

SHAREHOLDERS' PRESENTATION



FORWARD LOOKING STATEMENTS

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 residue 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, 2010, 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' NEW VISION STATEMENT

Improving Lives
Through Innovative
Advancements in
Construction
Materials

Application – Design – Purpose



BUSINESS OVERVIEW

HEADWATERS INCORPORATED

Headwaters Light 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

Headwaters Resources (HRI)

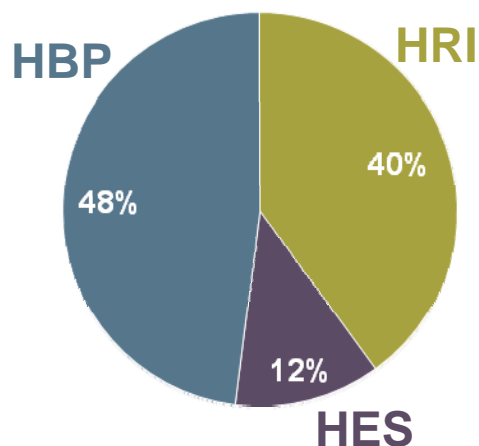
- Clear market leader in fly ash
- Increasing market share
- Unrivaled national footprint
- Attractive long-term market fundamentals
- Strong margins and cash flow

Headwaters Energy Services (HES)

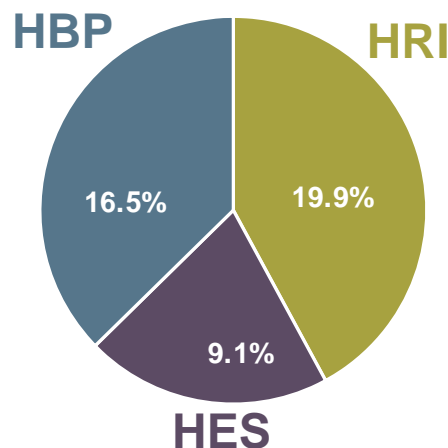
- Low-cost producer of high-quality coal
- Innovative product development
- Strong momentum in operating trends
- Well-positioned alternative energy platform
- Refined coal products qualify for tax credits

FY 2010 Revenue of \$655 Million

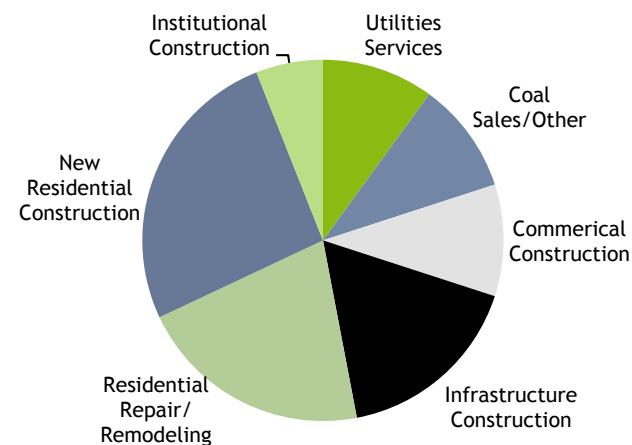
Revenue Breakdown



EBITDA Margins (Before asset impairments)



Diversified End Markets



HEADWATERS LIGHT BUILDING PRODUCTS

FISCAL YEAR 2010

- Revenue: \$317 million
- 48% of Total Revenue



HEADWATERS LIGHT BUILDING PRODUCTS

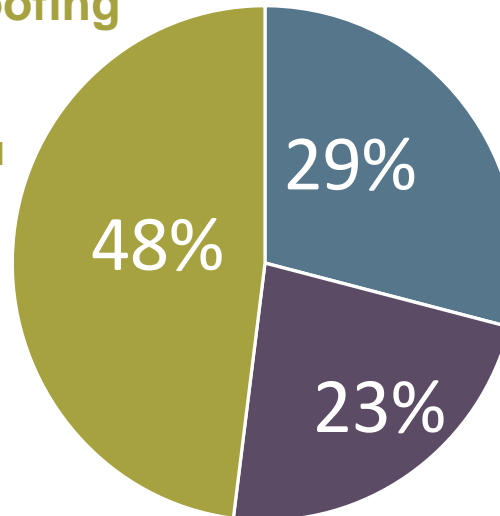
Defensible Positions in Attractive Markets

Fiscal 2010 Revenue of \$317 Million

Percentage of Revenue

Siding Accessories, Roofing and Tools

- Provides siding accessories and professional tools for exterior residential home improvement and construction
- Low cost competitive manufacturing advantage
- Diversified customer base
- Major supplier of products to Lowe's and Home Depot



Manufactured Stone

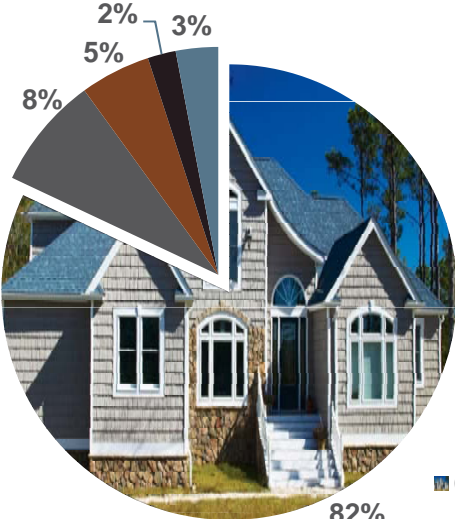
- Manufactures one of the most authentic architectural stone products in the world
- Multiple national brands for optimal customer segmentation
- National manufacturing platform

Texas Concrete Block

- Offers a variety of concrete based masonry unit products
- Regional branding
- Regional distribution
- Low cost producer

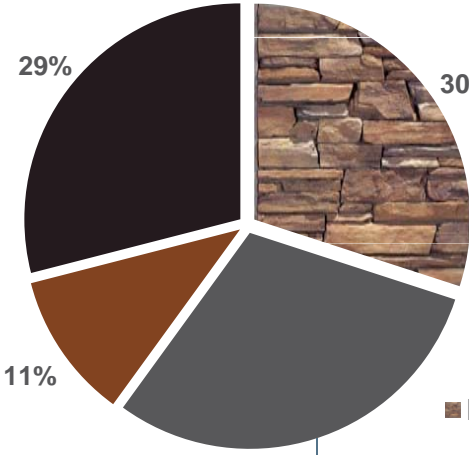
LEADING MARKET POSITIONS IN NICHE PRODUCT CATEGORIES

**Siding Accessories
National**



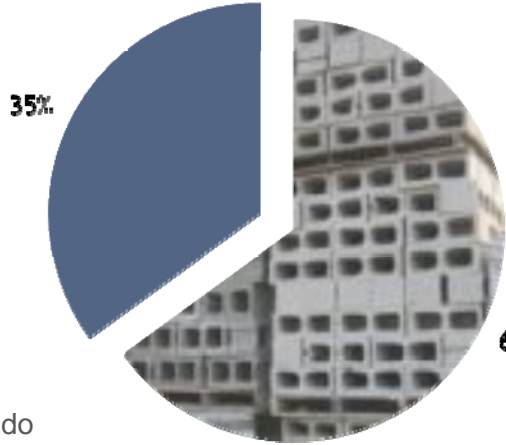
- Core BP
- Pinckney
- Ply Gem
- Girardin
- Other

**Manufactured Stone
National**



- Eldorado
- Cultured Stone
- Coronado
- Other

**Texas Concrete Block
Regional**

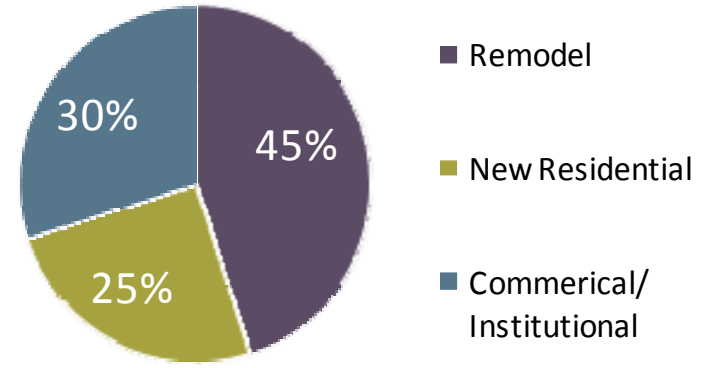


- SWC
- Other

Source: management estimates

HIGH-QUALITY PRODUCT OFFERINGS

Leading Building Products Brands



Comprehensive Set of Products for Construction Applications

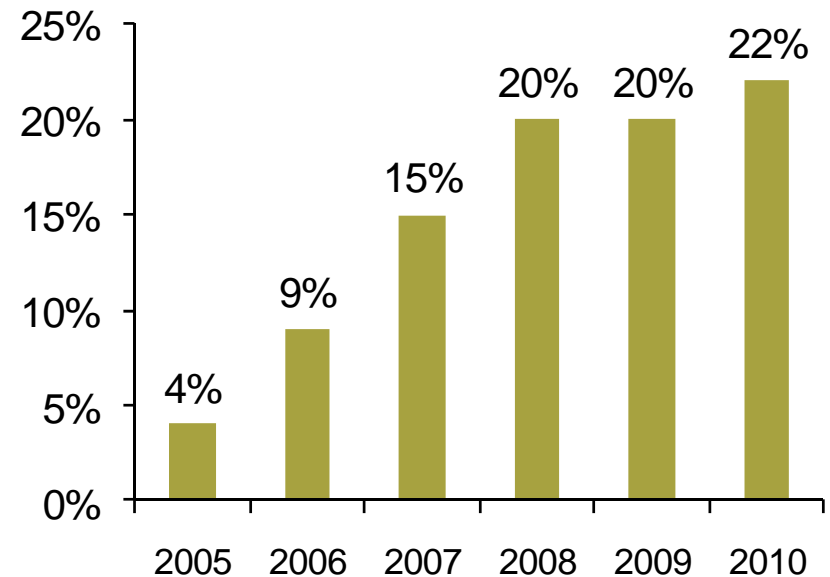


PRODUCT LEADERSHIP

Continuous Investment in Product Development

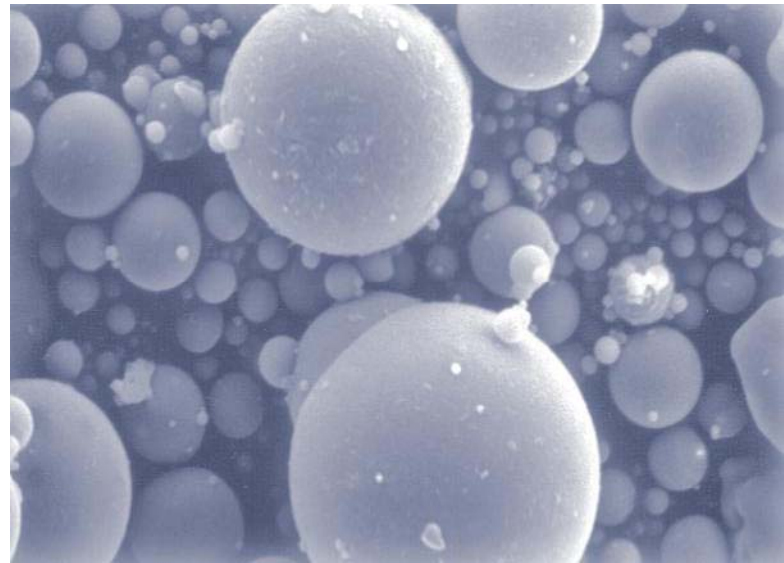
- Develop and introduce new niche products featuring:
 - Early stage product life cycle
 - Faster than average growth
 - Examples
 - Specialty siding
 - Functional shutters
 - Dutch Quality and Stone Craft brands
 - Synthetic slate roofing
- Leverage the most extensive distribution system in the industry

Light Building Products Revenue Contribution from New Products and Brands



SUSTAINABILITY WITHIN BUILDING PRODUCTS

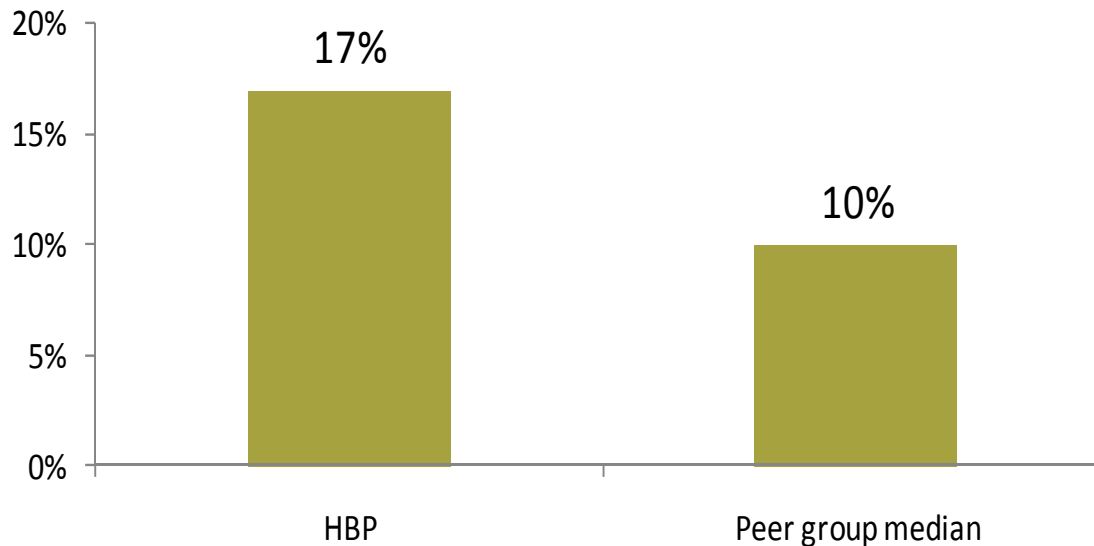
- Headwaters Light Building Products division is committed to continuous improvement in its processes and products
 - Tapco utilizes roughly 99% of its internal regrind material in various products
 - Foundry is purchasing up to 30% to 35% recycled raw materials
 - SCP incorporates fly ash in up to 25% of its products, and internal regrind is added to all gray products
 - Eldorado Stone incorporates fly ash and internal regrind into over 20% of its products



Fly Ash Magnified 90x

LIGHT BUILDING PRODUCTS GENERATES HIGHER MARGINS RELATIVE TO PEERS

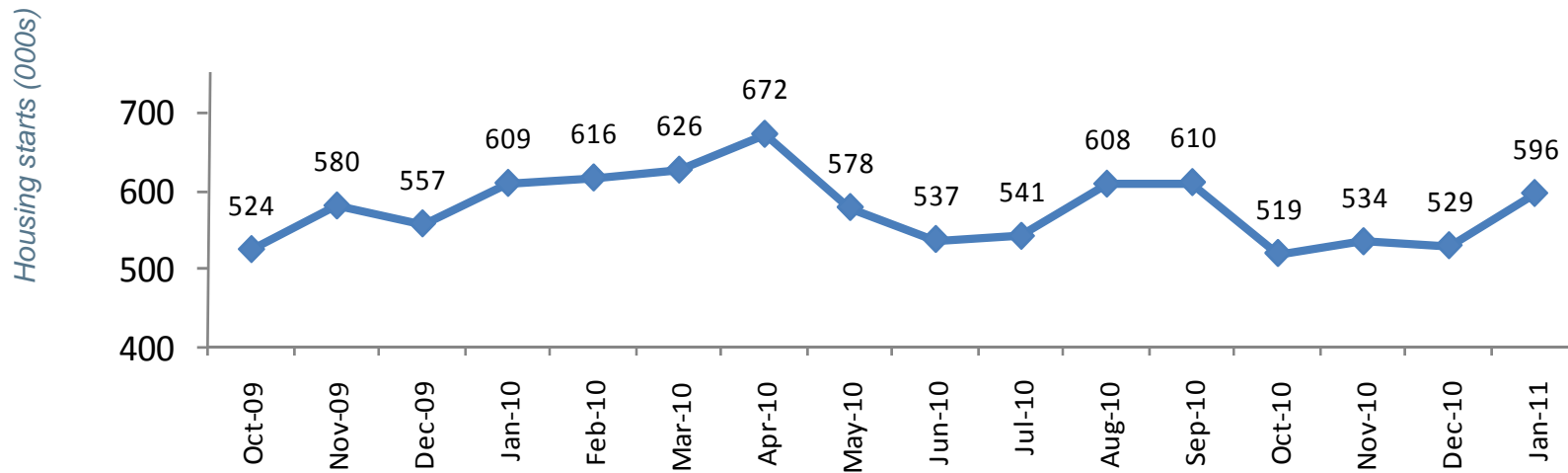
Average EBITDA margin (Calendar 2007-2009)



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

NEW HOUSING MARKET – IN PROCESS OF STABILIZING

Annualized monthly Housing Starts Since Oct 2009



Source: U.S. Census and NAHB

Historical median since 1959: 1.5 million

Annualized housing starts have shown multiple consecutive months of positive growth, suggesting that the new housing market is in the process of stabilizing and positioned for growth in 2010

HEADWATERS RESOURCES HEAVY CONSTRUCTION MATERIALS UTILIZING COAL COMBUSTION PRODUCTS

FISCAL YEAR 2010

- Revenue: \$258 Million
- 40% of Total Revenue



* Adjusted for asset impairment

HEAVY CONSTRUCTION MATERIALS

CONVERTING RESIDUALS INTO VALUABLE PRODUCTS

Why Fly Ash?

- Improved product performance
 - More durable
 - Greater long-term strength
 - More workable and pumpable
 - Mitigates problems caused by salts, chemicals, and some aggregates
- Cost savings
 - 20% to 60% less expensive
- Positive environmental impacts
 - Reduces landfill utilization
 - Displaces portland cement production which emits approximately one ton of CO₂ for every ton of product



HEAVY CONSTRUCTION MATERIALS

Competitive Advantages

- Exclusive long-term contracts
 - ~100 power plants in 35 states
 - Complete utility service capabilities
- Nationwide infrastructure
 - 22 fly ash terminals
 - ~50 sites with concrete quality fly ash supply
 - ~250 trucks
 - ~1,080 railcars
- Technology advancements
 - Ammonia Slip
 - Carbon Fixation

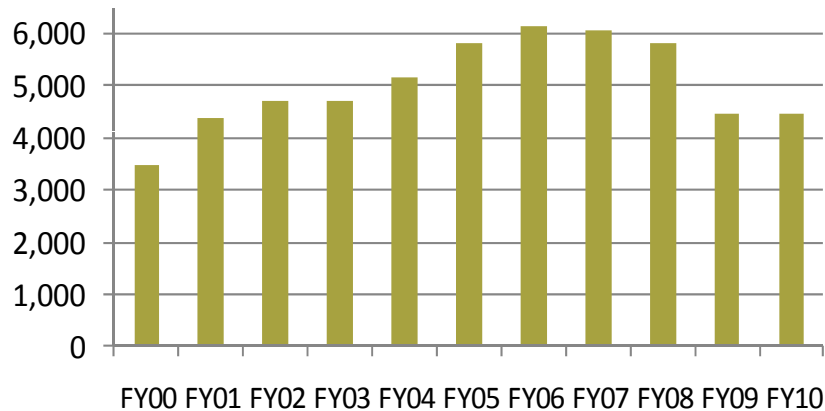


Fly Ash Distribution Terminal,
Riviera Beach, Florida

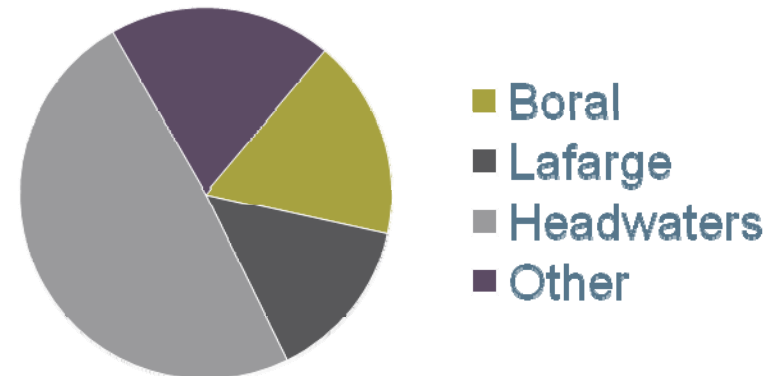
FLY ASH – LEADING MARKET SHARE

Headwaters Resources' Fly Ash Shipments

(in thousands)



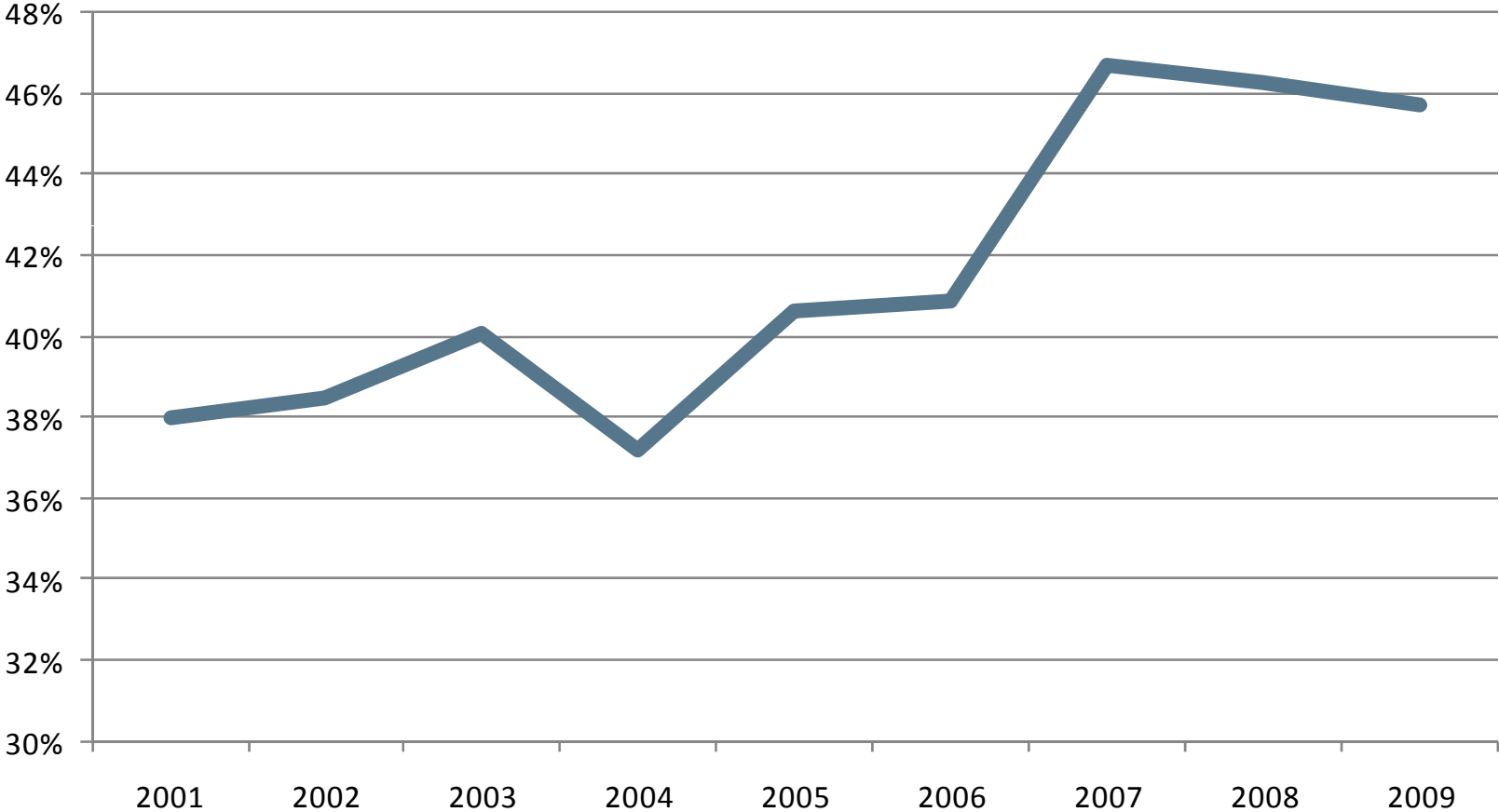
Estimated Market Share*



* Estimated Industry Data Provided by ACAA

- Fly ash has been taking market share from portland cement
 - Driven by regulatory initiatives and cost consciousness
- Headwaters has increased market share in fly ash

HEADWATERS RESOURCES MARKET SHARE – FLY ASH IN CONCRETE PRODUCTS



* Estimated Industry Total provided by ACAA.

PROPOSED EPA REGULATIONS FOR FLY ASH

- Public comment period ended November 19, 2010 after 8 public hearings and over 400,000 comments submitted
- **Beneficial use of coal ash expected to remain exempt from regulation**
- EPA has informally indicated that it will take 2 years to review comments and formulate a final proposal rule – no formal time line has been set
- Headwaters Resources Utility Services Group is likely to benefit from proposed regulations
- Potential for litigation over final rule may delay enactment

HEADWATERS TECHNOLOGY SEGMENT

FISCAL YEAR 2010

- Revenue: \$80 Million
- 12% of Total Revenue



COAL CLEANING OVERVIEW

CONVERTING WASTE COAL INTO A VALUABLE PRODUCT

Strategic Rationale to be in Coal Cleaning

- Continuation of our waste coal expertise
- Synergies with Headwaters Resources
- Large addressable market
 - 3-5 bn tons of waste
- Federal tax credit of \$6 per ton
- Environmental benefits
 - Solid waste utilization, land reclamation, emissions reductions from processed fuel

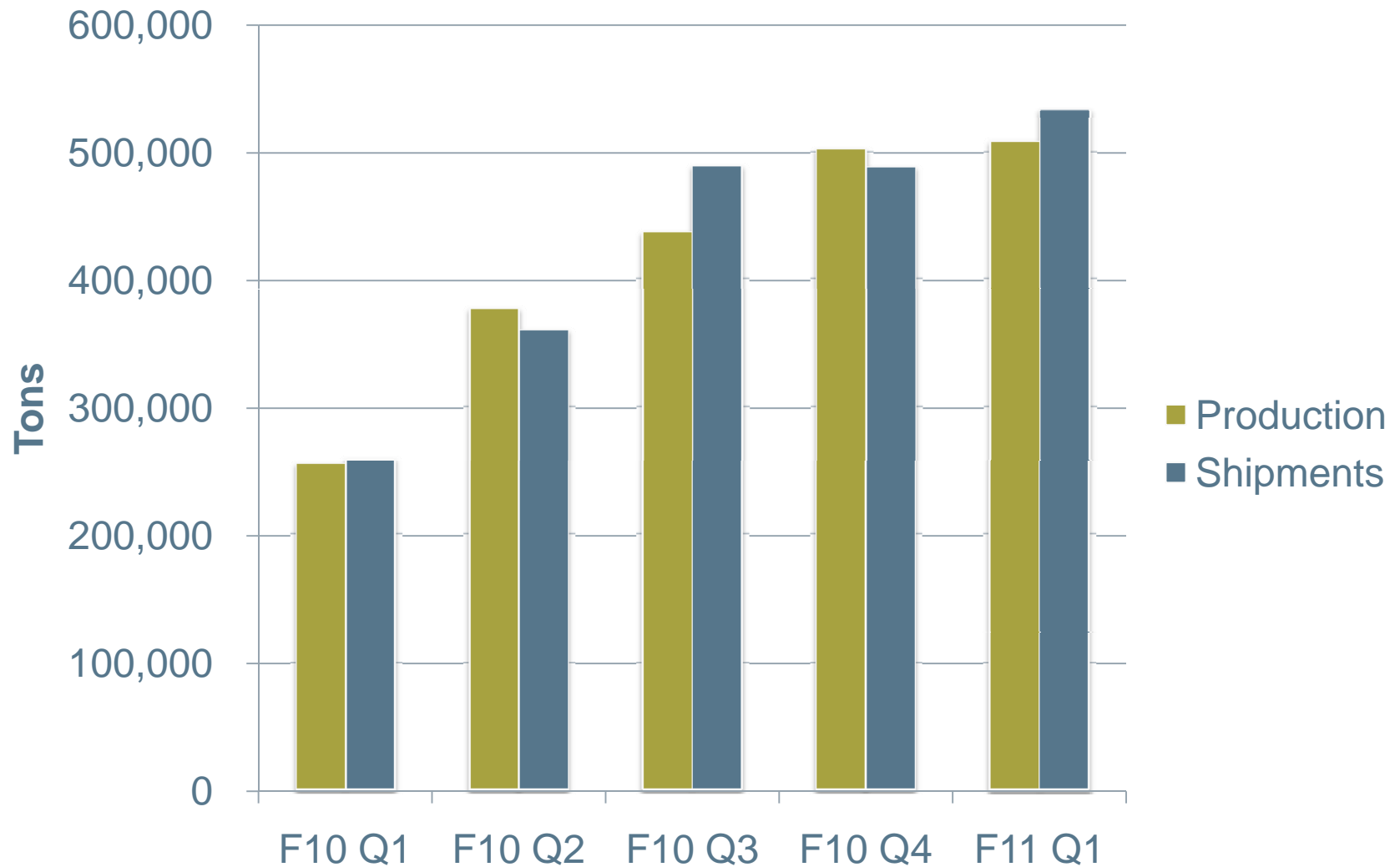
HW Coal Cleaning Assets

- 11 facilities (9 in operation)
 - Wet and dry processing technologies



*Coal Recovery Facility (Dry Technology)
Wellington, Utah*

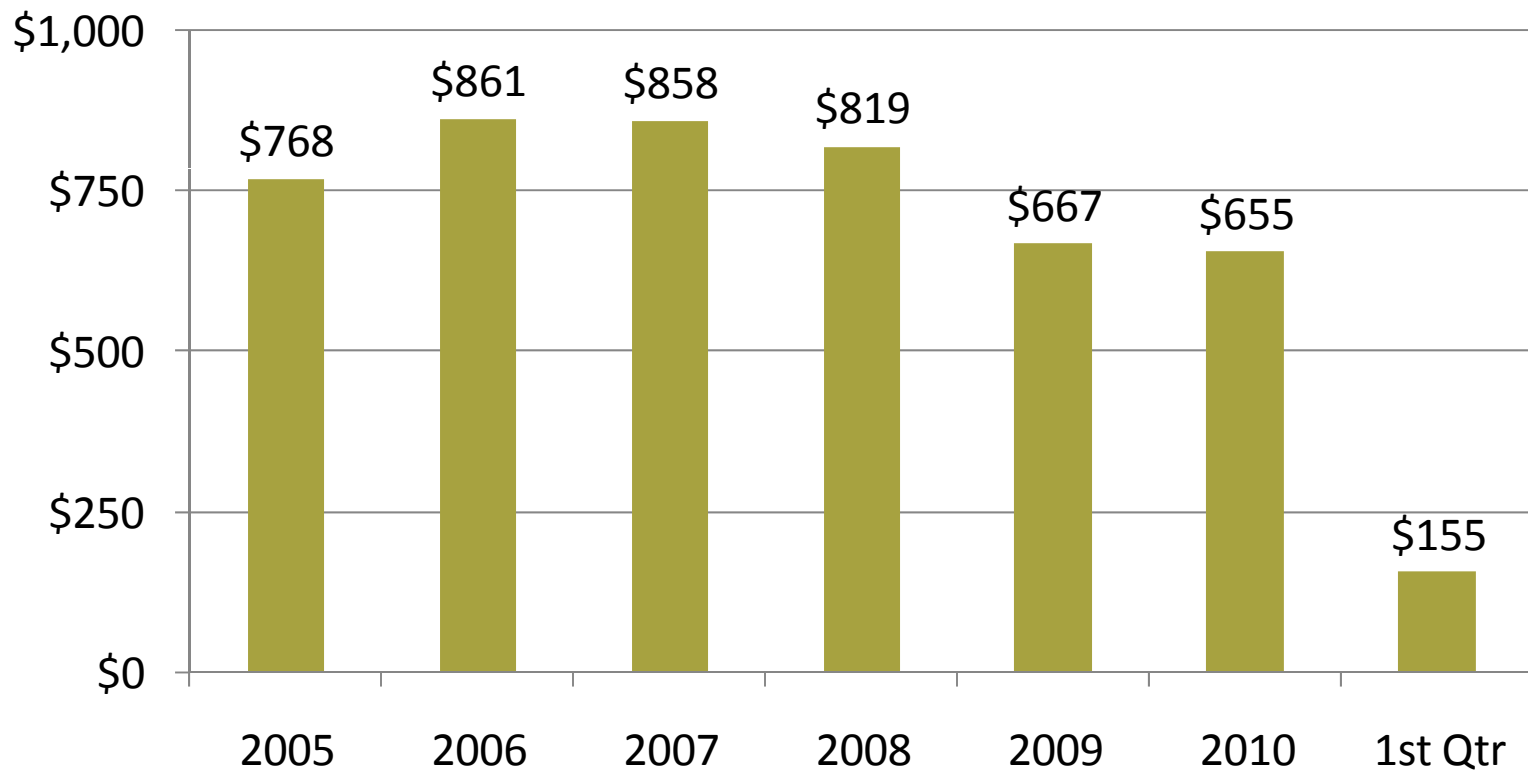
COAL CLEANING PRODUCTION & SALES



FINANCIAL OVERVIEW

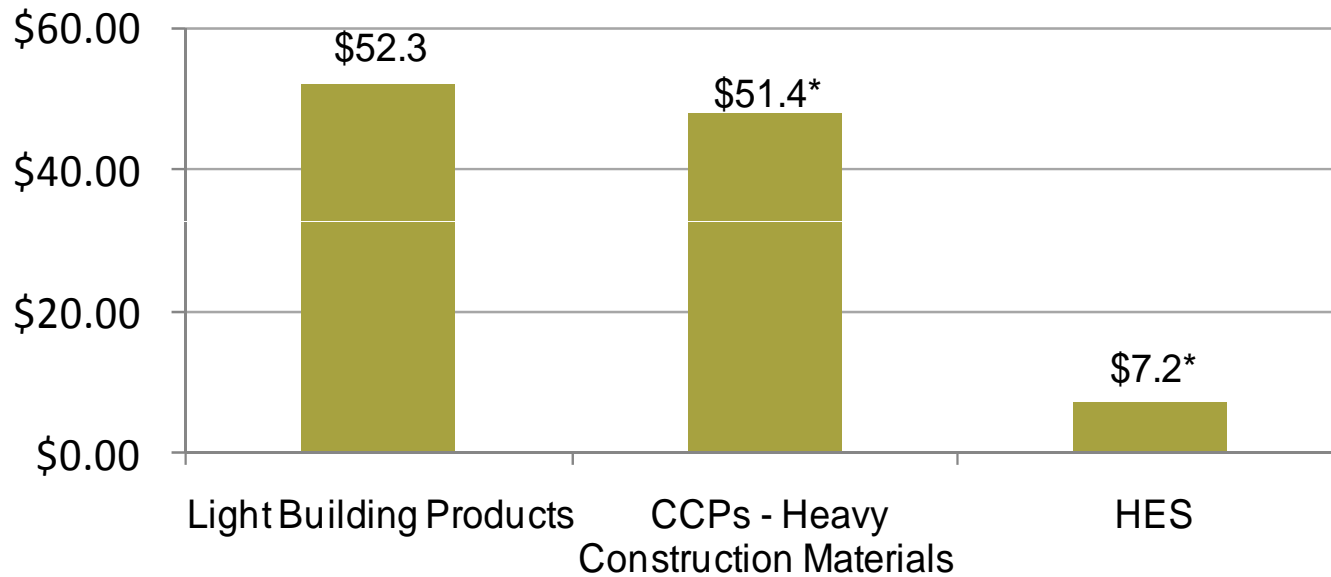
REVENUE

Excludes Section 45K Results
(dollars in millions)



FISCAL 2010 EBITDA BY SEGMENT

(dollars in millions)



*Without asset impairments

CAPITAL STRUCTURE

(in thousands) Debt	Carrying Value	Par Value	Rate
Senior Secured Debt	\$ 325,950	\$ 328,250	11.375%
16.0% Convertible Debt	8,773	9,233	16.00%
2.5% Convertible Debt	102,485	120,900	2.50%
14.75% Convertible Debt	24,986	27,370	14.75%
Total Debt	\$ 462,194	\$ 485,753	

Equity

Outstanding Shares	60,752
Cash on Hand Dec 31, 2010	\$67,998

A photograph of a rustic stone building with a dark metal roof and a stone chimney. The building is surrounded by greenery and a wooden deck in the foreground. The text is overlaid on the image.

Improving Lives Through Innovative Advancements in Construction Materials

Application – Design – Purpose