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**FOR IMMEDIATE RELEASE**

## **HEADWATERS INCORPORATED PROVIDES BUSINESS UPDATE AT 2012 ANALYST AND INVESTOR DAY CONFERENCE**

- Headwaters Expects Improved Year-Over-Year Performance and Sees Some Improvements in End Markets
  - Headwaters Focuses on Strengthening the Core of Its Two Business Segments - Light Building Products and Heavy Construction Materials
    - Strategy - Top Line Expansion and Continuous Improvements
  - Reaffirms 2012 EBITDA Guidance and Commitment to Continued Debt Reduction

**SOUTH JORDAN, UTAH, MARCH 5, 2012 – HEADWATERS INCORPORATED (NYSE: HW)**, a building products company dedicated to improving lives through innovative advancements in construction materials, today announced highlights from its tenth annual Analyst and Investor Day Conference, which was held Friday, March 2, 2012 in Salt Lake City, UT. The event featured presentations by Chairman & Chief Executive Officer Kirk A. Benson, Chief Financial Officer, Don Newman and Senior Executives: Bill Gehrman, Gary England, Mike Adams, Jerry Smith, Alan Gurney, Murphy Lents and Dave Ulmer.

“Headwaters is well positioned in terms of its current cost structure and its ability to expand and grow its top line,” said Kirk A. Benson, Chairman and Chief Executive Officer of Headwaters. “In the second half of 2011, we focused heavily on cost reduction initiatives and improved efficiencies. We believe we have been successful in permanently cutting costs throughout our businesses. The Company began to realize the benefits of these efforts in the financial results reported by Headwaters for its first quarter of fiscal 2012. We remain

committed to emphasizing top line growth through new product offerings, such as our new polished concrete block product, as well as expanding our existing product lines. While growing our top line, we remain vigilant in controlling costs. As Headwaters moves into fiscal 2012 and beyond, we intend to continue taking steps to transform Headwaters into a top tier building products/heavy construction materials Company.”

Don Newman, Headwaters Chief Financial Officer, added, “We have very strong operating leverage and contribution margins in our core businesses, which presents significant opportunities to improve profitability as our revenues increase. For each \$1 million in incremental sales we generate, we will typically see between \$400,000 and \$500,000 increase in our pre-tax profit due to our high contribution margins. Additionally, we remain focused on prudently paying down our debt, which should make Headwaters an even more attractive investment as the year progresses.”

### **Business Environment Update**

For the first time in five years, the Company is beginning to see improvement in overall market conditions throughout the construction industry, which could positively impact both its light building products and heavy construction materials businesses. There are a number of encouraging trends including improving home builder confidence, construction industry employment and housing starts. Nonetheless, there are still certain drags on the construction market including vacancy rates, foreclosure supply and a tight credit environment. Despite the mixed conditions, Headwaters believes it is approaching a more positive business operating environment. Headwaters is not assuming a significant end-market recovery in its 2012 projections, but even in a flat environment, the Company expects to achieve improved year-over-year Adjusted EBITDA performance.

### **Commitment to Continued Debt Reduction**

During fiscal 2011 and through the first quarter of fiscal 2012, Headwaters has continued to make improvements to its balance sheet. Headwaters successfully refinanced its senior debt, extending the maturity to 2019 and reducing the interest rate from 11.375% to 7.625%. Since fiscal 2010, the Company has reduced its subordinated debt by approximately \$40 million, including repayment of \$15.2 million in fiscal 2012. The Company also sold a non-core asset in January of 2012, its stake in the Blue Flint Ethanol plant, for cash proceeds of \$18.5 million and will continue to evaluate the sale of non-core assets to further enhance the balance sheet.

### **Guidance**

Headwaters expects its 2012 Adjusted EBITDA from continuing operations to likely be above the mid-point of its previously established range of \$85 million to \$95 million. The Company also expects to generate \$20 million to \$30 million in free cash flow during fiscal 2012.

## ***About Headwaters Incorporated***

*Headwaters Incorporated is improving lives through innovative advancements in construction materials through application, design, and purpose. Headwaters is a diversified growth company providing products, technologies and services to the heavy construction materials, light building products, and energy technology industries. Through its coal combustion products, building products, and energy businesses, the Company has been able to improve sustainability by transforming underutilized resources into valuable products. [www.headwaters.com](http://www.headwaters.com)*

## ***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 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, financial projections, 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, 2011, 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.*