



# Walter Industries, Inc.

ANNUAL REPORT 2005



A CHANGING LANDSCAPE



Creating Value

Natural Resources

Water Products

Homebuilding & Financing



## TO OUR SHAREHOLDERS



## A CHANGING LANDSCAPE

2005 marked a landscape-altering year for Walter Industries. Significant actions were taken to change our structure, strategies and operations in order to strengthen our business now and for the future.

In October, we acquired Mueller Water Products (Mueller Water) for approximately \$2.0 billion. Combining Mueller Water and U.S. Pipe makes Walter Industries a leading supplier to the North American water infrastructure market.

This significant transaction led us to announce our value-creation strategy to separate Walter Industries into two distinct, publicly traded companies: a Water Products business, made up of Mueller Water and U.S. Pipe, and a business led by Jim Walter Resources, along with our Homebuilding and Financing group.

More recently, we announced another step in the process. Mark O'Brien, a member of our Board and the retired CEO of Pulte Homes, has joined the Company as Chairman and CEO of the combined Homebuilding and Financing business. In connection with this announcement, we stated that we are evaluating a potential spin-off of the Homebuilding and Financing group, which would be the final step in transforming Walter Industries into three "pure play" entities.

The ultimate separation of Walter Industries is the culmination of intensive efforts over a multi-year period to streamline the Company's businesses, sharpen our focus, reinforce our shared commitment to excellence and increase shareholder value.

In addition to the progress we made in changing the landscape at Walter Industries, 2005 was also a year of strong operating performance.

Jim Walter Resources, our coal and natural gas business, set the pace for our 2005 performance. Strong global demand from steel producers for our high-quality metallurgical coal continues to drive pricing and earnings.

U.S. Pipe also made marked improvement in profitability, and while Mueller Water's financial results were only consolidated with ours starting in the fourth quarter, its performance has already exceeded our expectations.

Our shareholders were well rewarded in 2005, as our earnings and our transformation strategy drove a 47% increase in share price during the year.

Our challenge, especially after such strong results in 2005, is to continue to enhance shareholder value, so let me expand on what we have accomplished and share our 2006 plans for each of the three major operating groups.

## 2005 Business Review and 2006 Outlook

### WATER PRODUCTS

Mueller Water and U.S. Pipe are a natural fit. Together, the companies have the No. 1 or No. 2 position in most of their major product lines including fire hydrants, valves, ductile iron pipe and fittings. The water infrastructure market is large and growing, as municipalities replace

## AT A GLANCE

**Headquarters:** Tampa, Fla.  
**Address:** 4211 W. Boy Scout Blvd.  
Tampa, FL 33607  
(813) 871-4811  
[www.walterind.com](http://www.walterind.com)

**Founded:** 1946  
**Chairman, President & CEO:** Gregory E. Hyland  
**2005 Revenues:** \$2.1 billion  
**2005 Operating Income:** \$83.7 million\*

**Employees:** 10,103\*\*  
**Net recourse debt/book capitalization:** 87.6%\*\*

## 2005 HIGHLIGHTS

Gregory E. Hyland named Chairman, President & CEO.

Acquired Mueller Water Products for approximately \$2.0 billion and subsequently announced our transformation and value-creation plan to conduct an initial public offering and spin-off of Mueller Water, along with U.S. Pipe, to create a new, publicly traded Water Products company.

Jim Walter Resources posted record profitability for the second consecutive year.

Approved a \$19.6 million investment in the Kodiak Mining joint venture project, adding 2.1 million tons of incremental coal reserves.

Increased market capitalization from \$1.25 billion in 2004 to nearly \$1.94 billion at the end of 2005.

\*Includes pretax acquisition-related charges of \$64.3 million, plant closure costs of \$40.0 million and write-off of Homebuilding goodwill of \$63.2 million. Excluding these charges, 2005 operating income totalled \$251.2 million.

\*\*As of 12/31/05

## Our Vision

Walter Industries, Inc.'s businesses are diversified, yet unified, in their goals of providing quality products and services that exceed their customers' expectations, increasing shareholder value and creating an environment where employees thrive and grow.

## Core Values

- ▶ **Accountability** – We take responsibility for our behavior and the results that stem from that behavior.
- ▶ **Customer Commitment** – We make customers our first priority. We measure our success by how we meet their expectations.
- ▶ **Fleet of Foot** – We are quick and agile in response to the ever-changing business environment.
- ▶ **High-Performance Culture** – We embrace opportunities to change and continuously improve. We are results-driven.
- ▶ **Innovation** – We think “outside the box” to find new, creative opportunities.
- ▶ **Integrity** – We are honest and ethical in all that we do.
- ▶ **Respect for Others** – We treat people with the respect each of us would want.
- ▶ **Safety** – We value the health and safety of our co-workers, their families, our customers, suppliers, guests and the communities in which we live and operate.
- ▶ **Teamwork** – We work together to create the best results. We share responsibility for the team's success.

aging and decaying water systems to meet the demand for clean drinking water.

The acquisition of Mueller Water brings together two great companies that possess leading brands, strong market positions and many opportunities for growth. The integration of these businesses, led by Dale Smith and Ray Torok, is progressing extremely well. Recently, we increased the expected annual operating income synergies to a range of \$40 to \$50 million, compared to the original estimate of \$25 to \$35 million.

As you know, we plan to initiate a public offering of our Water Products business in the second quarter of 2006. The proceeds will not only reduce leverage but also provide the needed flexibility to continue our acquisition strategy.

Operating performance at U.S. Pipe and Mueller Water was strong in 2005.

Excluding \$40.0 million in charges for the closure of its facility in Chattanooga, Tenn., U.S. Pipe dramatically increased operating income in 2005, from \$7.6 million to \$42.1 million. The management team at U.S. Pipe was successful in improving margins, while countering higher scrap and energy costs.

Safety, one of our core values, was exemplified at U.S. Pipe in 2005, with safety performance improving at every plant.

For its fiscal year ended Sept. 30, 2005, Mueller Water achieved its tenth year of record-breaking sales with revenues of \$1.15 billion and operating income of \$172.8 million, an increase of 53.3% over the previous fiscal period.

For the quarter ending Dec. 31, 2005, which was the first full quarter Mueller Water was included

## SENIOR MANAGEMENT TEAM



**Mark O'Brien**  
Chairman and CEO,  
Homes Business



**Bill Ohrt,**  
Executive Vice  
President, Chief  
Financial Officer



**Charles Cauthen,**  
President, Jim Walter  
Homes



**Miles Dearden,**  
Senior Vice President,  
Treasurer



**Thomas Fish,**  
President, Anvil  
International, LLC



**Lisa Honnold,**  
Senior Vice President,  
Controller



**Vic Patrick,**  
Senior Vice President,  
General Counsel and  
Secretary



**George Richmond,**  
Chief Executive  
Officer, Jim Walter  
Resources



**Dale Smith,**  
Chief Operating  
Officer, Mueller  
Water Products, Inc.



**Chuck Stewart,**  
President, Sloss  
Industries



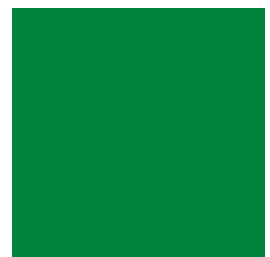
**Ray Torok,**  
President, U.S. Pipe



**Joe Troy,**  
Senior Vice President,  
Walter Industries, Inc.;  
President Financial  
Services Group



**Larry Williams,**  
Senior Vice President,  
Human Resources



## TO OUR SHAREHOLDERS



in our consolidated results, it reported an operating loss of \$11.6 million. However, included in this loss were acquisition-related charges of \$64.3 million. Excluding these charges, Mueller Water contributed \$52.7 million to consolidated operating income in 2005. Seventy-five percent of Mueller Water's total volume comes from products where it holds the No. 1 or No. 2 position in the market.

Operationally, Mueller Water employs world-class processes, especially its lost-foam technology, which is utilized for casting valve and fire hydrant bodies. This process reduces machining operations and scrap, which creates a low-cost advantage.

Since the acquisition, we have moved swiftly to capture expected synergies from combining these businesses. For example, we recently integrated the manufacture and sale of U.S. Pipe-branded valves and hydrants into Mueller Water's manufacturing plants, resulting in the planned shutdown of U.S. Pipe's Chattanooga valve and hydrant facility.

We have also begun consolidating several other manufacturing facilities to take advantage of economies of scale and improve productivity. We expanded the Mueller Water and Pratt product offering to include various U.S. Pipe products, such as TR Flex® pipe, flanged pipe and MJ Field Lok®, and we continue to explore other cost-saving opportunities. We will also continue our search for bolt-on acquisitions, such as the recently acquired Hunt Industries and CCNE, to bolster our product offerings.

I hope that you share our excitement about the possibilities and future for the Water Products business. We expect to enhance our already strong position as a leader in the dynamic and

## GROUP HIGHLIGHTS

**Main Businesses:** Mueller, U.S. Pipe, Anvil

**2005 Revenues:** \$938 million\*  
(46% of Walter Industries' total)

**2005 Operating Loss:** \$9.5 million\*

**Products:** Fire hydrants, ductile iron pipe, valves and fittings, primarily for the drinking water market

\*Operating loss includes pre-tax acquisition-related charges of \$64.3 million and \$40.0 million in plant closure costs. Excluding these charges, operating income totaled \$94.8 million in 2005. Assuming the inclusion of Mueller and Anvil results for the full year and excluding unusual charges, Water Products revenues and operating income for 2005 would have totaled \$1.8 billion and \$237 million, respectively.



growing water infrastructure market as we continue on the path to grow these businesses and enhance value for our shareholders.

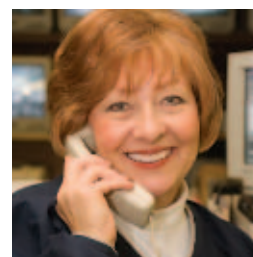
## NATURAL RESOURCES

Our coal and natural gas business generated record profitability for the second consecutive year, with 2005 operating income totaling \$164.1 million, shattering last year's operating income by 135%, primarily driven by higher selling prices for metallurgical coal. The No. 4 Mine, in particular, had an outstanding year, breaking the three-million-ton production mark.

Our leadership team at Jim Walter Resources did an outstanding job increasing profitability during a year of challenging mining conditions. Mine No. 5, for example, was idled for nearly five months as a result of a water ingress problem, and Mine No. 7 also encountered some difficult geologic conditions with thin coal seams.

In 2005, we invested more than \$20 million in Jim Walter Resources to expand Mine No. 7, and additional expenditures are planned for 2006. We expect to deliver incremental coal from this expansion in 2007, with a longwall startup planned in 2008. This multi-year project amplifies our belief that our high-quality metallurgical coal should be in strong demand for many years to come.

Our land subsidiary, United Land, announced an important investment in Kodiak Mining, LLC, in 2005. This joint-venture diversifies our production into steam coal and provides incremental tonnage very quickly. We will continue to evaluate similar investment opportunities in the future. United Land also opened a new barge-loading facility on Alabama's Black Warrior River in early 2006, providing Jim Walter Resources with both



## GROUP HIGHLIGHTS

**Main Businesses:** Jim Walter Resources, Black Warrior Methane (natural gas), Sloss Industries, Kodiak Mining, LLC

**2005 Revenues:**

**Natural Resources:** \$549 million (26% of Walter Industries' total)  
**Sloss:** \$129 million (6% of Walter Industries' total)

**2005 Operating Income**

**Natural Resources:** \$164.1 million  
**Sloss:** \$11.4 million

**Coal Sold in 2005:** 5.9 million tons

**Natural Gas Sold in 2005:** 6.9 billion cubic feet (BCF)

**Products:** Metallurgical and steam coal, natural gas, furnace and foundry coke



## TO OUR SHAREHOLDERS



rail- and river-based transportation alternatives to deliver coal to the Port of Mobile.

Sloss Industries, our producer of metallurgical furnace and foundry coke, reported a dramatic improvement in operating income in 2005 as the market for furnace and foundry coke continued to improve. Sloss also reported gains in its environmental, health and safety performance.

Our Natural Resources group has been delivering very strong results and we expect to have another year of record revenue and earnings in 2006.

### HOMEBUILDING & FINANCING

Our Financing business delivered solid results again in 2005, with \$46.0 million in operating earnings, despite \$12.1 million of insurance and credit losses from Hurricanes Katrina and Rita. Many of our customers incurred even more devastating losses as their homes and lives were forever impacted. I am especially proud of our employees who put forth the extra effort to rapidly process insurance claims and defer customer mortgage payments to help people begin putting their lives back together.

Our mortgage servicing organization achieved strong financial results again in 2005, continuing a trend of lower delinquency rates, ending the year at 5.15%, well below the FHA average of 12% to 13%. We also reduced the number of accounts in foreclosure in 2005 by nearly half, resulting in another year of lower loss provision.

Walter Mortgage Company expanded its loan acquisition program, with growth in purchased loans of 52% versus last year. We purchased \$61 million of third-party loans in 2005 and expect to grow this origination channel by at least another 50% in 2006.

## GROUP HIGHLIGHTS

**Main Businesses:** Jim Walter Homes, Crestline Homes, Mid-State Homes (servicing), Walter Mortgage Company, Best Insurors/Cardem Insurance

**2005 Revenues:** \$456 million (22% of Walter Industries' total)

**2005 Operating Loss:** \$57.9 million\*

**Unit Completions 2005:** 3,022

**Average Price:** \$74,700

**Homebuilding Products:** Jim Walter Homes constructs affordable, site-built houses across the south. Crestline Homes builds modular homes in the Mid-Atlantic states.

**Financing Products:** Single-family residential mortgages, mortgage servicing, insurance

**Number of Portfolio Accounts:** 43,178

**Financing Portfolio:** Fair value of \$2.0 billion

\*Includes \$63.2 million write-off of goodwill at Homebuilding. Excluding this charge, operating income for 2005 totaled \$5.3 million.

Our insurance business processed more than 1,700 claims resulting from Hurricanes Katrina and Rita with an excellent customer service approval rating. Demonstrating our customer commitment, we altered claims procedures in light of the needs created by the storms so that we could deliver payments to our customers more quickly.

Finally, Mid-State Capital Corporation completed its 2005-1 Trust offering of \$267.5 million in asset-backed bonds. The 2005-1 Trust represented Mid-State's tenth public home-equity securitization and provided approximately \$43.4 million of liquidity to Walter Industries.

At Homebuilding, it was a disappointing year. We did not meet expectations for returning this business to profitability in 2005, partially due to poor margins in many of the older units in our backlog, particularly in our Atlantic and Southeast divisions. We were also hampered by hurricane-related impacts such as labor and supply shortages from both the 2004 and 2005 storms.

Under new leadership, however, we are showing signs of progress. We believe profitability can be achieved in 2006 by returning to the basics – improving our sales and construction processes and procedures. For example, we've increased accountability for costs and profits at the local branch level. We also implemented new quality standards and construction disciplines that will reduce variation, and ultimately cost, in our business. We are now confident that we are selling homes at the price and volume necessary to return to profitability.

Our joint Homebuilding and Financing group enters 2006 with a renewed sense of both urgency and optimism, and we expect that the

combined business will show marked improvement throughout 2006 as we evaluate strategic alternatives, including the potential spin-off of the Homes and Finance businesses.

## OUTLOOK

2005 changed the landscape for what we expect to be an exciting year in 2006. We are focused on expanding production at Natural Resources, ensuring continued supply of our high-quality Blue Creek Coal to the world's steel industry. We are also intensely focused on further integrating our Water Products business as it prepares to operate as a stand-alone company. We expect another year of solid performance from our Financing segment as we continue our progress toward profitability at Homebuilding.

I believe we have outstanding prospects for 2006. All of our businesses possess excellent leadership, sound strategies and solid operating capabilities, with the objective of delivering value to our shareholders, which is our ultimate goal.



Gregory E. Hyland  
Chairman, President  
and Chief Executive Officer

## CONSOLIDATED FINANCIAL HIGHLIGHTS

### CONSOLIDATED RESULTS

### FOR THE YEARS ENDED

(\$ in thousands, except per-share amounts)

INCOME STATEMENT ITEMS	December 2005	December 2004	December 2003	December 2002
Net sales and revenues (a)	\$ 2,054,140	\$ 1,549,279	\$ 1,404,932	\$ 1,414,223
Segment operating income (loss)	\$ 83,738	\$ 75,839	\$ (4,224)	\$ 87,734
Income from continuing operations	\$ 7,744	\$ 49,917	\$ 3,319	\$ 52,278
Income (loss) from discontinued operations	(698)	-	(32,700)	21,147
Cumulative effect of change in accounting principle, net of tax	-	-	376	(125,947)
Net income (loss)	\$ 7,046	\$ 49,917	\$ (29,005)	\$ (52,522)
Diluted earnings per share:				
Income from continuing operations	\$ 0.20	\$ 1.14	\$ 0.08	\$ 1.17
Income (loss) from discontinued operations	(0.02)	-	(0.76)	0.47
Cumulative effect of change in accounting principle, net of tax	-	-	0.01	(2.81)
Diluted earnings (loss) per share:	\$ 0.18	\$ 1.14	\$ (0.67)	\$ (1.17)

(a) Net sales and revenues have been restated for 2002, 2003, 2004 and the first three quarters of 2005.

## CONSOLIDATED FINANCIAL HIGHLIGHTS

### CONSOLIDATED RESULTS

(\$ in thousands)

BALANCE SHEET ITEMS	December 2005	December 2004	December 2003	December 2002
Total assets (a)	\$ 5,373,012	\$ 2,916,486	\$ 2,941,529	\$ 2,802,202
Total recourse debt	\$ 2,172,453	\$ 175,000	\$ 113,754	\$ 308,900
Stockholders' equity	\$ 288,616	\$ 259,227	\$ 276,610	\$ 338,994
OTHER				
Capital expenditures (a)	\$ 146,833	\$ 50,463	\$ 56,268	\$ 66,222
Employees (a)	10,103	4,953	5,391	5,361

(a) Continuing operations only

## SAFE HARBOR STATEMENT

Except for historical information contained herein, the statements in this report are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to differ materially from forecasted results. Those risks include, among others, changes in customers' demand for the Company's products, changes in raw material, labor, equipment and transportation costs and availability, geologic and weather conditions, changes in extraction costs and pricing in the Company's mining operations, changes in customer orders, pricing actions by the Company's competitors, changes in law, the collection of approximately \$14 million of receivables associated with a working capital adjustment arising from the sale of a subsidiary in 2003, potential changes in the mortgage-backed capital market, and general changes in economic conditions. Those risks also include the timing of and ability to execute on the initial public offering and spin-off of the Company's Water Products business and any other strategic action that may be pursued. Risks associated with forward-looking statements are more fully described in the Company's and Mueller's filings with the Securities and Exchange Commission. The Company assumes no duty to update its forward-looking statements as of any future date.



## QUARTERLY HIGHLIGHTS

### FISCAL YEAR 2005

### QUARTER ENDED

(\$ in thousands, except per-share amounts)	March 31	June 30	September 30	December 31
Net sales and revenues (a)	\$ 366,281	\$ 467,954	\$ 418,695	\$ 801,210
Segment operating income (loss)	\$ 31,821	\$ 65,098	\$ 27,646	\$ (40,827)
Net income (loss)	\$ 18,765	\$ 41,481	\$ 20,197	\$ (73,397)
Diluted earnings (loss) per share:	\$ 0.41	\$ 0.87	\$ 0.43	\$ (1.88)
Average diluted shares outstanding (b)	48,799,982	49,144,631	49,215,063	38,982,151

(a) Net sales and revenues have been restated for the first three quarters of 2005.

(b) Average basic shares outstanding was used in the fourth quarter of 2005, as the use of fully diluted shares would have had an anti-dilutive effect.

## 2005 GAAP/NON-GAAP OPERATING INCOME (LOSS) COMPARISON

Within this document, the Company makes reference to certain non-GAAP financial measures, which have directly comparable GAAP financial measures, also included in this document. These non-GAAP measures are provided so that investors have the same financial data that management uses with the belief that it will assist the investment community in properly assessing the underlying performance of the Company for the periods being reported. The purpose of this schedule is to illustrate the comparison of GAAP and non-GAAP operating income for the full-year 2005 and is presented in compliance with the provisions of the rules under Regulation G.

(\$ in millions)	Homebuilding	Mueller Water	Industrial Products (U.S. Pipe)	All Other <sup>(1)</sup>	Total Operating Income
Full-Year 2005 GAAP Operating Income (Loss)	\$ (103.9)	\$ (11.6)	\$ 2.1	\$ 197.1	\$ 83.7
<b>Adjustments to GAAP Operating Income (Loss):</b>					
Homebuilding Goodwill Impairment	63.2				63.2
Mueller Inventory Fair Value Adjustment Charged to Cost of Sales		58.4			58.4
Mueller Incremental Amortization of Definite-Lived Intangible Assets		5.9			5.9
U.S. Pipe Charges - Restructuring			24.1		24.1
U.S. Pipe Charges - Inventory Write-offs and Unabsorbed Overhead			15.9		15.9
<b>Total Adjustments to GAAP Operating Income (Loss)</b>	<b>63.2</b>	<b>64.3</b>	<b>40.0</b>	<b>-</b>	<b>167.5</b>
Full-Year 2005 Non-GAAP Operating Income (Loss)	\$ (40.7)	\$ 52.7	\$ 42.1	\$ 197.1	\$ 251.2
Full-Year 2004 GAAP Operating Income (Loss)	\$ (33.3)	\$ -	\$ 7.6	\$ 101.5	\$ 75.8
Full-Year 2005 Non-GAAP Variance to Full-Year 2004 GAAP	\$ (7.4)	\$ 52.7	\$ 34.5	\$ 95.6	\$ 175.4

(1) Includes all remaining reporting entities (Financing and Natural Resources) and other.

## COMMONLY ASKED QUESTIONS

**Q: What are your plans for improving the Homebuilding business?**

**A:** Our Homebuilding business remains in turnaround mode. Under new leadership at Jim Walter Homes, we have gone back to basics, reducing variability in our backlog to improve margins, refining a number of sales and construction procedures and focusing on the fundamentals of our business: building and selling quality, affordable homes. We reinstated the branch manager position and increased branch-level accountability for improving cycle times. We now believe that we are selling homes with acceptable margins that will lead to a return to run-rate profitability this year.

**Q: What strategic alternatives are you pursuing on Natural Resources and Homebuilding/Financing?**

**A:** We are exploring a number of different options for our Homebuilding and Financing business. The course of action we are exploring is a spin-off of those businesses to existing Walter Industries shareholders. As to Natural Resources, we are searching for acquisition and investment opportunities to diversify and strengthen our coal and natural gas business.

**Q: Why did Walter Industries recently make its equity offering?**

**A:** If proceeds from the planned Water Products IPO were used to reduce Walter Industries' acquisition-related debt, then we would be required to reflect that debt on Mueller Water's balance sheet. In order to avoid this treatment, and satisfy bank requirements for debt reduction, we offered 2.65 million shares in an equity offering. In doing so, Mueller Water will now be able to use the entire anticipated \$400 million in IPO proceeds for debt reduction. All equity proceeds will reduce debt and will give both Walter Industries and our Water Products business more flexibility to pursue acquisitions or other strategic options.

**Q: When do you expect to be in the market with the Water Products IPO?**

**A:** We filed an S-1 registration statement with the SEC on Feb. 3, 2006. We have received comments from the SEC and are responding to them accordingly. Assuming normal progression and stable market conditions, we expect to be in the market in the second quarter of 2006.

**Q: How will you use the anticipated \$400 million of Water Products IPO proceeds?**

**A:** We expect to use the proceeds to reduce debt. We can use a portion of the proceeds to reduce up to 35% of the 10% Senior Subordinated Notes and the 14.75% Senior Discount Notes – the balance will reduce bank debt.

**Q: What is your leadership structure before and after the spin-off of the Water Products business?**

**A:** Greg Hyland will continue in his role with Walter Industries until the spin-off of the Water Products business is complete. At that time he will lead the Water Products business as Chairman, President and CEO. After the spin-off, Michael Tokarz, a member of Walter Industries' Board of Directors, will become Chairman of Walter Industries.

**Q: When do you expect the spin-off of the Water Products business to take place? Will it be tax-free?**

**A:** Subject to a variety of factors, including market conditions, we intend to complete the spin-off of the Water Products business approximately six months following the IPO. We also expect the spin-off to be a tax-free distribution to our shareholders.

# CORPORATE DIRECTORY

## OFFICERS

Gregory E. Hyland  
Chairman, President  
and Chief Executive Officer

Charles E. Cauthen  
President  
Jim Walter Homes, Inc.

Miles C. Dearden, III  
Senior Vice President and Treasurer

Thomas E. Fish  
President, Anvil International, LLC

Lisa A. Honnold  
Senior Vice President, Controller

Mark J. O'Brien  
Chairman and CEO, Homes Business

William F. Ohrt  
Executive Vice President  
and Chief Financial Officer

Victor P. Patrick  
Senior Vice President,  
General Counsel and Secretary

George R. Richmond  
Chief Executive Officer, Jim Walter  
Resources, Inc.

Dale B. Smith  
Chief Operating Officer,  
Mueller Water Products, Inc.

Raymond P. Torok  
President, U.S. Pipe

Joseph J. Troy  
Senior Vice President, Walter Industries,  
Inc.; President, Financial Services Group

Larry E. Williams  
Senior Vice President, Human Resources

Catherine C. Bona  
Assistant General Counsel; Assistant  
Secretary

Cynthia B. Eisch  
Assistant Controller; Tax Director

Kimberly A. Perez  
Chief Financial Officer, Financial  
Services Group

Billy R. Philbeck  
Vice President, Risk Management

## BOARD OF DIRECTORS

Gregory E. Hyland  
Chairman, President and Chief Executive  
Officer, Walter Industries, Inc. (5)

Donald N. Boyce  
Retired Chairman and CEO, IDEX  
Corporation (2, 4, 5)

Howard L. Clark, Jr.  
Vice Chairman, Lehman Brothers, Inc.  
(3, 4, 5)

Jerry W. Kolb  
Retired Vice Chairman, Deloitte &  
Touche (1, 2)

Joseph B. Leonard  
Chairman and CEO, AirTran Holdings,  
Inc. (1, 4)

Mark J. O'Brien  
Chairman and CEO, Walter Industries,  
Inc., Homes Business (3)

Bernard G. Rethore  
Chairman Emeritus, Flowserve  
Corporation (1, 2, 3)

Neil A. Springer  
Managing Director, Springer &  
Associates, LLC (1, 2)

Michael T. Tokarz  
Member, Tokarz Group, LLC  
(3, 4, 5)

(1) Audit Committee, (2) Compensation  
and Human Resources Committee, (3)  
Environmental, Health and Safety  
Committee, (4) Nominating and  
Corporate Governance Committee, (5)  
Executive Committee

## CORPORATE OFFICES

Walter Industries, Inc.  
4211 W. Boy Scout Blvd.  
Tampa, FL 33607  
(813) 871-4811  
Web Site: [www.walterind.com](http://www.walterind.com)

## COMMON STOCK

Trading Symbol: WLT  
New York Stock Exchange

## INVESTOR/MEDIA CONTACT

Investor Relations  
Walter Industries, Inc.  
P.O. Box 31601  
Tampa, FL 33631-3601  
(813) 871-4404  
Fax (813) 871-4399

Media Contact  
Corporate Communications  
Walter Industries, Inc.  
P.O. Box 31601  
Tampa, FL 33631-3601  
(813) 871-4132  
Fax (813) 871-4399

## FORM 10-K

Additional copies of the Company's  
annual report to the Securities and  
Exchange Commission on Form 10-K for  
the fiscal year ended Dec. 31, 2005 are  
available on the Company's website or  
by written request to:

Investor Relations  
Walter Industries, Inc.  
P.O. Box 31601  
Tampa, FL 33631-3601

Or by e-mailing:  
[investorrelations@walterind.com](mailto:investorrelations@walterind.com).

## TRANSFER AGENT AND REGISTRAR

The Bank of New York  
101 Barclay Street  
New York, NY 10286  
(800) 524-4458

## INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP  
101 E. Kennedy Blvd.  
Suite 1500  
Tampa, FL 33602

## ANNUAL MEETING

The annual meeting of stockholders of  
Walter Industries, Inc. will be held April  
26, 2006 at the Hyatt Regency Tampa,  
211 North Tampa Street,  
Tampa, FL 33602.

Certificates of the Company's Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act have been filed with the Securities and Exchange Commission. In addition, the Company's Chief Executive Officer has submitted to the New York Stock Exchange (NYSE) a certificate certifying that he is not aware of any violations by Walter Industries, Inc. of the NYSE corporate governance listing standards.





**Walter Industries, Inc.**

4211 W. Boy Scout Blvd.  
Tampa, FL 33607

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