cumulative adjustment to retained earnings is to be recorded as of the beginning of the period of adoption to reflect the impact of applying the provisions of the standard. The standard is effective for public companies for periods beginning after December 15, 2019 and the Company expects to adopt the new standard as of January 1, 2020.

Note 2. Earnings per Share

Basic earnings per share are determined by dividing earnings by the weighted average number of common shares outstanding during each period. Diluted earnings per share include the potential dilutive effect of options, restricted stock units and shares held in the Company's Supplemental Executive Retirement Plan.

The following table sets forth the computation of net income attributable to controlling interest and the number of basic and diluted shares used in the computation of earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Numerator:				
Net income attributable to controlling interest	$ 18,192	$ 11,805	$ 35,935	$ 26,909
Denominator:				
Denominator for basic earnings per share	22,999	22,942	22,982	22,923
Effect of dilutive securities:				
Employee stock options and restricted stock units	71	114	89	129
Supplemental Executive Retirement Plan	65	63	64	65
Denominator for diluted earnings per share	23,135	23,119	23,135	23,117

Note 3. Receivables

Receivables are net of allowances for doubtful accounts of $1,726 and $1,837 as of June 30, 2016 and December 31, 2015, respectively.

Note 4. Inventories

Inventories consist of the following:

	June 30, 2016	December 31, 2015
Raw materials and parts	$ 146,703	$ 141,967
Work-in-process	120,858	113,859
Finished goods	86,138	104,879
Used equipment	25,778	24,071
Total	$ 379,477	$ 384,776

Raw material inventory is comprised of purchased steel and other purchased items for use in the manufacturing process or held for sale in the Company's after-market parts business. The category also includes the manufacturing cost of completed equipment sub-assemblies produced for either integration into equipment manufactured at a later date or for sale in the Company's after-market parts business.

Work-in-process inventory consists of the value of materials, labor and overhead incurred to date in the manufacturing of incomplete equipment or incomplete equipment sub-assemblies being produced.

Finished goods inventory consists of completed equipment manufactured for sale to customers.

Used inventory consists of equipment accepted in trade or purchased on the open market. The category also includes equipment rented to prospective customers on a short-term or month-to-month basis. Used equipment is valued at the lower of acquired or trade-in cost or market determined on each separate unit. Each unit of rental equipment is valued at its original manufacturing cost and is reduced by an appropriate reserve each month during the period of time the equipment is rented.

Inventories are valued at the lower of cost (first-in, first-out) or market, which requires the Company to make specific estimates, assumptions and judgments in determining the amount, if any, of reductions in the valuation of inventories to their net realizable values. The net realizable values of the Company's products are impacted by a number of factors, including changes in the price of steel, competitive sales pricing, quantities of inventories on hand, the age of the individual inventory items, market acceptance of the Company's products, the Company's normal gross margins, actions by the Company's competitors, the condition of the Company's used and rental inventory and general economic factors. Once an inventory item's value has been deemed to be less than cost, a net realizable value allowance is calculated and a new "cost basis" for that item is effectively established. This new cost is retained for that item until such time as the item is disposed of or the Company determines that an additional write-down is necessary. Additional write-downs may be required in the future based upon changes in assumptions due to general economic downturns in the markets in which the Company operates, changes in competitor pricing, new product design or other technological advances introduced by the Company or its competitors and other factors unique to individual inventory items.

The most significant component of the Company's inventory is steel. A significant decline in the market price of steel could result in a decline in the market value of the equipment or parts the Company sells. During periods of significant declining steel prices, the Company reviews the valuation of its inventories to determine if reductions are needed in the recorded value of inventory on hand to its net realizable value.

The Company reviews the individual items included in its finished goods, used equipment and rental equipment inventory on a model-by-model or unit-by-unit basis to determine if any item's net realizable value is below its carrying value each quarter. This analysis is expanded to include items in work-in-process and raw material inventory if factors indicate those items may also be impacted. In performing this review, judgments are made and, in addition to the factors discussed above, additional consideration is given to the age of the specific items of used or rental inventory, prior sales offers or lack thereof, the physical condition of the specific items and general market conditions for the specific items. Additionally, an analysis of raw material inventory is performed each quarter to calculate any valuation write-downs needed for obsolete inventory based upon quantities of items on hand, the age of those items and their recent and expected future usage or sale.

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.

Note 5. Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation of $212,191 and $203,471 as of June 30, 2016 and December 31, 2015, respectively.

Note 6. 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 obligations of the Company associated with the financial assets held in the SERP also constitute a liability of the Company for financial reporting purposes and are included in other long-term liabilities in the accompanying balance sheets. The Company's subsidiaries also occasionally enter into foreign currency exchange contracts to mitigate exposure to fluctuations in currency exchange rates.

The carrying amount of cash and cash equivalents, trade receivables, other receivables, revolving debt, accounts payable and long-term debt approximates their fair value because of their short-term nature and/or interest rates associated with the 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.

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

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Unadjusted quoted prices in active markets for similar assets or liabilities; 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.

As indicated in the tables below (which excludes the Company's pension assets), the Company has determined that all of its financial assets and liabilities as of June 30, 2016 and December 31, 2015 are Level 1 and Level 2 in the fair value hierarchy as defined above:

	June 30, 2016		
	Level 1	Level 2	Total
Financial Assets:			
Trading equity securities:			
SERP money market fund	$ 461	$ --	$ 461
SERP mutual funds	3,055	--	3,055
Preferred stocks	505	--	505
Trading debt securities:			
Corporate bonds	4,251	--	4,251
Municipal bonds	--	3,029	3,029
Floating rate notes	87	--	87
Asset backed securities	--	739	739
Savings bonds	47	--	47
Other	--	2,376	2,376
Derivative financial instruments	--	306	306
Total financial assets	$ 8,406	$ 6,450	$ 14,856
Financial Liabilities:			
SERP liabilities	$ --	$ 7,171	$ 7,171
Derivative financial instruments	--	397	397
Total financial liabilities	$ --	$ 7,568	$ 7,568

	December 31, 2015		
	Level 1	Level 2	Total
Financial Assets:			
Trading equity securities:			
SERP money market fund	$ 445	$ --	$ 445
SERP mutual funds	2,864	--	2,864
Preferred stocks	742	--	742
Trading debt securities:			
Corporate bonds	3,756	141	3,897
Municipal bonds	--	1,811	1,811
Floating rate notes	84	--	84
U.S. Treasury bills	404	--	404
Savings bonds	77	--	77
Other	--	2,755	2,755
Derivative financial instruments	--	1,265	1,265
Total financial assets	$ 8,372	$ 5,972	$ 14,344
Financial Liabilities:			
SERP liabilities	$ --	$ 5,869	$ 5,869
Derivative financial instruments	--	22	22
Total financial liabilities	$ --	$ 5,891	$ 5,891

The Company reevaluates the volume of trading activity for each of its investments at the end of each quarter and adjusts the level within the fair value hierarchy as needed. Three bond investments with a combined June 30, 2016 market value of $610 changed from Level 2 in the hierarchy at March 31, 2016 to Level 1 at June 30, 2016 due to an increase in trading activity.

The trading equity investments noted above are valued at their 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 with the assistance of a nationally recognized third party pricing service. Additionally, a significant portion of the SERP's investments in trading equity securities are in money market and mutual funds. As these money market and mutual funds are held in a SERP, they are also included in the Company's liability under its SERP.

Trading debt securities are comprised 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.

Net unrealized gains or losses incurred on investments held as of June 30, 2016 and December 31, 2015 amounted to net losses of $154 and $429, respectively.

Note 7. Debt

On April 12, 2012, the Company and certain of its subsidiaries entered into an amended and restated credit agreement whereby Wells Fargo extended to the Company an unsecured line of credit of up to $100,000, including a sub-limit for letters of credit of up to $25,000. There were no borrowings outstanding under the agreement at any time during the six -month period ended June 30, 2016. Letters of credit totaling $17,158, including $11,874 of letters of credit issued to banks in Brazil to secure the local debt of Astec do Brasil Fabricacao de Equipamentos Ltda. ("Astec Brazil"), were outstanding under the credit facility as of June 30, 2016, resulting in additional borrowing ability of $82,842 under the credit facility. The credit agreement has a five-year term expiring in April 2017. Borrowings under the agreement are subject to an interest rate equal to the daily one-month LIBOR rate plus a 0.75% margin, resulting in a rate of 1.22% as of June 30, 2016. The unused facility fee is 0.175%. Interest only payments are due monthly. The amended and restated credit agreement contains certain financial covenants, including provisions concerning required levels of annual net income, minimum tangible net worth and maximum allowed capital expenditures. The Company was in compliance with these covenants as of June 30, 2016.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd ("Osborn"), has a credit facility of $6,430 with a South African bank to finance short-term working capital needs, as well as to cover performance letters of credit, advance payment and retention guarantees. As of June 30, 2016, Osborn had overdraft protection coverage of $127 and $2,186 in performance, advance payment and retention guarantees outstanding under the facility. The facility has been guaranteed by Astec Industries, Inc., but is otherwise unsecured. A 0.75% unused facility fee is charged if less than 50% of the facility is utilized. As of June 30, 2016, Osborn had available credit under the facility of $4,116. The interest rate is 0.25% less than the South Africa prime rate, resulting in a rate of 10.5% as of June 30, 2016.

The Company's Brazilian subsidiary, Astec Brazil, has outstanding working capital loans totaling $9,180 from Brazilian banks with interest rates ranging from 10.4% to 20.8%. The loans' maturity dates range from December 2016 to April 2024 and the debts are secured by Astec Brazil's manufacturing facility. Additionally, Astec Brazil has various 5-year equipment financing loans outstanding with Brazilian banks in the aggregate of $1,446 as of June 30, 2016 that have interest rates ranging from 3.5% to 16.3%. These equipment loans have maturity dates ranging from September 2018 to April 2020. Astec Brazil's loans are included in the accompanying balance sheets as current maturities of long-term debt ($4,769) and long-term debt ($5,857). A portion of the Astec Brazil debt is also secured by letters of credit totaling $11,874 issued by Astec Industries, Inc.

Note 8. Product Warranty Reserves

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

Changes in the Company's product warranty liability for the three and six-month periods ended June 30, 2016 and 2015 are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Reserve balance, beginning of the period	$ 10,397	$ 10,695	$ 9,100	$ 10,032
Warranty liabilities accrued	4,685	4,316	8,300	8,462
Warranty liabilities settled	(3,212)	(4,287)	(5,569)	(7,671)
Other	(12)	37	27	(62)
Reserve balance, end of the period	$ 11,858	$ 10,761	$ 11,858	$ 10,761

Note 9. Accrued Loss Reserves

The Company records 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 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. Total accrued loss reserves were $8,198 as of June 30, 2016 and $7,663 as of December 31, 2015, of which $4,943 and $4,825 were included in other long-term liabilities as of June 30, 2016 and December 31, 2015, respectively.

Note 10. Income Taxes

The Company's combined effective income tax rate was 36.2% and 37.9% for the three-month periods ended June 30, 2016 and 2015, respectively. The Company's combined effective income tax rate was 36.8% and 37.4% for the six-month periods ended June 30, 2016 and 2015, respectively. The Company's effective tax rate for the three and six-month periods ended June 30, 2016 includes the effect of state income taxes and other discrete items as well as a benefit for research and development credits. The Company's effective tax rate for the three and six-month periods ended June 30, 2015 includes the effect of state income taxes and other discrete items but does not include benefits for the research and development credits as legislation extending the research and development credit for 2015 was not enacted by Congress until the fourth quarter of 2015.

The Company's recorded liability for uncertain tax positions as of June 30, 2016 has decreased by $38 as compared to December 31, 2015 as the result of a tax audit settlement related to tax years 2011 and 2012.

Note 11. Segment Information

The Company has three reportable segments, each of which is comprised of multiple business units that offer similar products and services and meet the requirements for aggregation. A brief description of each segment is as follows:

Infrastructure Group - This segment consists of five business units, three of which design, engineer, manufacture and market a complete line of portable, stationary and relocatable hot-mix asphalt plants, wood pellet plants, asphalt pavers, material transfer vehicles, milling machines and paver screeds. The other two business units in this segment primarily operate as Company-owned dealers in the foreign countries in which they are domiciled. These two business units sell, service and install products produced by the manufacturing subsidiaries of the Company, and a majority of their sales are to customers in the infrastructure industry. The principal purchasers of the products produced by this group are asphalt producers, highway and heavy equipment contractors, wood pellet processors and foreign and domestic governmental agencies.

Aggregate and Mining Group - This segment consists of eight business units that design, engineer, manufacture and market a complete line of jaw crushers, cone crushers, horizontal shaft impactors, vertical shaft impactors, material handling, roll rock crushers and stationary rockbreaker systems, vibrating feeders and high frequency vibrating screens, conveyors, inclined, vertical and horizontal screens and sand classifying and washing equipment. The principal purchasers of products produced by this group are distributors, open mine operators, quarry operators, port and inland terminal operators, highway and heavy equipment contractors and foreign and domestic governmental agencies.

Energy Group - This segment consisted of five business units through May 2015 that design, engineer, manufacture and market a complete line of drilling rigs for the oil and gas, geothermal and water well industries, high pressure diesel pump trailers for fracking and cleaning oil and gas wells, a variety of industrial heaters to fit a broad range of applications including heating equipment for refineries, oil sands and energy related processing, heat transfer processing equipment, thermal fluid storage tanks, waste heat recovery equipment, whole-tree pulpwood and biomass chippers and horizontal grinders. The principal purchasers of products produced by this group are oil, gas and water well drilling industry contractors, processors of oil, gas and biomass for energy production and contractors in the construction and demolition recycling markets. Effective May 31, 2015, the Company's Astec Underground, Inc. business unit in Loudon, Tennessee ceased operations and responsibility for its product lines was transferred to the Company's GEFCO, Inc. subsidiary in Enid, Oklahoma. The Loudon facility was sold in October 2015.

Corporate - This category consists of business units that do not meet the requirements for separate disclosure as an operating segment or inclusion in one of the other reporting segments and includes the Company's parent company, Astec Industries, Inc., and Astec Insurance Company, a Company-owned captive insurance company. The Company evaluates performance and allocates resources to its operating segments based on profit or loss from operations before U.S. federal income taxes and corporate overhead and thus these costs are included in the Corporate category.

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.

Segment Information:

	Three Months Ended June 30, 2016				
	Infrastructure Group	Aggregate and Mining Group	Energy Group	Corporate	Total
Net sales to external customers	$ 152,476	$ 99,085	$ 42,833	$ -	$ 294,394
Intersegment sales	4,511	5,945	6,144	-	16,600
Gross profit	36,583	26,141	10,514	214	73,452
Gross profit percent	24.0%	26.4%	24.5%	-	25.0%
Segment profit (loss)	$ 19,673	$ 10,947	$ 2,626	$ (14,912)	$ 18,334

	Six Months Ended June 30, 2016				
	Infrastructure Group	Aggregate and Mining Group	Energy Group	Corporate	Total
Net sales to external customers	$ 305,590	$ 191,573	$ 75,953	$ -	$ 573,116
Intersegment sales	7,684	10,796	9,610	-	28,090
Gross profit	76,420	51,289	17,596	103	145,408
Gross profit percent	25.0%	26.8%	23.2%	-	25.4%
Segment profit (loss)	$ 41,536	$ 20,485	$ 2,433	$ (29,137)	$ 35,317

	Three Months Ended June 30, 2015				
	Infrastructure Group	Aggregate and Mining Group	Energy Group	Corporate	Total
Net sales to external customers	$ 116,097	$ 98,829	$ 53,116	$ --	$ 268,042
Intersegment sales	6,690	3,935	5,366	--	15,991
Gross profit	27,242	24,985	9,998	8	62,233
Gross profit percent	23.5%	25.3%	18.8%	--	23.2%
Segment profit (loss)	$ 11,845	$ 10,056	$ 701	$ (10,334)	$ 12,268

	Six Months Ended June 30, 2015				
	Infrastructure Group	Aggregate and Mining Group	Energy Group	Corporate	Total
Net sales to external customers	$ 251,143	$ 205,241	$ 100,407	$ --	$ 556,791
Intersegment sales	11,794	14,619	12,843	--	39,256
Gross profit	58,188	50,957	19,117	17	128,279
Gross profit percent	23.2%	24.8%	19.0%	--	23.0%
Segment profit (loss)	$ 27,356	$ 21,650	$ 864	$ (22,300)	$ 27,570

A reconciliation of total segment profits to the Company's consolidated totals is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Total segment profits	$ 18,334	$ 12,268	$ 35,317	$ 27,570
Recapture (elimination) of intersegment profit	(193)	(610)	502	(996)
Net income	18,141	11,658	35,819	26,574
Net loss attributable to non-controlling interest in subsidiaries	(51)	(147)	(116)	(335)
Net income attributable to controlling interest	$ 18,192	$ 11,805	$ 35,935	$ 26,909

Note 12. Contingent Matters

Certain customers have financed purchases of Company products through arrangements in which the Company is contingently liable for customer debt of $2,069 as of June 30, 2016. The maximum potential amount of future payments for which the Company would be liable was equal to $2,069 as of June 30, 2016. 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 these arrangements. The Company has recorded a liability of $195 related to these guarantees as of June 30, 2016.

In addition, the Company is contingently liable under letters of credit issued by Wells Fargo totaling $17,158 as of June 30, 2016, including $11,874 of letters of credit that guarantee certain Astec Brazil bank debt. The outstanding letters of credit expire at various dates through March 2019. As of June 30, 2016, Osborn is contingently liable for a total of $2,187 in performance letters of credit, advance payments and retention guarantees. The maximum potential amount of future payments under these letters of credit and guarantees for which the Company could be liable is $19,345 as of June 30, 2016.

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

During 2004, the Company received notice from the Environmental Protection Agency ("EPA") 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 notices. 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.

Note 13. Shareholders' Equity

Under the Company's long-term incentive plans, key members of management may be issued restricted stock units ("RSUs") each year based upon the annual financial performance of the Company and its subsidiaries. The number of RSUs granted each year is determined based upon the performance of individual subsidiaries and consolidated annual financial performance. Generally, for RSUs granted through February 2016, each award will vest at the end of five years from the date of grant, or at the time a recipient retires after reaching age 65, if earlier. Future awards will vest at the end of three years from the date of grant or at the time a recipient retires after reaching age 65, if earlier.

A total of 76 and 66 RSUs vested during the six-month periods ended June 30, 2016 and 2015, respectively. The Company withheld 24 and 14 shares due to statutory payroll tax withholding requirements upon the vesting of the RSUs in the first six months of 2016 and 2015, respectively, and used Company funds to remit the related required minimum withholding taxes to the various tax authorities. The vesting date fair value of the RSUs that vested during the first six months of 2016 and 2015 was $3,204 and $2,785, respectively. Compensation expense of $475 and $438 was recorded in the three-month periods ended June 30, 2016 and 2015, respectively, to reflect the fair value of RSUs granted (or anticipated to be granted for 2016 performance) amortized over the portion of the vesting period occurring during the periods. Compensation expense of $928 and $740 was recorded in the six-month periods ended June 30, 2016 and 2015, respectively, to reflect the fair value of RSUs granted (or anticipated to be granted for 2016 performance) amortized over the portion of the vesting period occurring during the periods.

Note 14. Other Income, Net of Expenses

Other income, net of expenses for the three and six-month periods ended June 30, 2016 and 2015 is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Interest income	$ 155	$ 127	$ 443	$ 264
Income from life insurance policies	--	--	--	1,204
Gain (loss) on investments	22	(109)	(15)	(132)
License fee income	61	103	256	366
Other	38	152	135	331
Total	$ 276	$ 273	$ 819	$ 2,033

Note 15. Derivative Financial Instruments

The Company is exposed to certain risks related 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 instruments 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 $12,267 during the six-month period ended June 30, 2016. The Company reported $254 of derivative assets in other current assets, $52 of derivative assets in other long term assets and $397 of derivative liabilities in other current liabilities at June 30, 2016. At December 31, 2015, the Company reported $935 of derivative assets in other current assets, $330 of derivative assets in other long-term assets and $22 of derivative liabilities in other current liabilities. The Company recognized, as a component of cost of sales, net gains of $292 and $390 on the changes in fair value of derivative financial instruments in the three-month periods ended June 30, 2016 and 2015, respectively. The Company recognized, as a component of cost of sales, net gains of $165 and $808 on the changes in fair value of derivative financial instruments in the six-month periods ended June 30, 2016 and 2015, respectively. There were no derivatives that were designated as hedges at June 30, 2016.

Note 16. Subsequent Event

In August 2016, the Company acquired substantially all of the assets and certain liabilities of Power Flame Incorporated ("PFI") located in Parsons, Kansas. The Company paid a purchase price of approximately $43,000, which is subject to certain post-closing adjustments, from available cash balances in early August 2016. $5,000 of the purchase price will be held in escrow for up to two years pending the final resolution of any post-closing adjustments and indemnifications. Approximately $75 of acquisition related costs have been expensed by the Company in the six-month period ended June 30, 2016. The Company has not yet completed its allocation of the purchase price to the fair values of the various assets and liabilities acquired. The Company does not expect PFI's revenues or profits to be material to the Company's 2016 operating results.

PFI, which began operations in 1948, manufactures and sells gas, oil and combination gas/oil burners and combustion control systems designed for commercial, industrial and process applications.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 Quarterly Report on Form 10-Q that are not limited to historical information are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are sometimes identified by the words "will," "would," "should," "could," "may," "believes," "anticipates," "intends," "forecasts" and "expects" and similar expressions. Such forward-looking statements include, without limitation, statements regarding the Company's expected sales and results of operations during 2016, the Company's expected capital expenditures in 2016, the expected benefit and impact of financing arrangements, the ability of the Company to meet its working capital and capital expenditure requirements through June 30, 2017, the amount and impact of any current or future state or federal funding for transportation construction programs, the need for road improvements, the amount and impact of other public sector spending and funding mechanisms, changes in the economic environment as it affects the Company, the market confidence of customers and dealers, the Company being called upon to fulfill certain contingencies, the expected dates of granting of restricted stock units, changes in interest rates and the impact of such changes on the financial results of the Company, changes in the prices of steel and oil and the impact of such changes generally and on the demand for the Company's products, customer's buying decisions, the Company's business, the ability of the Company to offset future changes in prices in raw materials, the change in the strength of the dollar and the level of the Company's presence and sales in international markets, the impact that further development of domestic oil and natural gas production capabilities would have on the domestic economy and the Company's business, the seasonality of the Company's business, the Company's investments, the percentage of the Company's equipment sold directly to end users, the amount or value of unrecognized tax benefits, the impact of IRS tax regulations, payment of dividends by the Company and the ultimate outcome of the Company's current claims and legal proceedings.

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 other 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.

The risks and uncertainties identified herein under the caption "Item 1A. Risk Factors" in Part II of this Report, elsewhere herein and in other documents filed by the Company with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, should be carefully considered when evaluating the Company's business and future prospects.

Overview

The Company is a leading manufacturer and seller of equipment for the road building, aggregate processing, mining, geothermal, water, oil and gas, and wood processing industries. 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, mobile bulk and material handling solutions, producing asphalt or concrete, recycling old asphalt or concrete and applying the asphalt;

- design, engineer, manufacture and market additional equipment and components, including equipment for geothermal drilling, oil and natural gas drilling, industrial heat transfer, wood chipping and grinding, and wood pellet processing; and

- manufacture and sell replacement parts for equipment in each of its product lines.

Astec Industries, Inc. currently consists of 19 companies: 15 manufacturing companies, 2 companies that operate as dealers for the manufacturing companies, a captive insurance company and the parent company. The companies fall within three reportable operating segments:

Infrastructure Group – This segment consists of five business units, three of which design, engineer, manufacture and market a complete line of portable, stationary and relocatable hot-mix asphalt plants, asphalt pavers, material transfer vehicles, milling machines, paver screeds and wood pellet plants. The other two business units in this segment operate as Company-owned dealers in the foreign countries in which they are domiciled. These two business units sell, service and install products produced by the manufacturing subsidiaries of the Company, and a majority of their sales are to customers in the infrastructure industry. The principal purchasers of the products produced by this group are asphalt producers, highway and heavy equipment contractors, foreign and domestic governmental agencies and wood pellet processors.

Aggregate and Mining Group – This segment consists of eight business units that design, engineer, manufacture and market a complete line of jaw crushers, cone crushers, horizontal shaft impactors, vertical shaft impactors, material handling systems, roll rock crushers and stationary rockbreaker systems, vibrating feeders and high frequency vibrating screens, conveyors, inclined, vertical and horizontal screens and sand classifying and washing equipment. The principal purchasers of products produced by this group are distributors, open mine operators, quarry operators, port operators, highway and heavy equipment contractors and foreign and domestic governmental agencies.

Energy Group – This segment consisted of five business units through May 2015 that design, engineer, manufacture and market a complete line of drilling rigs for the oil and gas, geothermal and water well industries, high pressure diesel pump trailers for fracking and cleaning oil and gas wells, a variety of industrial heaters to fit a broad range of applications including heating equipment for refineries, oil sands and energy related processing, heat transfer processing equipment, thermal fluid storage tanks, waste heat recovery equipment, and whole-tree pulpwood and biomass chippers and horizontal grinders. The principal purchasers of products produced by this group are oil, gas and water well drilling industry contractors, processors of oil, gas and biomass for energy production and contractors in the construction and demolition recycling markets. Effective May 31, 2015, the Company's Astec Underground, Inc. business unit in Loudon, Tennessee ceased operations and responsibility for its product lines was transferred to the Company's GEFCO, Inc. subsidiary in Enid, Oklahoma. The Company sold the Loudon, Tennessee facility in October 2015.

Individual Company subsidiaries included in the composition of the Company's segments are as follows:

1. **Infrastructure Group** – Astec, Inc., Roadtec, Inc., Carlson Paving Products, Inc., Astec Australia, Pty Ltd and Astec Mobile Machinery GmbH.

2. **Aggregate and Mining Group** – Telsmith, Inc., Kolberg-Pioneer, Inc., Johnson Crushers International, Inc., Osborn Engineered Products SA (Pty) Ltd, Breaker Technology, Inc., Astec Mobile Screens, Inc., Astec do Brasil Fabricacao de Equipamentos LTDA and Telestack Ltd.

3. **Energy Group** – Heatec, Inc., CEI, Inc., GEFCO, Inc., Peterson Pacific Corp. and Astec Underground, Inc. (through May 2015)

The Company has two other business units that do not meet the requirement for separate disclosure as an operating segment: the Company's parent company, Astec Industries, Inc., and Astec Insurance Company, a Company-owned captive insurance company. The Company evaluates performance and allocates resources to its operating segments based on profit or loss from operations before U.S. federal income taxes and corporate overhead and thus these costs are included in the Corporate category.

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, the amount of 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 July 2012, the "Moving Ahead for Progress in the 21st Century Act" ("Map-21") was approved by the U.S. federal government, which authorized $105 billion of federal spending on highway and public transportation programs through fiscal year 2014. In August 2014, the U.S. government approved short-term funding of $10.8 billion through May 2015. Federal transportation funding operated on short-term appropriations until December 4, 2015 when the Fixing America's Surface Transportation Act ("FAST Act") was signed into law. The $305 billion FAST Act approved funding for highways of approximately $205 billion and transit projects of approximately $48 billion for the five-year period ending September 30, 2020. The Company believes multi-year highway programs (such as the FAST Act) have the greatest positive impact on the road construction industry and allow its customers to plan and execute longer-term projects, but given the inherent uncertainty in the political process, the level of governmental funding for federal highway projects will similarly continue to be uncertain. Governmental funding that is committed or earmarked for federal highway projects is always subject to repeal or reduction. Although continued funding under the FAST Act is expected, it may be at lower levels than originally approved. In addition, Congress could pass legislation in future sessions that would allow for the diversion of previously appropriated highway funds for other purposes, or it could restrict funding of infrastructure projects unless states comply with certain federal policies. The level of future federal highway construction is uncertain and any future funding may be at levels lower than those currently approved or that have been approved in the past.

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 is currently still at the 1993 level of 18.4 cents per gallon, 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' purchasing 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 recent economic downturn; however, interest rates may increase during the remainder of 2016 and thereafter.

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 asphalt producers and road building 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 2015 or the first half of 2016. The Company expects oil prices to continue to fluctuate during the remainder of 2016 and thereafter. 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 Energy Group, which are used to drill for or extract oil and natural gas, have suffered due to the recent reduction in the price of oil and 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 increased during the first half of 2016. Prices have stabilized in July 2016 and we expect prices to remain stable for the remainder of 2016. The Company continues to utilize forward-looking contracts coupled with advanced steel purchases to minimize the impact of future price increases. The Company will review the trends in steel prices in the second half of 2016 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. A weak dollar, combined with improving economic conditions in certain foreign economies, had a positive impact on the Company's international sales in 2010 through mid-2012. The strengthening of the U.S. dollar against many foreign currencies during the later portion of 2012 through the first half of 2016 has negatively impacted pricing and the Company's backlog at June 30, 2016 in certain foreign markets. Increasing domestic interest rates or weakening economic conditions abroad could cause the dollar to further 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. In recent years, 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 the end of 2016.

The Company is operated on a decentralized basis, and each operating subsidiary has a complete management team with oversight by Company Group Presidents. 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 handled at each individual subsidiary. Standard accounting procedures are prescribed and followed in all financial 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, EBITDA as a percent of sales and safety. The profit-sharing incentives for subsidiary presidents are normally paid from a separate corporate pool.

Results of Operations

Net Sales

Net sales for the second quarter of 2016 were $294,394 compared to $268,042 for the second quarter of 2015, an increase of $26,352 or 9.8%. Sales are generated primarily from new equipment and parts sales to domestic and international customers. Increased sales of $36,379 in the Infrastructure Group and $256 in the Aggregate and Mining Group were offset by a decrease in sales of $10,283 in the Energy Group. Domestic sales in the Infrastructure group continue to be positively impacted by effects of the long-term federal highway bill enacted in December 2015 and pellet plant sales; however, sales of the Company's other groups are being negatively impacted by low oil prices, the strong U.S. dollar and the continuing downturn in the mining sector. Sales reported by the Company's foreign subsidiaries in U.S. dollars for the second quarter of 2016 would have been reported $3,436 higher had 2016 foreign exchange rates been the same as 2015 rates.

Net sales for the first six months of 2016 were $573,116 compared to $556,791 for the first six months of 2015, an increase of $16,325 or 2.9%. Sales are generated primarily from new equipment and parts sales to domestic and international customers. Increased sales of $54,447 in the Infrastructure Group were offset by decreased sales of $13,668 in the Aggregate and Mining Group and $24,454 in the Energy Group. Domestic sales in the Infrastructure group are continuing to be positively impacted by effects of the long-term federal highway bill enacted in December 2015 and pellet plant sales; however, sales of the Company's other groups are being negatively impacted by low oil prices, the strong U.S. dollar and the continuing downturn in the mining sector. Sales reported by the Company's foreign subsidiaries in U.S. dollars for the first six months of 2016 would have been reported $7,493 higher had 2016 foreign exchange rates been the same as rates during 2015.

Domestic sales for the second quarter of 2016 were $242,211 or 82.3% of consolidated net sales compared to $194,620 or 72.6% of consolidated net sales for the second quarter of 2015, an increase of $47,591 or 24.5%. Domestic sales for the second quarter of 2016 as compared to the second quarter of 2015 increased $48,606 in the Infrastructure Group and $7,434 in the Aggregate and Mining Group, but decreased $8,449 in the Energy Group.

Domestic sales for the first six months of 2016 were $476,459 or 83.1% of consolidated net sales compared to $405,673 or 72.9% of consolidated net sales for the first six months of 2015, an increase of $70,786 or 17.4%. Domestic sales for the first six months of 2016 as compared to the first six months of 2015 increased $75,523 in the Infrastructure Group and $7,832 in the Aggregate and Mining Group, but decreased $12,569 in the Energy Group.

International sales for the second quarter of 2016 were $52,183 or 17.7% of consolidated net sales compared to $73,422 or 27.4% of consolidated net sales for the second quarter of 2015, a decrease of $21,239 or 28.9%. International sales decreased $12,227 in the Infrastructure Group, $7,178 in the Aggregate and Mining Group and $1,834 in the Energy Group. The decreases in international sales occurred primarily in Canada, Russia, Europe, Africa, Australia, India, the Middle East, Brazil, Central America and Mexico, offset by small increases in sales in South America, Japan and China. International sales volumes continue to be negatively impacted by the strength of the U.S. dollar as compared to the currencies in many of the countries in which the Company operates, as well as low oil and gas pricing and the continuing downturn in the mining and oil and gas sectors.

International sales for the first six months of 2016 were $96,657 or 16.9% of consolidated net sales compared to $151,118 or 27.1% of consolidated net sales for the first six months of 2015, a decrease of $54,461 or 36.0%. International sales decreased $21,076 in the Infrastructure Group, $21,500 in the Aggregate and Mining Group and $11,885 in the Energy Group. The decreases in international sales occurred primarily in Canada, Africa, Australia, the Middle East, Europe, Post-Soviet States, Russia, India, Brazil, Central America and South America, offset by small increases in sales in Japan and China. International sales volumes continue to be negatively impacted by the strength of the U.S. dollar as compared to the currencies in many of the countries in which the Company operates, as well as low oil and gas pricing and the continuing downturn in the mining and oil and gas sectors.

Parts sales for the second quarter of 2016 were $63,839 compared to $67,416 for the second quarter of 2015, a decrease of $3,577 or 5.3%. Parts sales as a percentage of net sales decreased 350 basis points from 25.2% for the second quarter of 2015 to 21.7% for the second quarter of 2016. Parts sales increased in the Infrastructure Group but decreased in the Aggregate and Mining Group and the Energy Group.

Parts sales for the first six months of 2016 were $137,892 compared to $140,505 for the first six months of 2015, a decrease of $2,613 or 1.9%. Parts sales as a percentage of net sales decreased 110 basis points from 25.2% for the first six months of 2015 to 24.1% for the first six months of 2016. Parts sales increased in the Infrastructure Group but decreased in the Aggregate and Mining Group and the Energy Group.

Gross Profit
Consolidated gross profit increased $11,219 or 18.0% to $73,452 for the second quarter of 2016 compared to $62,233 for the second quarter of 2015. Gross profit as a percentage of sales increased 180 basis points to 25.0% for the second quarter of 2016 compared to 23.2% for the second quarter of 2015 partially due to improvements of $857 in gains/losses on foreign currency exchange transactions and decreases of $1,297 in payroll related benefits (primarily, health insurance costs).

Consolidated gross profit increased $17,129 or 13.4% to $145,408 for the first six months of 2016 compared to $128,279 for the first six months of 2015. Gross profit as a percentage of sales increased 240 basis points to 25.4% for the first six months of 2016 compared to 23.0% for the first six months of 2015 partially due to improvements of $2,320 in gains/losses on foreign currency exchange transactions/translations, decreases of $1,995 in payroll related benefits (primarily health insurance costs) and a reduction in manufacturing utilities and supplies of $1,095. Additionally, non-recurring expenses totaling $999 related to the closing of the Company's Astec Underground facility in Loudon, Tennessee and relocating the related equipment and inventory to the Company's GEFCO subsidiary were incurred in early 2015.

Selling, General, Administrative and Engineering Expenses
Selling, general, administrative and engineering expenses increased $1,653 or 3.8% to $44,961 for the second quarter of 2016 compared to $43,308 for the second quarter of 2015 due primarily to increased exhibit costs, profit sharing expense associated with improved earnings and SERP expense due to the impact of stock price increases on Company stock held by the SERP, offset by reduced health insurance and engineering expenses.

Selling, general, administrative and engineering expenses increased $1,654 or 1.9% to $88,766 for the first six months of 2016 compared to $87,112 for the first six months of 2015 due primarily to increased exhibit costs, profit sharing expense associated with improved earnings and SERP expense due to the impact of stock price increases on Company stock held by the SERP, offset by reduced health insurance and engineering expenses.

Interest Expense
Interest expense for the second quarter of 2016 decreased $94 to $326 from $420 for the second quarter of 2015.

Interest expense for the first six months of 2016 increased $76 to $793 from $717 for the first six months of 2015.

Other Income, Net of Expenses
Other income, net of expenses was $276 for the second quarter of 2016 compared to $273 for the second quarter of 2015, an increase of $3 or 1.1%.

Other income, net of expenses was $819 for the first six months of 2016 compared to $2,033 for the first six months of 2015, a decrease of $1,214 due primarily to $1,204 of key-man life insurance proceeds recorded in the first six months of 2015.

Income Tax Expense
The Company's combined effective income tax rate was 36.2% for the second quarter of 2016 compared to 37.9% for the second quarter of 2015. The continuing high tax rate in each period is due primarily to the Company's inability to book tax benefits on losses in certain of the Company's foreign companies and increased state effective tax rates. The tax rate for 2015 does not include a benefit for research and development tax credits as legislation extending the credit for 2015 was not enacted by Congress until the fourth quarter of 2015.

The Company's combined effective income tax rate was 36.8% for the first six months of 2016 compared to 37.4% for the first six months of 2015. The continuing high tax rate in each period is due primarily to the Company's inability to book tax benefits on losses in certain of the Company's foreign companies and increased state effective tax rates. The tax rate for 2015 does not include a benefit for research and development tax credits as legislation extending the credit for 2015 was not enacted by Congress until the fourth quarter of 2015.

Net Income
The Company had net income attributable to controlling interest of $18,192 for the second quarter of 2016 compared to $11,805 for the second quarter of 2015, an increase of $6,387 or 54.1%. Net income attributable to controlling interest per diluted share was $0.79 for the second quarter of 2016 compared to $0.51 for the second quarter of 2015, an increase of $0.28. Diluted shares outstanding for the quarters ended June 30, 2016 and 2015 were 23,135 and 23,119, respectively.

The Company had net income attributable to controlling interest of $35,935 for the first six months of 2016 compared to $26,909 for the first six months of 2015, an increase of $9,026 or 33.5%. Net income attributable to controlling interest per diluted share was $1.55 for the first six months of 2016 compared to $1.16 for the first six months of 2015, an increase of $0.39. Diluted shares outstanding for the six-month periods ended June 30, 2016 and 2015 were 23,135 and 23,117, respectively.

Dividends

In February 2013, the Company's Board of Directors approved a dividend policy pursuant to which the Company began paying a quarterly $0.10 per share dividend on its common stock beginning in the second quarter of 2013. The actual amount of future quarterly dividends, if any, will be based upon the Company's financial position, results of operations, cash flows, capital requirements and restrictions under the Company's existing credit agreement, among other factors. The Board retained the power to modify, suspend or cancel the Company's dividend policy in any manner and at any time it deems necessary or appropriate in the future. The Company paid quarterly dividends of $0.10 per common share to shareholders in each quarter of 2015 and the first two quarters of 2016.

Backlog

The backlog of orders as of June 30, 2016 was $364,459 compared to $229,474 as of June 30, 2015, an increase of $134,985 or 58.8%. Domestic backlogs increased $138,058 or 80.3% while international backlogs decreased $3,073 or 5.3%. The June 30, 2016 backlog was comprised of 85.1% domestic orders and 14.9% international orders, as compared to 74.9% domestic orders and 25.1% international orders as of June 30, 2015. Included in the June 30, 2016 backlog is approximately $60,000 for a three line pellet plant from one customer under a Company financed arrangement whereby the Company will record the related revenues when payment is received, which is expected in 2017. Additionally, the Company received a $122,500 pellet plant order in the first quarter of 2016 of which approximately $84,000 is included in the June 30, 2016 backlog. The Company is unable to determine whether the changes in backlogs were experienced by the industry as a whole; however, the Company believes the changes in backlogs reflect the current economic conditions the industry is experiencing.

Segment Net Sales-Quarter:

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	$ Change	% Change
Infrastructure Group	$ 152,476	$ 116,097	$ 36,379	31.3%
Aggregate and Mining Group	99,085	98,829	256	0.3%
Energy Group	42,833	53,116	(10,283)	(19.4%)

Infrastructure Group: Sales in this group were $152,476 for the second quarter of 2016 compared to $116,097 for the same period in 2015, an increase of $36,379 or 31.3%. Domestic sales for the Infrastructure Group increased $48,606 or 52.7% for the second quarter of 2016 compared to the same period in 2015 due primarily to increased sales of asphalt plants and mobile asphalt equipment (impacted by the passage of a new long-term Federal highway bill in December 2015) and pellet plant sales of $18,141 in the second quarter of 2016 (part of the $122,500 order discussed in the backlog section above). International sales for the Infrastructure Group decreased $12,227 or 51.3% for the second quarter of 2016 compared to the same period in 2015 due primarily to reduced sales across most product lines resulting from the continued strength of the U.S. dollar compared to many local foreign currencies. Sales decreases in Europe, Canada, Asia and South America were partially offset by a small increase in sales in China. Parts sales for the Infrastructure Group increased 8.0% for the second quarter of 2016 compared to the same period in 2015 due primarily to improved sales of parts for mobile asphalt equipment.

Aggregate and Mining Group: Sales in this group were $99,085 for the second quarter of 2016 compared to $98,829 for the same period in 2015, an increase of $256 or 0.3%. Domestic sales for the Aggregate and Mining Group increased $7,434 or 11.8% for the second quarter of 2016 compared to the same period in 2015 due to small increases in domestic sales by each business unit in this group. International sales for the Aggregate and Mining Group decreased $7,178 or 19.9% in the second quarter of 2016 compared to the same period in 2015. International sales decreases in Canada, India, the Middle East, Africa and Brazil were partially offset by increased sales in Asia and South America. Most of the Company's United States based business units experienced declines in international sales as they continue to be negatively impacted by the reduced customer demand for equipment in the mining sector and pricing issues in many foreign countries due to the strength of the U.S. dollar compared to many local foreign currencies. The Company's subsidiaries based in South Africa and Northern Ireland experienced slight increases in international sales. Parts sales for this group decreased 12.6% for the second quarter of 2016 compared to the same period in 2015 due primarily to reduced sales in the mining sector.

Energy Group: Sales in this group were $42,833 for the second quarter of 2016 compared to $53,116 for the same period in 2015, a decrease of $10,283 or 19.4%. Domestic sales for the Energy Group decreased $8,449 or 21.4% for the second quarter of 2016 compared to the same period in 2015 due primarily to a lack of demand across most product lines impacted by the continuing low oil and gas prices, offset by sales increases in wood processing equipment. International sales for the Energy Group decreased $1,834 or 13.5%. Sales decreases occurred in most foreign territories. International sales continue to be negatively impacted due to the strength of the U.S. dollar compared to many local foreign currencies and continuing low oil and gas prices. Parts sales for this group decreased 16.3% for the second quarter of 2016 compared to the same period in 2015 due primarily to reduced sales of parts for drilling rig equipment.

Segment Net Sales-Six Months:

	Six Months Ended June 30,			
	2016	2015	$ Change	% Change
Infrastructure Group	$ 305,590	$ 251,143	$ 54,447	21.7%
Aggregate and Mining Group	191,573	205,241	(13,668)	(6.7%)
Energy Group	75,953	100,407	(24,454)	(24.4%)

Infrastructure Group: Sales in this group were $305,590 for the first six months of 2016 compared to $251,143 for the same period in 2015, an increase of $54,447 or 21.7%. Domestic sales for the Infrastructure Group increased $75,523 or 37.4% for the first six months of 2016 compared to the same period in 2015 due primarily to increased sales of asphalt plants, mobile asphalt equipment (positively impacted by the passage of a new long-term Federal highway bill in December 2015) and pellet plant sales of $44,737 in the second quarter of 2016 (part of the $122,500 order discussed in the backlog section above). International sales for the Infrastructure Group decreased $21,076 or 42.8% for the first six months of 2016 compared to the same period in 2015 due primarily to reduced sales across most product lines resulting from the continued strength of the U.S. dollar compared to many local foreign currencies. Sales decreases in Canada, Europe, post-Soviet States, the Middle East, Asia, South America and Africa were partially offset by a small increase in sales in China. Parts sales for the Infrastructure Group increased 8.8% for the first six months of 2016 compared to the same period in 2015 due primarily to improved sales of parts for mobile asphalt equipment and asphalt plants.

Aggregate and Mining Group: Sales in this group were $191,573 for the first six months of 2016 compared to $205,241 for the same period in 2015, a decrease of $13,668 or 6.7%. Domestic sales for the Aggregate and Mining Group increased $7,832 or 6.0% for the first six months of 2016 compared to the same period in 2015 due primarily to increased sales of aggregate processing equipment into the U.S. market. International sales for the Aggregate and Mining Group decreased $21,500 or 28.6% in the first six months of 2016 compared to the same period in 2015. International sales decreases in Africa, Canada, South America, the Middle East, India, Brazil, Central America and Europe were partially offset by increased sales in Japan and other Asian countries. International sales continue to be negatively impacted by the reduced customer demand for equipment in the mining sector and pricing issues in many foreign countries due to the strength of the U.S. dollar compared to many local foreign currencies. Parts sales for this group decreased 10.5% for the first six months of 2016 compared to the same period in 2015 due primarily to reduced sales into the international mining sector.

Energy Group: Sales in this group were $75,953 for the first six months of 2016 compared to $100,407 for the same period in 2015, a decrease of $24,454 or 24.4%. Domestic sales for the Energy Group decreased $12,569 or 17.0% for the first six months of 2016 compared to the same period in 2015 due primarily to a lack of demand across most product lines impacted by the continuing low oil and gas prices, offset by sales increases in wood processing equipment. International sales for the Energy Group decreased $11,885 or 44.6%. International sales decreases in Australia, Russia, the Middle East and Africa were partially offset by increased sales in South America and Canada. International sales continue to be negatively impacted due to the strength of the U.S. dollar compared to many local foreign currencies and continuing low oil and gas prices. Parts sales for this group decreased 11.7% for the first six months of 2016 compared to the same period in 2015 due primarily to reduced sales of parts for drilling rig equipment.

Segment Profit (Loss)-Quarter:

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	$ Change	% Change
Infrastructure Group	$ 19,673	$ 11,845	$ 7,828	66.1%
Aggregate and Mining Group	10,947	10,056	891	8.9%
Energy Group	2,626	701	1,925	274.6%
Corporate	(14,912)	(10,334)	(4,578)	(44.3%)

Infrastructure Group: Segment profit for this group was $19,673 for the second quarter of 2016 compared to $11,845 for the same period in 2015, an increase of $7,828 or 66.1%. This group had an increase in gross profit of $9,341 resulting from gross profits on the increase in sales of $36,379 described above while gross margins remained relatively constant. The increase in gross profit was partially offset by a $706 increase in state and foreign income taxes due to higher earnings and increased selling expenses of $459.

Aggregate and Mining Group: Segment profit for this group was $10,947 for the second quarter of 2016 compared to $10,056 for the same period in 2015, an increase of $891 or 8.9%. This increase in profit primarily resulted from an increase of $1,156 in gross profit due to a 110 basis points increase in gross margins on relatively flat sales. The improvement in gross margins is partially a result of improved gains/losses on foreign currency exchange transactions of $857 and decreased payroll related benefits, primarily health insurance, of $521. Segment profit for this group was also negatively impacted by a $214 increase in selling, general and administrative and engineering expenses.

Energy Group: Segment profit for this group was $2,626 for the second quarter of 2016 compared to $701 for the second quarter of 2015, an increase of $1,925 or 274.6%. Profit for the segment was positively impacted by a $516 increase in gross profit due to a 570 basis points increase in gross margins. Margins were positively impacted by a $1,450 improvement in manufacturing overhead absorption variances between periods and a $474 reduction in direct labor (partially as a result of closing the Astec Underground facility in Loudon, Tennessee in the second quarter of 2015). Additionally, margins for the quarter ended June 30, 2015 were negatively impacted by the one-time costs incurred at the Company's GEFCO subsidiary to absorb the Loudon production lines into its operations and to transfer the Louden equipment and inventory to its facility (resulting in the Group's second quarter 2015 margins being 310 basis points below the margins in the second quarter of 2014). Net segment profits were further improved by declines in selling expenses of $322, general and administrative expenses of $438 (primarily major repairs) and engineering expenses of $641 (primarily research and development expenses).

Corporate: The Corporate Group had a loss of $14,912 for the second quarter of 2016 compared to a loss of $10,334 for the second quarter of 2015, an unfavorable increase of $4,578 or 44.3% due primarily to an increase of $2,245 in income taxes related to improved consolidated profits, increased profit sharing expense of $1,262 and increased SERP expense of $687 (due primarily to the increase in the Company's stock price).

Segment Profit (Loss)-Six Months:

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	$ Change	% Change
Infrastructure Group	$ 41,536	$ 27,356	$ 14,180	51.8%
Aggregate and Mining Group	20,485	21,650	(1,165)	(5.4%)
Energy Group	2,433	864	1,569	181.6%
Corporate	(29,137)	(22,300)	(6,837)	(30.7%)

Infrastructure Group: Segment profit for this group was $41,536 for the first six months of 2016 compared to $27,356 for the same period in 2015, an increase of $14,180 or 51.8%. This group had an increase in gross profit of $18,232 resulting from gross profits on the increased sales between periods of $54,447 described above and a 180 basis point increase in gross margins. Margins were favorably impacted by a $1,025 improvement in the group's manufacturing overhead absorption variances between periods, margins on an 8.8% increase in parts sales, and increased sales of equipment with higher than average margins. The increase in gross profit was partially offset by a $1,514 increase in state and foreign income taxes on the improved profits and increased selling expenses of $1,790, primarily due to increased exhibit and sales promotion costs and bad debt expense.

Aggregate and Mining Group: Segment profit for this group was $20,485 for the first six months of 2016 compared to $21,650 for the same period in 2015, a decrease of $1,165 or 5.4%. This decrease in profit primarily resulted from a $13,668 reduction in sales between periods offset by a 200 basis points increase in gross margins resulting in a $332 net increase in gross profits. The improvement in gross margins is partially a result of a decline in warranty expense of $1,079, improved foreign exchange translation/transaction gains/losses of $1,437 and a reduction in factory indirect wages of $674. Segment profit for this group was also negatively impacted by a $587 change in the elimination of intercompany profits; increased selling expenses of $146, and increased general and administrative expenses of $298 (primarily bad debt expense).

Energy Group: Segment profit for this group was $2,433 for the first six months of 2016 compared to $864 for the first six months of 2015, an increase $1,569 or 181.6%. Profit for the segment was negatively impacted by a $1,521 reduction in gross profit resulting from a $24,454 decline in sales between periods partially offset by a 420 basis point increase in gross margin. Gross margins were positively impacted by a reduction in unabsorbed overhead as a result of closing the Astec Underground facility in Loudon, Tennessee in the first six months of 2015. Additionally, margins for the quarter ended June 30, 2015 were negatively impacted by the one-time costs incurred at the Company's GEFCO subsidiary to absorb the Loudon production lines into its operations and to transfer the Loudon equipment and inventory to its facility (resulting in the Group's second quarter 2015 margins being 330 basis points below the margins in the second quarter of 2014). Margins were also impacted by a reduction in total direct and indirect labor and benefits of $2,928 between periods as well as a decline in warranty expense of $1,307. The lower gross profits were offset by a $1,177 reduction in selling expenses (primarily sales promotions and outside services); a $872 reduction in general and administrative expenses (primarily personnel and repairs and maintenance costs); and a $632 reduction in engineering costs (primarily research and development) between periods.

Corporate: The Corporate Group had a loss of $29,137 for the first six months of 2016 compared to a loss of $22,300 for the first six months of 2015, an unfavorable increase of $6,837 or 30.7% due to an increase of $3,501 in income taxes related to improved consolidated profits; a reduction of $1,204 of income from key-man life insurance; an increase of $1,556 in profit sharing expenses; and a $674 increase in SERP expense (due to the increase in the Company's stock price).

Liquidity and Capital Resources

The Company's primary sources of liquidity and capital resources are its cash on hand, borrowing capacity under a $100,000 revolving credit facility and cash flows from operations. The Company had $68,473 of cash available for operating purposes as of June 30, 2016, of which $12,457 was held by the Company's foreign subsidiaries. While the Company has no plans to transfer the cash held by its foreign subsidiaries to the U.S. in the foreseeable future, to the extent foreign earnings are eventually repatriated, such amounts may be subject to income tax liabilities, both in the U.S. and in various applicable foreign jurisdictions. At June 30, 2016 and at all times during the first six months of 2016, the Company had no borrowings outstanding under its credit facilities with Wells Fargo Bank, N.A. Net of letters of credit totaling $17,158, the Company had borrowing availability of $82,842 under the credit facility as of June 30, 2016.

The Wells Fargo credit facility is a five-year agreement that was entered into in April 2012. The amended and restated credit agreement with Wells Fargo continued the Company's previous $100,000 revolving credit facility and includes a sub-limit for letters of credit of $25,000. Borrowings under the agreement are subject to an interest rate equal to the daily one month LIBOR rate plus a 0.75% margin, resulting in a rate of 1.22% as of June 30, 2016. Interest only payments are due monthly. The unused facility fee is 0.175%. The amended and restated credit agreement contains certain financial covenants, including provisions concerning required levels of annual net income, minimum tangible net worth and maximum allowed capital expenditures. The Company was in compliance with these covenants as of June 30, 2016.

The Company's South African subsidiary, Osborn Engineered Products SA (Pty) Ltd ("Osborn"), has a credit facility of $6,430 with a South African bank to finance short-term working capital needs, as well as to cover performance letters of credit, advance payment and retention guarantees. As of June 30, 2016, Osborn had overdraft protection coverage of $127 and $2,186 in performance, advance payment and retention guarantees outstanding under the facility. The facility has been guaranteed by Astec Industries, Inc., but is otherwise unsecured. A 0.75% unused facility fee is charged if less than 50% of the facility is utilized. As of June 30, 2016, Osborn had available credit under the facility of $4,116. The interest rate is 0.25% less than the South Africa prime rate, resulting in a rate of 10.5% as of June 30, 2016.

The Company's Brazilian subsidiary, Astec Brazil, has outstanding working capital loans totaling $9,180 from Brazilian banks with interest rates ranging from 10.4% to 20.8%. The loans' maturity dates range from December 2016 to April 2024 and the debts are secured by Astec Brazil's manufacturing facility. Additionally, Astec Brazil has various 5-year equipment financing loans outstanding with Brazilian banks in the aggregate of $1,446 as of June 30, 2016 that have interest rates ranging from 3.5% to 16.3%. These equipment loans have maturity dates ranging from September 2018 to April 2020. A portion of the Astec Brazil debt is also secured by letters of credit totaling $11,874 issued by Astec Industries, Inc.

Cash Flows from Operating Activities:

	Six Months Ended June 30,		
	2016	2015	Change
Net income	$ 35,819	$ 26,574	$ 9,245
Depreciation and amortization	11,787	12,111	(324)
Provision for warranties	8,300	8,462	(162)
Distributions to SERP participants	(92)	(2,595)	2,503
Changes in working capital:			
Increase in trade and other receivables	(25,782)	(10,345)	(15,437)
Decrease in inventories	5,299	5,410	(111)
(Increase) decrease in prepaid expenses	(6,116)	3,245	(9,361)
Increase (decrease) in accounts payable	6,497	(8,516)	15,013
Increase (decrease) in customer deposits	22,357	(13,255)	35,612
Change in prepaid and income taxes payable, net	4,704	2,664	2,040
Other, net	1,280	(9,393)	10,673
Net cash provided by operating activities	$ 64,053	$ 14,362	$ 49,691

Net cash from operating activities increased by $49,691 for the first six months of 2016 as compared to the first six months of 2015 due primarily to funds related to earnings, growth in customer deposits due primarily to the deposit received related to a $122,500 pellet plant order. The increase was offset by an increase in the growth of accounts receivables due to increased sales, and prepaid expenses primarily related to prepayments on inventory purchases for the large pellet plant order.

Cash Flows Provided (Used) by Investing Activities:

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Change
Expenditures for property and equipment	$ (13,265)	$ (10,669)	$ (2,596)
Other	23	1,117	(1,094)
Net cash used by investing activities	$ (13,242)	$ (9,552)	$ (3,690)

Net cash used by investing activities increased by $3,690 for the first six months of 2016 as compared to the same period in 2015 due primarily to increased spending on capital expenditures in the first six months of 2016 as compared to the first six months of 2015.

Total capital expenditures for 2016 are forecasted to be approximately $30,100. The Company expects to finance these expenditures using currently available cash balances, internally generated funds and available credit under the Company's credit facilities. Capital expenditures are generally for machinery, equipment and facilities used by the Company in the production of its various products. The Company believes that its current working capital, cash flows generated from future operations and available capacity under its credit facility will be sufficient to meet the Company's working capital and capital expenditure requirements through June 30, 2017.

Cash Flows Provided (Used) by Financing Activities:

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015	Change
Payment of dividends	$ (4,608)	$ (4,595)	$ (13)
Net change in borrowings from banks	(998)	2,423	(3,421)
Sale (purchase) of Company shares held by SERP, net	(97)	2,081	(2,178)
Other, net	(1,746)	(909)	(837)
Net cash used by financing activities	$ (7,449)	$ (1,000)	$ (6,449)

Cash used by financing activities increased by $6,449 for the first six months of 2016 compared to the same period in 2015 due primarily to a decline in net borrowings on bank loans by the Company's Brazilian subsidiary. In addition, cash from financing activities for the first six months of 2015 were positively affected by cash received from the sale of Company shares held in participants' SERP accounts in 2015, partially due to the payout of the Company's former CEO's account to his beneficiary in 2015.

Financial Condition

The Company's current assets increased to $607,031 as of June 30, 2016 from $541,797 as of December 31, 2015, an increase of $65,234 or 12.0% due primarily to an increases in cash of $43,411 and trade receivables of $25,182 during the first six months of 2016.

The Company's current liabilities increased to $179,218 as of June 30, 2016 from $142,012 as of December 31, 2015, an increase of $37,206 or 26.2%. The increase is primarily due to increases in customer deposits of $22,357 and accounts payable of $6,113.

Market Risk and Risk Management Policies

We have no material changes to the disclosure on this matter made in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Off-balance Sheet Arrangements
As of June 30, 2016, the Company does not have any off-balance sheet arrangements as defined by Item 303(a)(4) of Regulation S-K.

Contractual Obligations
During the six months ended June 30, 2016, there were no substantial changes in the Company's commitments or contractual liabilities.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company has no material changes to the disclosure on this matter made in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Item 4. Controls and Procedures

Disclosure Controls and Procedures
The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

The Company's management, under the supervision and with the participation of the Company's principal executive officer and principal financial officer, has evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, the Company's principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective.

Internal Control over Financial Reporting
There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the six months ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved from time to time in legal actions arising in the ordinary course of its business. Other than as set forth in Part I, "Item 3. Legal Proceedings" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, the Company currently has no pending or threatened litigation that the Company believes will result in an outcome that would materially affect the Company's business, financial position, cash flows or results of operations. Nevertheless, there can be no assurance that future litigation to which the Company becomes a party will not have a material adverse effect on its business, financial position, cash flows or results of operations.

Item 1A. Risk Factors

In addition to the other information set forth in this Report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, which could materially affect the Company's business, financial condition or future results. There have been no material changes in the Company's risk factors from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The risks described in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and in this Quarterly Report on Form 10-Q are not the only risks facing our Company. Additional risks and uncertainties not currently known to management or that management currently deems to be immaterial also may materially adversely affect the Company's business, financial condition or operating results.

Item 6. Exhibits

Exhibit No.	Description
10.1	Astec Industries, Inc. Executive Change in Control Severance Plan
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

The exhibits are numbered in accordance with Item 601 of Regulation S-K. Inapplicable exhibits are not included in the list.

* In accordance with Release No. 34-47551, this exhibit is hereby furnished to the SEC as an accompanying document and is not to be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended.

Items 2, 3, 4 and 5 are not applicable and have been omitted.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASTEC INDUSTRIES, INC.
(Registrant)

Date: August 5, 2016

/s/ Benjamin G. Brock
Benjamin G. Brock
Chief Executive Officer
(Principal Executive Officer)

Date: August 5, 2016

/s/ David C. Silvious
David C. Silvious
Chief Financial Officer, Vice President, and Treasurer
(Principal Financial and Accounting Officer)

Exhibit Index

Exhibit No.	Description
10.1	Astec Industries, Inc. Executive Change in Control Severance Plan
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

Exhibit 10.1

ASTEC INDUSTRIES, INC.
EXECUTIVE CHANGE IN CONTROL
SEVERANCE PLAN

ARTICLE 1
PURPOSE AND TERM

1.1 Purpose. Astec Industries, Inc. (the "Company") established this Astec Industries, Inc. Executive Change in Control Severance Plan (the "Plan") in order to ensure continuity of management leading up to and following a potential Change in Control transaction, by mitigating the uncertainty an executive may have regarding his or her future employment due to a Change in Control, thereby encouraging executives responsible for negotiating potential transactions to do so with independence and objectivity. The Plan supersedes all written or unwritten severance plans, notice plans, practices or programs offered or established to participants by the Company providing severance pay or similar benefits. The Company intends that this Plan qualify as and come within the various exceptions and exemptions under the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, for an unfunded plan maintained primarily for a select group of management or highly compensated employees, and any ambiguities in this Plan shall be construed to effect that intent.

1.2 Term. The Plan shall generally be effective as of the Effective Date, subject to amendment from time to time in accordance with Section 8.2. The Plan shall continue until terminated pursuant to Article 8 of the Plan.

ARTICLE 2
DEFINITIONS

As used herein, the following words and phrases shall have the following meanings:

2.1 "Affiliate" means Astec Industries, Inc. and any other corporation or entity (including, but not limited to, a partnership or a limited liability company) that is affiliated with the Company through stock or equity ownership or otherwise, and is designated as an Affiliate for purposes of this Plan by the Committee.

2.2 "Base Salary" means the amount a Participant is entitled to receive as wages or salary on an annualized basis as in effect from time to time, without reduction for any pre-tax contributions to benefit plans. Base Salary does not include bonuses, commissions, overtime pay or income from stock options, stock grants or other incentive compensation.

2.3 "Board" means the Board of Directors of the Company.

2.4 "Cause" as a reason for a Participant's termination of employment shall have the meaning assigned such term in the employment, severance or similar agreement, if any, between such Participant and the Company or an Affiliate, provided, however that if there is no such employment, severance or similar agreement in which such term is defined, "Cause" shall mean any of the following acts by the Participant, as determined by the Committee: gross neglect of duty, prolonged absence from duty without the consent of the Company, material breach by the Participant of any published Company code of conduct or code of ethics; intentionally engaging in activity that is in conflict with or adverse to the business or other interests of the Company; or willful misconduct, misfeasance or malfeasance of duty which is reasonably determined to be detrimental to the Company. The determination of the Committee as to the existence of "Cause" shall be conclusive on the Participant and the Company.

2.5 "Change in Control" means the occurrence of any of the following events:

(a) during any consecutive 12-month period, individuals who, at the beginning of such period, constitute the Board of Directors of the Company (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the beginning of such 12-month period and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Board shall be an Incumbent Director; provided, however, that no individual initially elected or nominated as a director of the Company as a result of an actual or threatened election contest with respect to the election or removal of directors ("Election Contest") or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Board ("Proxy Contest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(b) any Person becomes a Beneficial Owner, directly or indirectly, of either (A) 35% or more of the then-outstanding shares of common stock of the Company ("Company Common Stock") or (B) securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities eligible to vote for the election of directors (the "Company Voting Securities"); provided, however, that for purposes of this subsection (ii), the following acquisitions of Company Common Stock or Company Voting Securities shall not constitute a Change in Control: (w) an acquisition directly from the Company, (x) an acquisition by the Company or a Subsidiary, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (c) below); or

(c) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Company or a Subsidiary (a "Reorganization"), or the sale or other disposition of all or substantially all of the Company's assets (a "Sale") or the acquisition of assets or stock of another corporation or other entity (an "Acquisition"), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the outstanding Company Common Stock and outstanding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 35% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Reorganization, Sale or Acquisition (including, without limitation, an entity which as a result of such transaction owns the Company or all or substantially all of the Company's assets or stock either directly or through one or more subsidiaries, the "Surviving Entity") in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Company Common Stock and the outstanding Company Voting Securities, as the case may be, and (B) no Person (other than (x) the Company or any Subsidiary, (y) the Surviving Entity or its ultimate parent entity, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing) is the Beneficial Owner, directly or indirectly, of 35% or more of the total common stock or 35% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Entity, and (C) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction"); or

(d) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

2.6 "Code" means the Internal Revenue Code of 1986, as amended from time to time, and includes a reference to the underlying proposed or final regulations.

2.7 "Committee" means the Compensation Committee of the Board.

2.8 "Company" means Astec Industries, Inc., or its successor as provided in Section 10.7.

2.9 "Disability" of a Participant means that the Participant (i) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (ii) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Participant's employer. In the event of a dispute, the determination of whether a Participant is Disabled will be made by the Committee and may be supported by the advice of a physician competent in the area to which such Disability relates.

2.10 "Effective Date" means July 28, 2016.

2.11 "Employee" means any regular, full-time or part-time employee of the Company or any Affiliate. Where the context requires in connection with a Participant who is employed directly by an Affiliate, the term "Company" as used herein includes such Affiliate.

2.12 "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

2.13 "Good Reason" means, as a reason for a Participant's resignation from employment, the occurrence of any of the following without the consent of the Participant: (a) a material reduction by the Company or an Affiliate in the Participant's Base Salary or Target Annual Bonus as in effect on the Effective Date or as the same may be increased from time to time (other than an overall reduction in salaries of 10% or less that affects substantially all of the Company's full-time employees); (b) a material diminution in the Participant's authority, duties or responsibilities; (c) the relocation of the Participant's principal office to a facility or location more than fifty (50) miles away from the Participant's principal place of work immediately prior to the relocation; or (d) any failure by the Company to comply with Section 10.7 of this Agreement. A termination by a Participant shall not constitute termination for Good Reason unless the Participant shall first have delivered to the Company, not later than 90 days after the initial occurrence of an event deemed to give rise to a right to terminate for Good Reason, written notice setting forth with specificity the occurrence of such event, and there shall have passed a reasonable time (not less than 30 days) within which the Company may take action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by the Participant.

2.14 "Participant" means any Employee designated by the Committee as a participant in the Plan. Each Participant shall be designated as a Tier I, Tier II or Tier III Participant, as specified in Exhibit A hereto, as amended by the Board from time to time.

2.15 "Payment Multiple" means 3.0 for Tier I Participants, 2.0 for Tier II Participants and 1.5 for Tier III Participants.

2.16 "Plan" means this Astec Industries, Inc. Executive Change in Control Severance Plan.

2.17 "Target Annual Bonus" means, with respect to any Participant, the Participant's target bonus opportunity under the annual incentive plan applicable to the Participant.

2.18 "Termination Date" means the date of the termination of a Participant's employment with the Company as determined in accordance with Article 7.

ARTICLE 3
ELIGIBILITY

3.1 Participation. The Committee or the Board shall designate from time to time those Employees or classes of Employees who are Participants in the Plan. In the event the Committee or the Board designates certain Participants by job title, position, function or responsibilities, an Employee who is appointed to such a position after the Effective Date of this Plan shall be a Participant upon the date he or she begins his or her duties in such position, unless otherwise determined by the Committee or the Board. Exhibit A, attached hereto and made a part hereof, sets forth the initial Participants, which may be amended by the Committee or the Board at any time prior to a Change in Control to add or remove individual Participants or classes of Participants; provided, however, that the removal of individual Participants or classes of Participants from the Plan shall not be effective for at least 12 months after notification to the Participants of such Committee or Board action. If a Change in Control occurs during such 12-month period, any such action to remove individual Participants or classes of Participants shall be null and void.

3.2 Duration of Participation. Subject to Article 4 and Article 8, an Employee shall cease to be a Participant in the Plan if (i) his or her employment is terminated under circumstances in which he or she is not entitled to Severance Benefits under the terms of this Plan, or (ii) prior to a Change in Control, he or she is removed as a Participant or ceases to be among the class of employees designated by the Committee or the Board as Participants. Notwithstanding the foregoing, a Participant who has terminated employment and is entitled to Severance Benefits under Article 4 shall remain a Participant in the Plan until the full amount of the Change in Control Severance Benefits, as applicable, and any other amounts payable under the Plan have been paid to the Participant.

ARTICLE 4
SEVERANCE BENEFITS

4.1 Right to Severance Benefits.

(a) A Participant shall be entitled to receive from the Company Severance Benefits in the amount provided in Section 4.2 if, within the 24-month period following a Change in Control (in the case of a Tier I Participant or Tier II Participant), or the 12-month period following a Change in Control (in the case of a Tier III Participant), (i) the Participant's employment with the Company or any Affiliate is terminated by the Company without Cause (other than by reason of the Participant's death or Disability) or (ii) the Participant's employment is terminated by the Participant for Good Reason within a period of 180 days after the occurrence of the event giving rise to Good Reason.

(b) If a Participant's employment is terminated by the Company or an Affiliate without Cause prior to the occurrence of a Change in Control and if it can reasonably be shown that the Participant's termination (i) was at the direction or request of a third party that had taken steps reasonably calculated to effect a Change in Control after such termination, or (ii) otherwise occurred in anticipation of a Change in Control, and in either case a Change in Control does, in fact, occur, then the Participant shall have the rights described in the Plan as if the Change in Control had occurred on the date immediately preceding the Termination Date.

(c) Notwithstanding anything to the contrary, no Severance Benefits shall be provided to a Participant unless the Participant has executed and not revoked, within forty -five (45) days after the Termination Date, a separation agreement, including a general release of claims, in form and substance reasonably acceptable to the Company (the "Release").

4.2 Amount of Change in Control Severance Benefits. If a Participant's employment is terminated in circumstances entitling him or her to Severance Benefits as provided in Section 4.1, then, subject to Articles 5 and 6:

(a) the Company shall pay to the Participant in a single lump sum cash payment on the 60th day after the Termination Date (or such later date as may be required by Section 9.3 of the Plan), the aggregate of the following amounts:

(i) a pro rata annual bonus equal to the product of (A) the higher of Participant's Target Annual Bonus for the year in which the Change in Control occurs or Participant's Target Annual Bonus for the year in which the Termination Date occurs, and (B) a fraction, the numerator of which is the number of days in the current fiscal year through the Termination Date, and the denominator of which is 365;

(ii) a severance payment equal to the applicable Payment Multiple times the sum of (x) the Participant's Base Salary (at the highest rate in effect for any period within three years prior to the Termination Date) and (y) the higher of Participant's Target Annual Bonus for the year in which the Change in Control occurs or Participant's Target Annual Bonus for the year in which the Termination Date occurs; and

(iii) a lump sum cash payment equal to the monthly cost to provide group medical, dental, vision and/or prescription drug plan benefits sponsored by the Company and maintained by the Participant as of the date of the Participant's Termination Date, multiplied by (i) 36, in the case of a Tier I Participant, or (ii) 24, in the case of a Tier II Participant, or (iii) 18, in the case of a Tier III Participant. For purposes of this Section 4.2(a)(iii), the cost of such benefits will be calculated based on the "applicable premium" determined in accordance with Code Section 4980B(f)(4) and the regulations issued thereunder (less the 2% administrative fee and less the active-employee rate for such coverage) for the year in which the Termination Date occurs;

(b) all of the Participant's outstanding stock options, restricted stock units and other time-vesting equity awards shall become fully exercisable, and all time-based vesting restrictions on outstanding awards shall lapse;

(c) all of the Participant's outstanding performance-based equity awards shall be deemed to have been fully earned as of the Termination Date based upon an assumed achievement of all relevant performance goals at the "target" level, and there shall be a full, non-prorated payout to the Participant within sixty (60) days following the Termination Date (unless a later date is required by Article 9 hereof);

(d) for 12 months following the Termination Date, the Participant shall be eligible for reimbursement for up to $25,000 of outplacement services and/or financial planning services, payable by the Company promptly following delivery to the Company of an invoice, receipt or other supporting documentation relating to such services as reasonably requested by the Company; and

(e) to the extent not theretofore paid or provided, the Company shall timely pay or deliver, as appropriate, the Participant's Base Salary and any accrued vacation pay through the Termination Date and all other benefits due to the Participant pursuant to any employee benefit plans or incentive plans maintained by the Company with respect to services rendered by the Participant prior to the Termination Date.

4.3 Full Settlement; No Mitigation. The Company's obligation to make the payments provided for under this Plan and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Participant or others. In no event shall the Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Participant obtains other employment.

ARTICLE 5
EFFECT OF SECTIONS 280G AND 4999 OF THE CODE

5.1 Mandatory Reduction of Payments in Certain Events.

(a) Notwithstanding any other contrary provisions in any plan, program or policy of the Company, if all or any portion of the benefits payable under this Plan, either alone or together with other payments and benefits which a Participant receives or is entitled to receive from the Company, would constitute a "parachute payment" within the meaning of Section 280G of the Code, the Company shall reduce the Participant's payments and benefits payable under this Plan to the extent necessary so that no portion thereof shall be subject to the excise tax imposed by Section 4999 of the Code ("Excise Tax"), but only if, by reason of such reduction, the net after-tax benefit shall exceed the net after-tax benefit if such reduction were not made. "Net after-tax benefit" for these purposes shall mean the sum of (i) the total amount payable to the Participant under the Plan, plus (ii) all other payments and benefits which the Participant receives or is then entitled to receive from the Company that, alone or in combination with the payments and benefits payable under the Plan, would constitute a "parachute payment" within the meaning of Section 280G of the Code, less (iii) the amount of federal income taxes payable with respect to the foregoing calculated at the maximum marginal income tax rate for each year in which the foregoing shall be paid to the Participant (based upon the rate in effect for such year as set forth in the Code at the time of the payment under the Plan), less (iv) the amount of Excise Tax imposed with respect to the payments and benefits described in (i) and (ii) above. The reduction of payments due hereunder, if applicable, shall be made by first reducing cash payments and then, to the extent necessary, reducing those payments having the next highest ratio of Parachute Value to actual present value of such payments as of the date of the Change in Control, as determined by the Determination Firm (as defined in Section 5.1(b) below). For purposes of this Article 5, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Article 5, the "Parachute Value" of a payment means the present value as of the date of the Change in Control of the portion of such payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such payment.

(b) All determinations required to be made under this Article 5 shall be made by the accounting firm that was the Company's independent auditor prior to the Change in Control or any other independent, nationally recognized accounting firm or compensation consulting firm mutually acceptable to the Company and the Participant (the "Determination Firm"). The Determination Firm shall provide detailed supporting calculations both to the Company and the Participant. All fees and expenses of the Determination Firm shall be borne solely by the Company. Absent manifest error, any determination by the Determination Firm shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that payments to which the Participant was entitled, but did not receive pursuant to Section 5(a), could have been made without the imposition of the Excise Tax ("Underpayment"). In such event, the Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

(c) For purposes of determining whether and the extent to which any payments would constitute a "parachute payment" (i) no portion of any payments or benefits that the Participant shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account, (ii) no portion of the payments shall be taken into account which, in the opinion of tax counsel ("Tax Counsel") reasonably acceptable to the Participant and selected by the Determination Firm, does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the excise tax, no portion of such payments shall be taken into account which, in the opinion of Tax Counsel, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the "base amount" (within the meaning set forth in Section 280G(b)(3) of the Code) allocable to such reasonable compensation, and (iii) the value of any non-cash benefit or any deferred payment or benefit included in the payments shall be determined by the Determination Firm in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

(d) In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Article 5 shall be of no further force or effect.

ARTICLE 6
RESTRICTIVE COVENANTS

6.1 Restrictive Covenant Agreement. Any amounts or benefits payable pursuant to this Plan (except for any payment pursuant to Section 4.2(e) of the Plan) shall only be payable if the Participant executes, delivers to the Company and does not revoke a restrictive covenant agreement in a form acceptable to the Company (which may be contained in the same agreement as the Release required by Section 4.1(c)), which agreement will contain, at a minimum, restrictive covenants substantially similar to the provisions contained in this Article 6.

6.2 Definitions. The following capitalized terms used in this Section 6 shall have the meanings assigned to them below:

(a) "Competitive Services" means the lines of business and services with which a Participant is actively involved in conducting business on behalf of the Company at the time of the Participant's Termination Date, to be stated with more specificity in the restrictive covenant agreement required by Section 6.1.

(b) "Confidential Information" means any and all data and information relating to the Company, its activities, business, or clients that (A) is or has been disclosed to the Participant or of which the Participant becomes or has become aware as a consequence of his employment with the Company; (B) has value to the Company; and (C) is not generally known outside of the Company. "Confidential Information" shall include, but is not limited to the following types of information regarding, related to, or concerning the Company: trade secrets (as defined by Tenn. Code Ann. § 47-25-1702); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; customer lists; customer files, data and financial information; details of customer contracts; current and anticipated customer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. "Confidential Information" also includes combinations of information or materials which individually may be generally known outside of the Company, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of the Company. In addition to data and information relating to the Company, "Confidential Information" also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to the Company by such third party, and that the Company has a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of the Company.

(c) "Material Contact" means contact between the Participant and a customer or potential customer of the Company (A) with whom or which the Participant has or had dealings on behalf of the Company; (B) whose dealings with the Company are or were coordinated or supervised by the Participant; (C) about whom the Participant obtains Confidential Information in the ordinary course of business as a result of his employment with the Company; or (D) who receives products or services of the Company, the sale or provision of which results or resulted in compensation, commissions, or earnings for Participant within the two (2) years prior to the Participant's Termination Date.

(d) "Person" means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.

(e) "Principal or Representative" means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

(f) "Protected Customer" means any Person to whom the Company has sold its products or services or actively solicited to sell its products or services, and with whom the Participant has had Material Contact on behalf of the Company during his employment with the Company.

(g) "Protected Work" means any and all ideas, inventions, formulas, Confidential Information, source codes, object codes, techniques, processes, concepts, systems, programs, software, software integration techniques, hardware systems, schematics, flow charts, computer data bases, client lists, trademarks, service marks, brand names, trade names, compilations, documents, data, notes, designs, drawings, technical data and/or training materials, including improvements thereto or derivatives therefrom, whether or not patentable, and whether or not subject to copyright or trademark or trade secret protection, conceived, developed or produced by the Participant, or by others working with the Participant or under his direction, during the period of his employment or service, or conceived, produced or used or intended for use by or on behalf of the Company or its customers.

(h) "Restricted Period" means any time during the Participant's employment with the Company, and if the Participant's employment is terminated for any reason during the Term or if the Participant has given notice to the Company under Section 2 hereof to cause the Term to cease to extend automatically, the Restricted Period shall mean during the Participant's employment plus (i) twelve (12) months following the Termination Date, in the case of a Tier I Participant or (ii) eight (8) months following the Termination Date, in the case of a Tier II Participant or Tier III Participant.

(i) "Restricted Territory" means the territory in which a Participant is conducting business on behalf of the Company at the time of the Participant's Termination Date, to be stated with more specificity in the restrictive covenant agreement required by Section 6.1.

(j) "Restrictive Covenants" means the restrictive covenants contained in Sections 6.3 through 6.8 of this Article 6.

6.3 Restriction on Disclosure and Use of Confidential Information. The Participant agrees that the Participant shall not, directly or indirectly, use any Confidential Information on the Participant's own behalf or on behalf of any Person other than Company, or reveal, divulge, or disclose any Confidential Information to any Person not expressly authorized by the Company to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. The Participant further agrees that he shall fully cooperate with the Company in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either the Company's rights or the Participant's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, the Participant shall not be restricted from disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, the Participant shall provide the Company with prompt notice of such requirement so that the Company may seek an appropriate protective order prior to any such required disclosure by the Participant.

6.4 Non-Competition. The Participant agrees that during the Restricted Period, he will not, without prior written consent of the Company, directly or indirectly (i) carry on or engage in Competitive Services within the Restricted Territory on his own or on behalf of any Person or any Principal or Representative of any Person, or (ii) own, manage, operate, join, control or participate in the ownership, management, operation or control, of any business, whether in corporate, proprietorship or partnership form or otherwise where such business is engaged in the provision of Competitive Services within the Restricted Territory. The Participant acknowledges that the Restricted Territory is reasonable.

6.5 Non-Solicitation of Protected Customers. The Participant agrees that during the Restricted Period, he shall not, without the prior written consent of the Company, directly or indirectly, on his own behalf or as a Principal or Representative of any Person, solicit, divert, take away, or attempt to solicit, divert, or take away a Protected Customer for the purpose of engaging in, providing, or selling Competitive Services.

6.6 Non-Recruitment of Employees. The Participant agrees that during the Restricted Period, he shall not, directly or indirectly, whether on his own behalf or as a Principal or Representative of any Person, solicit or induce or attempt to solicit or induce any employee of the Company to terminate his employment relationship with the Company or to enter into employment with the Participant or any other Person.

6.7 Proprietary Rights.

(a) Ownership and Assignment of Protected Works. The Participant agrees that any and all Confidential Information and Protected Works are the sole property of the Company, and that no compensation in addition to the Participant's base salary is due to the Participant for development or transfer of such Protected Works. The Participant agrees that he shall promptly disclose in writing to the Company the existence of any Protected Works. The Participant hereby assigns all of his rights, title and interest in any and all Protected Works, including all patents or patent applications, and all copyrights therein, to the Company. The Participant shall not be entitled to use Protected Works for his own benefit or the benefit of anyone except the Company without written permission from the Company and then only subject to the terms of such permission. The Participant further agrees that he will communicate to the Company any facts known to him and testify in any legal proceedings, sign all lawful papers, make all rightful oaths, execute all divisionals, continuations, continuations-in-part, foreign counterparts, or reissue applications, all assignments, all registration applications, and all other instruments or papers to carry into full force and effect the assignment, transfer, and conveyance hereby made or to be made and generally do everything possible for title to the Protected Works and all patents or copyrights or trademarks or service marks therein to be clearly and exclusively held by the Company. The Participant agrees that he will not oppose or object in any way to applications for registration of Protected Works by the Company or others designated by the Company. The Participant agrees to exercise reasonable care to avoid making Protected Works available to any third party and shall be liable to the Company for all damages and expenses, including reasonable attorneys' fees, if Protected Works are made available to third parties by him without the express written consent of the Company.

Anything herein to the contrary notwithstanding, the Participant will not be obligated to assign to the Company any Protected Work for which no equipment, supplies, facilities, or Confidential Information of the Company was used and which was developed entirely on the Participant's own time, unless (a) the invention relates (i) directly to the business of the Company, or (ii) to the Company's actual or demonstrably anticipated research or development; or (b) the invention results from any work performed by the Participant for the Company. The Participant likewise will not be obligated to assign to the Company any Protected Work that is conceived by the Participant after the Participant leaves the employ or service of the Company, except that the Participant is so obligated if the same relates to or is based on Confidential Information to which the Participant had access by virtue of his employment with the Company. Similarly, the Participant will not be obligated to assign any Protected Work to the Company that was conceived and reduced to practice prior to his employment, regardless of whether such Protected Work relates to or would be useful in the business of the Company. The Participant acknowledges and agrees that there are no Protected Works conceived and reduced to practice by him prior to his employment with the Company.

(b) Works Made for Hire. The Company and the Participant acknowledge that in the course of his employment with the Company, the Participant may from time to time create for the Company copyrightable works. Such works may consist of manuals, pamphlets, instructional materials, computer programs, software, software integration techniques, software codes, and data, technical data, photographs, drawings, logos, designs, artwork or other copyrightable material, or portions thereof, and may be created within or without the Company's facilities and before, during or after normal business hours. All such works related to or useful in the business of the Company are specifically intended to be works made for hire by the Participant, and the Participant shall cooperate with the Company in the protection of the Company's copyrights in such works and, to the extent deemed desirable by the Company, the registration of such copyrights.

6.8 Return of Materials. The Participant agrees that he will not retain or destroy (except as set forth below), and will immediately return to the Company on or prior to the Termination Date, or at any other time the Company requests such return, any and all property of the Company that is in his possession or subject to his control, including, but not limited to, keys, credit and identification cards, personal items or equipment, customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, computers, mobile devices, other electronic media, all other files and documents relating to the Company and its business (regardless of form, but specifically including all electronic files and data of the Company), together with all Protected Works and Confidential Information belonging to the Company or that the Participant received from or through his employment or service with the Company. The Participant will not make, distribute, or retain copies of any such information or property.

6.9 Enforcement of Restrictive Covenants.

(a) Rights and Remedies Upon Breach. The parties specifically acknowledge and agree that the remedy at law for any breach of the Restrictive Covenants will be inadequate, and that in the event the Participant breaches, or threatens to breach, any of the Restrictive Covenants, the Company shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, the Participant from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to the Company and that money damages would not provide an adequate remedy to the Company. The Participant understands and agrees that if he violates any of the obligations set forth in the Restrictive Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of restriction. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company at law or in equity. The Participant understands and agrees that, if the Parties become involved in legal action regarding the enforcement of the Restrictive Covenants and if the Company prevails in such legal action, the Company will be entitled, in addition to any other remedy, to recover from the Participant its reasonable costs and attorneys' fees incurred in enforcing such covenants. The Company's ability to enforce its rights under the Restrictive Covenants or applicable law against the Participant shall not be impaired in any way by the existence of a claim or cause of action on the part of the Participant based on, or arising out of, this Agreement or any other event or transaction.

(b) Severability and Modification of Covenants. The Participant acknowledges and agrees that each of the Restrictive Covenants is reasonable and valid in time and scope and in all other respects. The parties agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Restrictive Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Restrictive Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Restrictive Covenant. If any of the provisions of the Restrictive Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of the Company's legitimate business interests and may be enforced by the Company to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

ARTICLE 7
TERMINATION OF EMPLOYMENT

7.1 Written Notice Required. Any purported termination of employment, whether by the Company or by the Participant, shall be communicated by written notice to the other (a "Notice of Termination").

7.2 Termination Date. In the case of the Participant's death, the Participant's Termination Date shall be his or her date of death. In all other cases, the Participant's Termination Date shall be the date of receipt of the Notice of Termination or any later date specified therein within 60 days after receipt of the Notice of Termination.

ARTICLE 8
DURATION, AMENDMENT AND TERMINATION, CLAIMS

8.1 Duration. The Plan shall become effective as of the Effective Date, and shall continue until terminated by the Committee or the Board. Subject to Section 8.2, the Committee or the Board may terminate the Plan as of any date that is at least 12 months after the date of the Committee's or the Board's action. If any Participants become entitled to any payments or benefits hereunder during such 12-month period, this Plan shall continue in full force and effect and shall not terminate or expire with respect to such Participants until after all such Participants have received such payments and benefits in full.

8.2 Amendment and Termination. Subject to the following sentence, the Plan may be amended from time to time in any respect by the Committee or the Board; provided, however, that any amendment that would adversely affect the rights or potential rights of Participants shall not be effective for at least 12 months after the date of the Committee's or the Board's action; and, provided further, in the event that a Change in Control occurs within 12 months following an amendment to the Plan that would adversely affect the rights or potential rights of Participants, the amendment will not be effective. In anticipation of or in connection with or within three years following a Change in Control, the Plan shall not be subject to amendment, change, substitution, deletion, revocation or termination in any respect which adversely affects the rights of Participants without the consent of each Participant so affected. For the avoidance of doubt, removal of a Participant as a Participant (other than as a result of the Participant ceasing to be an Employee) or any reduction in payments or benefits shall be deemed to be an amendment of the Plan which adversely affects the rights of the Participant.

8.3 Form of Amendment. The form of any amendment or termination of the Plan shall be a written instrument signed by a duly authorized officer or officers of the Company, certifying that the amendment or termination has been approved by the Committee or the Board. Subject to Sections 8.1 and 8.2 above (i) an amendment of the Plan in accordance with the terms hereof shall automatically effect a corresponding amendment to all Participants' rights and benefits hereunder, and (ii) a termination of the Plan shall in accordance with the terms hereof automatically effect a termination of all Participants' rights and benefits hereunder.

8.4 Claims Procedure.

(a) A Participant may file a claim with respect to amounts asserted to be due hereunder by filing a written claim with the Committee specifying the nature of such claim in detail. The Committee shall notify the claimant within 60 days as to whether the claim is allowed or denied, unless the claimant receives written notice from the Committee prior to the end of the 60 day period stating that special circumstances require an extension of time for a decision on the claim, in which case the period shall be extended by an additional 60 days. Notice of the Committee's decision shall be in writing, sent by mail to the Participant's last known address and, if the claim is denied, such notice shall (i) state the specific reasons for denial, (ii) refer to the specific provisions of the Plan upon which such denial is based, and (iii) if applicable, describe any additional information or material necessary to perfect the claim, an explanation of why such information or material is necessary, and an explanation of the review procedure in Section 8.4(b).

(b) A claimant is entitled to request a review of any denial of his claim under Section 8.4(a). The request for review must be submitted to the Committee in writing within 60 days of mailing by the Committee of notice of the denial. Absent a request for review within the 60 day period, the claim will be deemed conclusively denied. The claimant or his representative shall be entitled to review all pertinent documents, and to submit issues and comments orally and in writing to the Committee. The review shall be conducted by the Committee, which shall afford the claimant a hearing and which shall render a decision in writing within 60 days of a request for a review, provided that, if the Committee determines prior to the end of such 60 day review period that special circumstances require an extension of time for the review and decision of the denial, the period for review and decision on the denial shall be extended by an additional 60 days. The claimant shall receive written notice of the Committee's review decision, together with specific reasons for the decision and reference to the pertinent provisions of the Plan.

ARTICLE 9
CODE SECTION 409A

9.1 General. This Plan shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements Section 409A of the Code and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder (and any applicable transition relief under Section 409A of the Code). Nevertheless, the tax treatment of the benefits provided under the Plan is not warranted or guaranteed. Neither the Company nor its directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by the Participant as a result of the application of Section 409A of the Code.

9.2 Definitional Restrictions. Notwithstanding anything in this Plan to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code ("Non-Exempt Deferred Compensation") would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, by reason of a Change in Control or a Participant's termination of employment, such Non-Exempt Deferred Compensation will not be payable or distributable to the Participant, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such Change in Control or termination of employment, as the case may be, meet any description or definition of "change in control event" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the *vesting* of any Non-Exempt Deferred Compensation upon a Change in Control or termination of employment, however defined. If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant "change in control event" or "separation from service", as the case may be, or such later date as may be required by Section 9.3. If this provision prevents the application of a different form of payment of any amount or benefit, such payment shall be made in the same form as would have applied absent such designated event or circumstance.

9.3 Six-Month Delay Under Certain Circumstances. Notwithstanding anything in this Plan to the contrary, if any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code would otherwise be payable or distributable under this Plan by reason of a Participant's separation from service during a period in which he is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Company under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes):

(a) if the payment or distribution is payable in a lump sum, the Participant's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service; and

(b) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following the Participant's separation from service will be accumulated and the Participant's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of the Participant's death or the first day of the seventh month following the Participant's separation from service, whereupon the accumulated amount will be paid or distributed to the Participant and the normal payment or distribution schedule for any remaining payments or distributions will resume.

For purposes of this Agreement, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder, provided, however, that, as permitted in such regulations, the Company's Specified Employees and its application of the six-month delay rule of Code Section 409A(a)(2)(B)(i) shall be determined in accordance with rules adopted by the Board of Directors, which shall be applied consistently with respect to all nonqualified deferred compensation arrangements of the Company, including this Plan.

9.4 Treatment of Installment Payments. Each payment of termination benefits under Sections 4.3 or 4.4 of this Plan, including, without limitation, each installment payment, shall be considered a separate payment, as described in Treas. Reg. Section 1.409A-2(b)(2), for purposes of Section 409A of the Code.

9.5 Timing of Release of Claims. Whenever in this Plan a payment or benefit is conditioned on the Participant's execution of a release of claims, such release must be executed and all revocation periods shall have expired within forty-five (45) days after the Termination Date; failing which such payment or benefit shall be forfeited. If such payment or benefit is exempt from Section 409A of the Code, the Company may elect to make or commence payment at any time during such 45-day period. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then, (i) if such 45-day period begins and ends in a single calendar year, the Company may make or commence payment at any time during such period at its discretion, and (ii) if such 45-day period begins in one calendar year and ends in the next calendar year, the payment shall be made or commence during the second such calendar year, even if such signing and non-revocation of the release occur during the first such calendar year included within such 45-day period. In other words, a Participant is not permitted to influence the calendar year of payment of Non-Exempt Deferred Compensation based on the timing of signing the release.

9.6 Timing of Reimbursements and In-kind Benefits. If the Participant is entitled to be paid or reimbursed for any taxable expenses under this Plan, and such payments or reimbursements are includible in the Participant's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of the Participant to reimbursement of expenses under any Section of this Plan shall be subject to liquidation or exchange for another benefit.

9.7 Permitted Acceleration. The Company shall have the sole authority to make any accelerated distribution permissible under Treas. Reg. Section 1.409A-3(j)(4) to the Participant of deferred amounts, provided that such distribution meets the requirements of Treas. Reg. Section 1.409A-3(j)(4).

ARTICLE 10
MISCELLANEOUS

10.1 Legal Fees and Expenses. The Company shall reimburse all legal fees and related expenses (including the costs of experts, evidence and counsel) reasonably and in good faith incurred by a Participant if the Participant prevails on a material issue with respect to his or her claim for relief in an action by the Participant to obtain or enforce any right or benefit provided by this Plan. If a Participant is entitled to recover fees and expenses under this Section 10.1, the reimbursement of an eligible expense shall be made within 10 business days after delivery of the Participant's respective written requests for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require, but in no event later than March 15 of the year after the year in which such rights are established.

10.2 Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation to retain the Participant as an Employee, to change the status of the Participant's employment, or to change the Company's policies regarding termination of employment.

10.3 Nature of Plan and Benefits. Participants and any other person who may have rights hereunder shall be mere unsecured general creditors of the Company with respect to Severance Benefits due hereunder, and all amounts (other than fully insured benefits) shall be payable from the general assets of the Company.

10.4 Withholding of Taxes. The Company may withhold from any amount payable or benefit provided under this Plan such Federal, state, local, foreign and other taxes as are required to be withheld pursuant to any applicable law or regulation.

10.5 No Effect on Other Benefits. Severance Benefits shall not be counted as compensation for purposes of determining benefits under other benefit plans, programs, policies and agreements, except to the extent expressly provided therein or herein.

10.6 Validity and Severability. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.7 Successors. This Plan shall bind any successor of or to the Company, its assets or its businesses (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Plan.

10.8 Assignment. This Plan shall inure to the benefit of and shall be enforceable by a Participant's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If a Participant should die while any amount is still payable to the Participant under this Plan had the Participant continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Plan to the Participant's estate. A Participant's rights under this Plan shall not otherwise be transferable or subject to lien or attachment.

10.9 Enforcement. This Plan is intended to constitute an enforceable contract between the Company and each Participant subject to the terms hereof.

10.10 Governing Law. To the extent not preempted by ERISA, the validity, interpretation, construction and performance of the Plan shall in all respects be governed by the laws of Tennessee, without reference to principles of conflict of law.

10.11 Arbitration. Any dispute or controversy arising under or in connection with this Plan that cannot be mutually resolved by the Company and a Participant and their respective advisors and representatives shall be settled exclusively by arbitration in Chattanooga. Tennessee, in accordance with the rules of the American Arbitration Association before one arbitrator of exemplary qualifications and stature, who shall be selected jointly by an individual to be designated by the Company and an individual to be selected by the Participant, or if such two individuals cannot agree on the selection of the arbitrator, who shall be selected by the American Arbitration Association. The Company shall reimburse the Participant's reasonable legal fees if he prevails on a material issue in arbitration.

<u>EXHIBIT A</u>

PARTICIPANTS IN THE
ASTEC INDUSTRIES, INC. EXECUTIVE
CHANGE IN CONTROL SEVERANCE PLAN
as of July 28, 2016

Tier I Participants	CEO – Benjamin Brock Vice Chairman- Norm Smith
Tier II Participants	COO – Richard Dorris CFO – David Silvious Group President – Richard Patek Group President - Steve Claude Group Vice President – Jeff Elliott VP-Administration – Steve Anderson Corporate Controller – Robin Leffew
Tier III Participants	Subsidiary Presidents: Malcolm Swanson – Astec, Inc. John Irvine – Roadtec Jeff May – Kolberg-Pioneer Matt Haven – Telsmith Larry Cumming – Peterson Pacific Jeff Schwartz – Johnson Crushers Int'l Tom Wilkey – Heatec Robert Wilfong – Heatec Chris Colwell – Carlson Paving Aaron Harmon – GEFCO Tim Gonigam – Astec Mobile Screens Mike Bremmer – CEI Enterprises Tony Schwab – Dillman Equipment David Smale – Astec Australia Pascal Ferrari – Astec Mobile Machinery Martin Dummigan – Telestack Tom Kruger – Osborn Don Sissons – Breaker Technology, Inc.

Exhibit 31.1

Certification Pursuant To Rule 13a-14(a)/15d-14(a),
As Adopted Pursuant To

Section 302 of the Sarbanes-Oxley Act of 2002

I, Benjamin G. Brock certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astec Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2016

/s/Benjamin G. Brock

Benjamin G. Brock
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

<u>Certification Pursuant To Rule 13a-14(a)/15d-14(a),</u>
<u>As Adopted Pursuant To</u>

Section 302 of the Sarbanes-Oxley Act of 2002

I, David C. Silvious certify that:

1. I have reviewed this quarterly report on Form 10-Q of Astec Industries, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15 (e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2016

/s/David C. Silvious

David C. Silvious
Chief Financial Officer, Vice President and Treasurer
(Principal Financial Officer)

Exhibit 32

Certification Pursuant To
Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934
and 18 U.S.C. Section 1350, As Adopted Pursuant To
Section 906 Of The Sarbanes-Oxley Act Of 2002

In connection with the Quarterly Report of Astec Industries, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Benjamin G. Brock and David C. Silvious certify, pursuant to Rule 13a-14(b)/15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, As Adopted Pursuant To Section 906 Of The Sarbanes-Oxley Act Of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Benjamin G. Brock
Benjamin G. Brock
Chief Executive Officer
(Principal Executive Officer)
August 5, 2016

/s/ David C. Silvious
David C. Silvious
Chief Financial Officer, Vice President and Treasurer
(Principal Financial Officer)
August 5, 2016