HW HEADWATERS

NYSE: HW
Fiscal Year End: September 30

September 30, 2010

INVESTMENT PROFILE

STOCK DATA

Recent Price (09/30/10)	$3.60
52-Week Range	$2.70 - $6.73
Market Capitalization (millions)	$218
Shares Outstanding (millions)	60.5
Institutional Ownership	63%
Price/Sales (2009A)	0.5x

OPERATIONAL DATA

(Year ended September 30, 2010)

Revenue	$655 Million
Adjusted TTM EBITDA as of 9/30/2010	$95.4 mm
Diluted EPS (FY 2010)	$(0.44)

INVESTMENT APPEAL

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 2010

Improved balance sheet with greater liquidity and no near-term maturities

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.

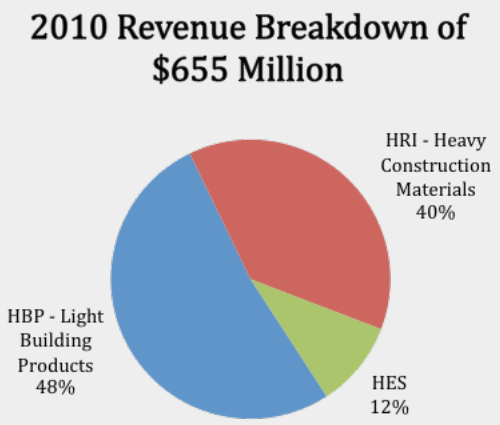
Headwaters has more than 3,000 wholesale distributors around the country, generates incremental sales through big box stores, and has a direct sales network for heavy construction materials. The broad distribution system and superior reputation for quality has enabled the Company to capture the number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

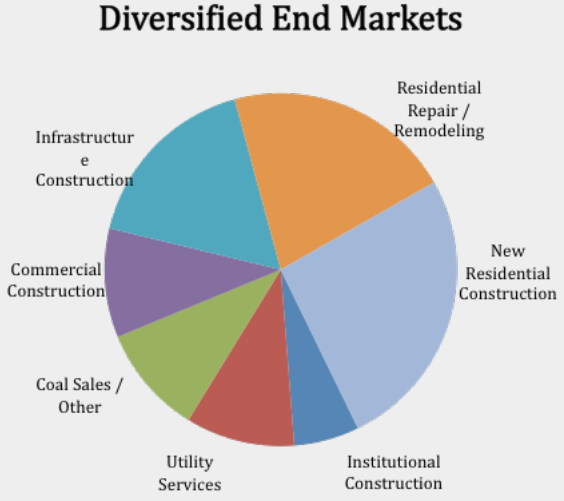
Headwaters' focus on transforming underutilized resources into valuable products has helped it capitalize on increasing demand for building materials that contribute to sustainability. The Company's fly ash business is a perfect example of sustainability. Headwaters is the largest supplier of fly ash 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, 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 Light Building Products, Headwaters Heavy Construction Materials, and Headwaters Energy Technologies. Headwaters enjoys diversified end-markets that position the company well to capitalize on an expected rebound in its light building products and heavy construction materials markets.





HEADWATERS BUILDING PRODUCTS

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 AND DIVERSIFIED END MARKETS

Headwaters Building Products (HBP) brands (Number One: U.S. market share in resin-based accessories and Number One: 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 number one 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.

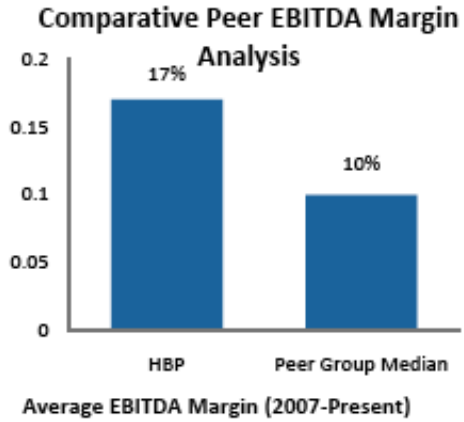
HBP BRANDS AND DISTRIBUTION

Headwaters is a market leader in the manufacturing 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 also 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 our 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 AND 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 allowed for higher EBITDA margins in year over year comparisons in fiscal 2010.



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

HEADWATERS RESOURCES

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 AND UNRIVALED FOOT PRINT

In FY 2010, Headwaters Reseources (HRI) continued to spend capital to increase its supply of quality coal combustion products and to expand its infrastructure and logistics system. These efforts, and HRI's footprint, has 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 starts to rebound. Cement consumption bottomed in 2009 and is expected to increase slightly between calendar 2010 through 2013. More rapid growth is expected in 2013 and beyond due mainly to infrastructure spending under the government's stimulus package.

In addition to our normal contract renewals and extensions,

HRI announced it had executed on three material contracts during fiscal 2010. In total, these three contracts provided approximately $14 million of incremental revenue.

SUSTAINABLE AND 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 CO2 for every ton of product.

HEADWATERS ENERGY SERVICES

Low cost producer of high quality coal

Innovative product development

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 coalfired power plant in the production of ethanol.

PRODUCER OF HIGH QUALITY COAL AND INNOVATIVE PRODUCT DEVELOPMENT

In the U. S. today there are more than 3 billion tons of waste coal produced from mining activities. This coal is stored in waste ponds and gob piles. Headwaters processes the waste coal by reducing the ash content and thereby removing many of the impurities, mainly mercury and sulfur. This improves the heating value of the fuel, increases the use of natural resources, and improves combustion.

Revenue from coal sales in fiscal 2010 were $56.4 million, compared to $58.1 million in fiscal 2009, and $38.7 million in fiscal 2008. Although revenues were slightly down year over year, adjusted EBITDA for the year was $1.2 million, compared to a loss of $(7.2) million at the end of fiscal 2009. Declines in revenue are due mainly to a mix change in regional sales, and overall softness in pricing and demand.

At the end of fiscal 2010 Headwaters' coal cleaning business estimated an asset impairment of $34.5 million, due to assumptions in forecasting future cash flows based primarily on historical operating conditions. The non cash impairment may have little relationship to potential future value of the assets or operating conditions.

STRONG MOMENTUM IN OPERATING TRENDS

During fiscal year 2010 the Company 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.

"If all the fly ash generated each year were used in producing concrete, the reduction in CO2 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

WELL POSITIONED ALTERNATIVE ENERGY PLATFORM

In addition to coal cleaning, Headwaters is also involved in heavy oil upgrading through its HCAT technology, ethanol production, and converting coal to liquids.

Progress continues in Headwaters' heavy oil upgrading technology (HCATTM). On October 6, 2010 the Company announced, in conjunction with Neste Oil Corporation, the completion of another successful plant test of its HCAT technology at Neste's Porvoo refinery in Finland. The data was presented jointly by Neste Oil and Headwaters at the 8th International Bottom of the Barrel Technology Conference in London.

FISCAL 2010 AS REPORTED

With the continued softness in the housing and coal markets, total revenue for the year ended September 30, 2010 was $654.7 million, down 2% from $666.7 million reported for fiscal 2009. Gross profit increased 11%, from $146.5 million in 2009 to $163.3 million in 2010. Excluding the goodwill and asset impairments, the operating loss of $(2.5) million reported in 2009 improved to operating income of $19.4 million in 2010 and the net loss changed from $(27.1) million in 2009, or $(0.63) loss per diluted share, to $(26.4) million in 2010, or $(0.44) loss per diluted share.

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FORWARD LOOKING LANGUAGE

Certain statements contained in this press release 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 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, 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," "forecasts," 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. 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.

HEADWATERS INCORPORATED

Condensed Consolidated Statements Of Operations (Unaudited)

(in thousands, except per-share amounts)

	Quarter Ended September 30,		Year Ended September 30,	
	2009	2010	2009	2010
Revenue:				
Light building products	$ 91,483	$ 89,346	$ 340,688	$ 316,884
Heavy construction materials	81,213	84,734	260,934	258,264
Energy technology	14,915	20,638	65,054	79,551
Total revenue	**187,611**	**194,718**	**666,676**	**654,699**
Cost of revenue:				
Light building products	65,488	63,170	258,809	227,637
Heavy construction materials	56,069	59,745	186,067	192,785
Energy technology	15,921	20,363	75,252	70,962
Total cost of revenue	**137,478**	**143,278**	**520,128**	**491,384**
Gross profit	**50,133**	**51,440**	**146,548**	**163,315**
Operating expenses:				
Amortization	5,684	5,513	23,358	22,218
Research and development	2,308	2,261	9,774	8,212
Selling, general and administrative	28,129	30,534	115,902	113,481
Asset impairments	--	34,500	--	37,962
Goodwill impairment	--	--	465,656	--
Total operating expenses	**36,121**	**72,808**	**614,690**	**181,873**
Operating income (loss)	**14,012**	**(21,368)**	**(468,142)**	**(18,558)**
Net interest expense	(13,629)	(19,732)	(46,101)	(71,618)
Other income (expense), net	(22,840)	3,403	(1,841)	4,479
Loss before income taxes	**(22,457)**	**(37,697)**	**(516,084)**	**(85,697)**
Income tax benefit	4,319	13,635	90,399	36,215
Net loss	**$ (18,138)**	**$ (24,062)**	**$ (425,685)**	**$ (49,482)**
Basic loss per share	**$ (0.37)**	**$ (0.40)**	**$ (9.82)**	**$ (0.83)**
Diluted loss per share	**$ (0.37)**	**$ (0.40)**	**$ (9.82)**	**$ (0.83)**
Weighted average shares outstanding -- basic	48,728	60,052	43,337	59,973
Weighted average shares outstanding -- diluted	48,728	60,052	43,337	59,973
Operating income (loss) by segment:				
Light building products	$ 6,504	$ 7,410	$ (458,447)	$ 17,178
Heavy construction materials	18,663	17,171	47,762	33,739
Energy technology	(5,896)	(40,779)	(41,281)	(49,203)
Corporate	(5,259)	(5,170)	(16,176)	(20,272)
Total	**$ 14,012**	**$ (21,368)**	**$ (468,142)**	**$ (18,558)**

HEADWATERS INCORPORATED

Condensed Consolidated Statements Of Operations (Unaudited)

(in thousands, except per-share amounts)

	September 30,	
Assets:	**2009**	**2010**
Current assets:		
Cash and cash equivalents	$ 15,934	$ 90,984
Trade receivables, net	91,411	92,279
Inventories	38,729	40,848
Other	40,622	21,156
Total current assets	**186,696**	**245,267**
Property, plant and equipment, net	321,316	268,650
Intangible assets, net	203,632	183,371
Goodwill	115,999	115,999
Other assets	63,539	75,687
Total assets	**$ 891,182**	**$ 888,974**
Liabilities and Stockholders' Equity:		
Current liabilities:		
Accounts payable	$ 20,242	$ 15,412
Accrued liabilities	68,013	82,892
Total current liabilities	**88,255**	**98,304**
Long-term debt	423,566	469,875
Income taxes	39,075	23,820
Other long-term liabilities	15,566	15,034
Total liabilities	**566,462**	**607,033**
Stockholders' equity:		
Common stock - par value	60	60
Capital in excess of par value	629,451	633,171
Retained earnings (accumulated deficit)	(301,458)	(350,940)
Other	(3,333)	(350)
Total stockholders' equity	**324,720**	**281,941**
Total liabilities and stockholders' equity	**$ 891,182**	**$ 888,974**