



## Stock Data

Recent Price (03/31/10) .....	\$4.59
52-Week Range .....	\$2.22 - \$6.84
Market Capitalization (\$millions) .....	\$276
Shares Outstanding (millions) .....	60.4
Institutional Ownership.....	64%
Price/Sales (2009A) .....	0.4x

## Operational Data

(Year ended September 30, 2009)

Revenue .....	\$666.7 Million
TTM EBITDA as of 9/30/2009 .....	\$105.4 mm
Diluted EPS (FY 2009A) .....	\$(0.07)*

*\*Excludes unusual items*

## Selected Investment Appeals

- 💧 Premier market leadership positions in all business segments
- 💧 High quality product offerings with strong brand names
- 💧 Extensive and established national distribution network
- 💧 Long-term customer relationships and exclusive contracts
- 💧 Well positioned to benefit from the rebound in construction markets
- 💧 Significant operational improvements and cost reductions implemented in Fiscal Year 2009
- 💧 Improved balance sheet with greater liquidity and no near-term maturities

*Headwaters improves sustainability by transforming underutilized resources into valuable products.*

Headwaters is a leading manufacturer of light building products for the residential construction, residential remodeling, commercial and institutional construction industries. The Company's portfolio of light building products consists of architectural stone, resin-based exterior siding accessories (such as shutters, mounting blocks, and vents), concrete block and other building products. The Company's heavy construction materials segment focuses on the sale of fly ash, a material used in infrastructure projects.

Headwaters has more than 3,000 wholesale distributors around the country, generates incremental sales through big box stores, and has a direct sales network for heavy construction materials. The broad distribution system and superior reputation for quality has enabled the Company to capture the number one market position in all of its key niche product categories.

Headwaters' focus on transforming underutilized resources into valuable products has helped it capitalize on increasing demand for building materials that contribute to sustainability. The Company's fly ash business is a perfect example of sustainability. Headwaters is the largest supplier of fly ash in the United States today. Fly ash is a coal combustion product; i.e., it is a byproduct of burning coal at electric generating plants. Fly ash can serve as a replacement for a portion of the portland cement used in producing concrete for major construction projects.

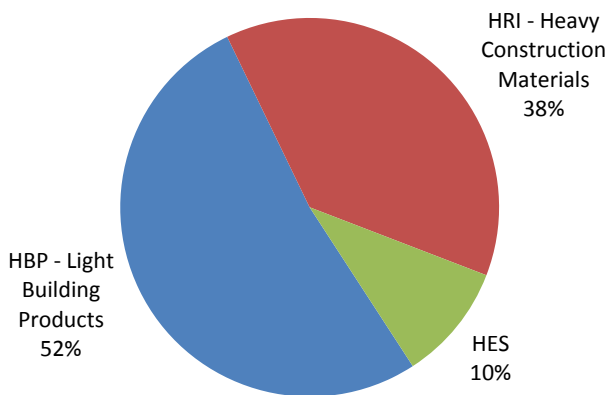
The Company also operates an Energy Services group that adds value to coal while helping to protect the environment by upgrading waste coal into a marketable product, converting coal into liquid fuels, and utilizing waste heat from a coal-fired power plant in the production of ethanol. The Energy Services group provides good diversification and a business unit capable of generating high returns on invested capital.



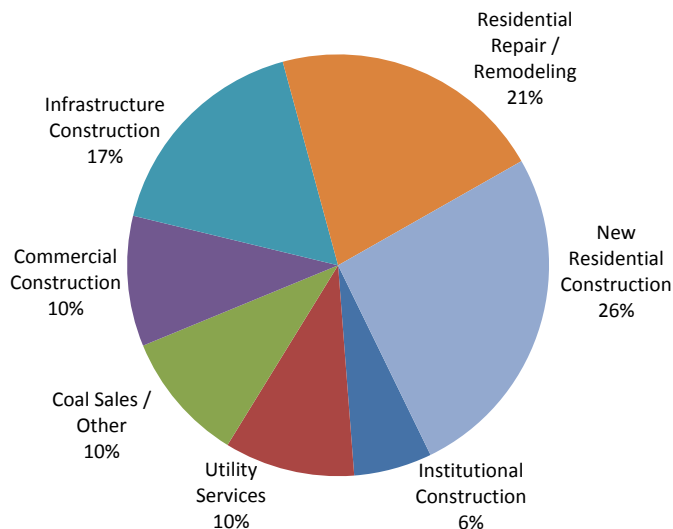
## Investment Summary

Headwaters has three business segments: Headwaters Building Products (HBP), Headwaters Resources (HRI), and Headwaters Energy Services (HES). Annual revenues have grown from \$6.7 million in fiscal 1999 to \$667 million for fiscal year ended Sept. 30, 2009. Headwaters enjoys diversified end-markets that position the company well to capitalize on an expected rebound in the housing, construction and energy markets in FY 2010 and beyond.

## 2009 Revenue Breakdown



## Diversified End Markets



## Headwaters Building Products (HBP)

- 🔥 Leading market positions
- 🔥 Diversified revenue stream
- 🔥 Innovative product development expertise
- 🔥 Unmatched national distribution network
- 🔥 Efficient manufacturing
- 🔥 Margins among highest in peer group

## Light Building Products - Market Leadership & Diversified End Markets

HBP brands (#1 U.S. market share in resin-based accessories and #1 U.S. market share in manufactured stone veneer) position Headwaters in two high-growth areas of the construction materials market: specialty siding and manufactured stone. Headwaters also has the #1 market share position in the Texas concrete block market for commercial and institutional construction.

HBP implements a strategy to produce environmentally sustainable wall components that minimize waste, conserve natural resources, and/or use less energy in manufacturing or application. HBP's wall products, which use a variety of raw materials and production processes, are offered via an expansive distribution system.

## HBP Brands & Distribution

Headwaters is a market leader in the manufacture of building products and professional tools used in residential remodeling and construction. As the largest U.S. manufacturer of injection-molded siding accessories, Headwaters is the leader in each of its core markets and is the vendor of choice for both wholesalers and the leading U.S. home improvement retailers, including Lowe's and Home Depot. Headwaters' brands include Atlantic Premium Shutters™, Mid-America Siding Components™, Inspire Roofing Products™, Tapco Integrated Tool Systems™, and others.

Headwaters is a leading manufacturer and marketer of premium quality architectural stone veneer. The Company holds the number one U.S. market share position in





manufactured stone. Brands include Eldorado Stone®, Stonecraft, and Dutch Quality Stone. In addition to its stone product lines, HBP has

introduced an architectural brick to complement stone siding.

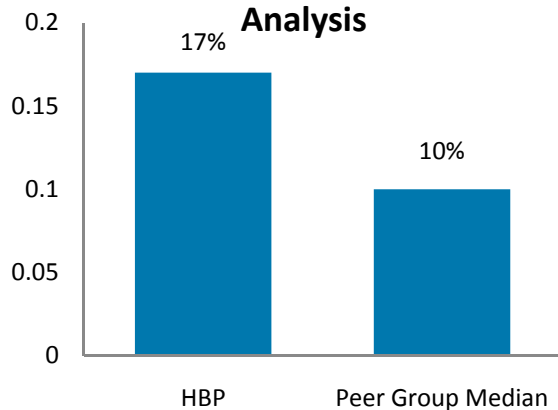


HBP is the leading producer of concrete blocks in Texas. Many of the Company's concrete-based building products are more sustainable because of the use of fly ash, creating products at a lower cost and improved quality.



**HBP Efficient Manufacturing & Best in Class Margins** HBP has consistently generated higher margins relative to its light building product peers. From 2007 through the present, HBP's EBITDA margins have averaged 17%, compared to average EBITDA margins of roughly 10% generated by most of its peers. The cost structure that has been put in place over the last twelve months should yield materially higher operating earnings for 2010, even if light building product sales do not improve over 2009 levels.

### Comparative Peer EBITDA Margin Analysis



### Average EBITDA Margin (2007-Present)

Note: The peer group median margins reflect the margins of CPB, Trex, Owens Corning, Ply Gem, Masco, Associated Materials, and USG.

### Headwaters Resources (HRI)

- 🔥 Clear market leader in fly ash
- 🔥 Increasing market share
- 🔥 Unrivaled national footprint
- 🔥 Attractive long-term market fundamentals

**Clear Market Leader** Headwaters is the largest supplier of fly ash in the country today. When coal is burned in today's modern electric generating plants, combustion temperatures reach approximately 2800 degrees Fahrenheit. The non-combustible minerals that naturally occur in coal form bottom ash and fly ash.

Fly ash can replace a portion of portland cement (normally 20% to 30%) used in producing concrete. Fly ash reacts with lime that is produced by the hydration of cement, creating more of the durable binder that holds concrete together. As a result, concrete made with fly ash is stronger and more durable than traditional concrete made exclusively with portland cement.

### Increasing Market Share & Unrivaled Foot Print

In FY 2009, HRI continued to spend capital to increase its supply of quality coal combustion products and to expand its infrastructure and logistics system. These efforts, along with HRI's footprint, have allowed HRI to continue to increase its market share even during the recession.

Due to the efforts that HRI has made to expand its supply, reduce its overall cost structure, and increase its focus on utility services, HRI has strengthened its ability to meet the needs of its clients and customers as the economy rebounds. Cement consumption is forecasted to increase more than 10% in 2010 and 13% in 2011, primarily driven by increased infrastructure spending under the government's stimulus package.

In addition to our normal contract renewals and extensions, HRI recently announced that it has executed three material contracts that will benefit HRI



in 2010. In total, the three contracts should provide \$14 million of incremental revenue in 2010.

**Sustainable & Better for the Environment** The use of fly ash has positive environmental impacts as it reduces landfill utilization. In addition, the use of fly ash helps displace portland cement production which emits approximately one ton of CO<sub>2</sub> for every ton of product

*"If all the fly ash generated each year were used in producing concrete, the reduction in CO<sub>2</sub> emissions would be equal to eliminating 25 percent of the world's vehicles."*

- From National Conference of State Legislatures' Briefing Paper entitled *Recycling Fly Ash*.

## Headwaters Energy Services (HES)

- Low-cost producer of high-quality coal
- Innovative product development
- Strong momentum in operating trends
- Well-positioned alternative energy platform
- Refined coal products qualify for tax credits

Headwaters Energy Services adds value to coal while helping to protect the environment by upgrading waste coal into a marketable product, converting coal into liquid fuels, and utilizing waste heat from a coal-fired power plant in the production of ethanol.

**Producer of High-Quality Coal & Innovative Product Development** In the United States today there are more than 3 billion tons of waste coal produced from mining activities. This waste coal is stored in waste ponds and gob piles. Headwaters processes the waste coal, removing the impurities, and creating a consumable product through reclamation of waste.

Headwaters' clean coal process reduces the ash content of the treated coal, and at the same time reduces the mercury and sulfur levels, producing cleaner, more consistent coal fuel. This improves the heating value of the fuel, helps increase the use of natural resources, and improves the fuel combustion characteristics.

Revenues from coal sales in the March 2010 quarter were \$12.4 million, compared to \$21.0 million in the March 2009 quarter and \$8.8 million in the December 2009 quarter. The Company sold 340,000 tons of coal in the March 2010 quarter, compared to 370,000 tons in 2009. Revenues declined due to lower metallurgical coal sales, the mix change in regional sales and general softness in both thermal coal prices and demand.

**Strong Momentum in Operating Trends** In response to soft coal market conditions in 2009, Headwaters temporarily idled four facilities to align production to sales and to concentrate production in fewer facilities, merged its coal cleaning and fly ash businesses and focused on reducing fixed costs. These steps resulted in a 50% reduction in SG&A, and a 40% reduction in total fixed costs, substantially reducing the breakeven point for the coal cleaning business. The Company believes that these cost reductions combined with a stronger coal market in 2010 should result in positive EBITDA in its coal cleaning operations in 2010.

**Well Positioned Alternative Energy Platform** In addition to coal cleaning, Headwaters is also involved in heavy oil upgrading through its HCAT technology, ethanol production, converting coal to liquids, and has also made advancements in other industrial applications of nano-technologies, e.g., manufacturing hydrogen peroxide.

## Fiscal 2009 As Reported

With the continued decline in the housing and coal markets, total revenue for the year ended September



30, 2009 was \$666.7 million, compared to \$886.4 million reported for fiscal 2008. Gross profit was \$146.5 million for 2009, down from \$232.8 million in 2008. The net loss for 2009 was \$(415.6) million, or \$(9.59) per diluted share, which compares to a net loss

of \$(169.7) million or \$(4.10) per diluted share for 2008. The Company recognized goodwill impairment charges of \$465.7 million and \$205.0 million in 2009 and 2008, respectively.

## Contact Information

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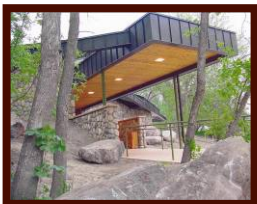
[www.headwaters.com](http://www.headwaters.com)

*Certain statements contained in this Investment Profile are forward-looking statements within the meaning of federal securities laws and Headwaters intends that such forward-looking statements be subject to the safe-harbor created thereby. Forward-looking statements include Headwaters' expectations as to the managing and marketing of coal combustion products, the production and marketing of building materials and products, the production and marketing of cleaned coal, the production and marketing of hydrogen peroxide, the licensing of resid hydrocracking technology and catalyst sales to oil refineries, the availability of refined coal tax credits, the development, commercialization, and financing of new technologies and other strategic business opportunities and acquisitions, and other information about Headwaters. Such statements that are not purely historical by nature, including those statements regarding Headwaters' future business plans, the operation of facilities, the availability of feedstocks, and the marketability of the coal combustion products, building products, cleaned coal, hydrogen peroxide, catalysts, and the availability of tax credits, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding future events and our future results that are based on current expectations, estimates, forecasts, and projections about the industries in which we operate and the beliefs and assumptions of our management. Actual results may vary materially from such expectations. Words such as "may," "should," "intends," "plans," "expects," "anticipates," "targets," "goals," "projects," "believes," "seeks," "estimates," or variations of such words and similar expressions, or the negative of such terms, may help identify such forward-looking statements. Any statements that refer to projections of our future financial performance, our anticipated growth and trends in our businesses, and other characterizations of future events or circumstances, are forward-looking. In addition to matters affecting the coal combustion products, building products, and energy industries or the economy generally, factors that could cause actual results to differ from expectations stated in forward-looking statements include, among others, the factors described in the caption entitled "Risk Factors" in Item 1A in Headwaters' Annual Report on Form 10-K for the fiscal year ended September 30, 2009, Quarterly Reports on Form 10-Q, and other periodic filings and prospectuses.*

*Although Headwaters believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its business and operations, there can be no assurance that our results of operations will not be adversely affected by such factors. Unless legally required, we undertake no obligation to revise or update any forward-looking statements for any reason. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Our internet address is [www.headwaters.com](http://www.headwaters.com). There we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports can be accessed through the investor relations section of our web site.*



<b>HEADWATERS INCORPORATED</b>				
<b>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)</b>				
<i>(in thousands, except per-share amounts)</i>				
	<b>Quarter Ended March 31,</b>		<b>Six Months Ended March 31,</b>	
	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>
<b>Revenue:</b>				
Light building products	\$ 68,401	\$ 61,255	\$ 156,628	\$ 132,486
Heavy construction materials	48,083	47,272	115,309	103,147
Energy technology	21,184	19,627	31,897	32,167
<b>Total revenue</b>	<b>137,668</b>	<b>128,154</b>	<b>303,834</b>	<b>267,800</b>
<b>Cost of revenue:</b>				
Light building products	56,082	46,698	126,346	99,336
Heavy construction materials	36,480	38,396	83,540	81,789
Energy technology	22,464	15,534	39,665	29,764
<b>Total cost of revenue</b>	<b>115,026</b>	<b>100,628</b>	<b>249,551</b>	<b>210,889</b>
<b>Gross profit</b>	<b>22,642</b>	<b>27,526</b>	<b>54,283</b>	<b>56,911</b>
<b>Operating expenses:</b>				
Amortization	6,210	5,578	11,955	11,189
Research and development	1,834	1,858	5,295	3,773
Selling, general and administrative	27,284	24,399	58,892	52,586
Goodwill impairment	465,656	--	465,656	--
<b>Total operating expenses</b>	<b>500,984</b>	<b>31,835</b>	<b>541,798</b>	<b>67,548</b>
<b>Operating loss</b>	<b>(478,342)</b>	<b>(4,309)</b>	<b>(487,515)</b>	<b>(10,637)</b>
Net interest expense	(10,512)	(16,019)	(20,738)	(33,439)
Other income (expense), net	1,995	(102)	19,430	1,178
<b>Loss before income taxes</b>	<b>(486,859)</b>	<b>(20,430)</b>	<b>(488,823)</b>	<b>(42,898)</b>
Income tax benefit	77,290	7,400	76,840	15,970
<b>Net loss</b>	<b>\$ (409,569)</b>	<b>\$ (13,030)</b>	<b>\$ (411,983)</b>	<b>\$ (26,928)</b>
<b>Basic loss per share</b>	<b>\$ (9.86)</b>	<b>\$ (0.22)</b>	<b>\$ (9.94)</b>	<b>\$ (0.45)</b>
<b>Diluted loss per share</b>	<b>\$ (9.86)</b>	<b>\$ (0.22)</b>	<b>\$ (9.94)</b>	<b>\$ (0.45)</b>
Weighted average shares outstanding -- basic	41,556	59,944	41,459	59,922
Weighted average shares outstanding -- diluted	41,556	59,944	41,459	59,922
<b>Operating income (loss) by segment:</b>				
Light building products	\$ (468,815)	\$ (2,210)	\$ (472,122)	\$ (802)
Heavy construction materials	4,804	2,191	17,887	8,031
Energy technology	(12,128)	(1,818)	(26,766)	(7,852)
Corporate	(2,203)	(2,472)	(6,514)	(10,014)
<b>Total</b>	<b>\$ (478,342)</b>	<b>\$ (4,309)</b>	<b>\$ (487,515)</b>	<b>\$ (10,637)</b>



<b>HEADWATERS INCORPORATED</b>			
<b>CONDENSED CONSOLIDATED BALANCE SHEETS</b> (Unaudited)			
<i>(in thousands)</i>			
		<b>September 30,</b>	<b>March 31,</b>
		<b>2009</b>	<b>2010</b>
<b>Assets:</b>			
<b>Current assets:</b>			
Cash and cash equivalents		\$ 15,934	\$ 71,577
Trade receivables, net		91,411	70,389
Inventories		38,729	40,697
Other		40,622	35,064
<b>Total current assets</b>		<b>186,696</b>	<b>217,727</b>
Property, plant and equipment, net		321,316	313,759
Intangible assets, net		203,632	193,330
Goodwill		115,999	115,999
Other assets		63,539	88,477
<b>Total assets</b>		<b>\$ 891,182</b>	<b>\$ 929,292</b>
<b>Liabilities and Stockholders' Equity:</b>			
<b>Current liabilities:</b>			
Accounts payable		\$ 20,242	\$ 16,275
Accrued liabilities		68,013	68,897
<b>Total current liabilities</b>		<b>88,255</b>	<b>85,172</b>
Long-term debt		423,566	493,031
Income taxes		39,075	33,454
Other long-term liabilities		15,566	15,500
<b>Total liabilities</b>		<b>566,462</b>	<b>627,157</b>
<b>Stockholders' equity:</b>			
Common stock - par value		60	60
Capital in excess of par value		638,877	641,764
Retained earnings (accumulated deficit)		(310,884)	(337,812)
Other		(3,333)	(1,877)
<b>Total stockholders' equity</b>		<b>324,720</b>	<b>302,135</b>
<b>Total liabilities and stockholders' equity</b>		<b>\$ 891,182</b>	<b>\$ 929,292</b>