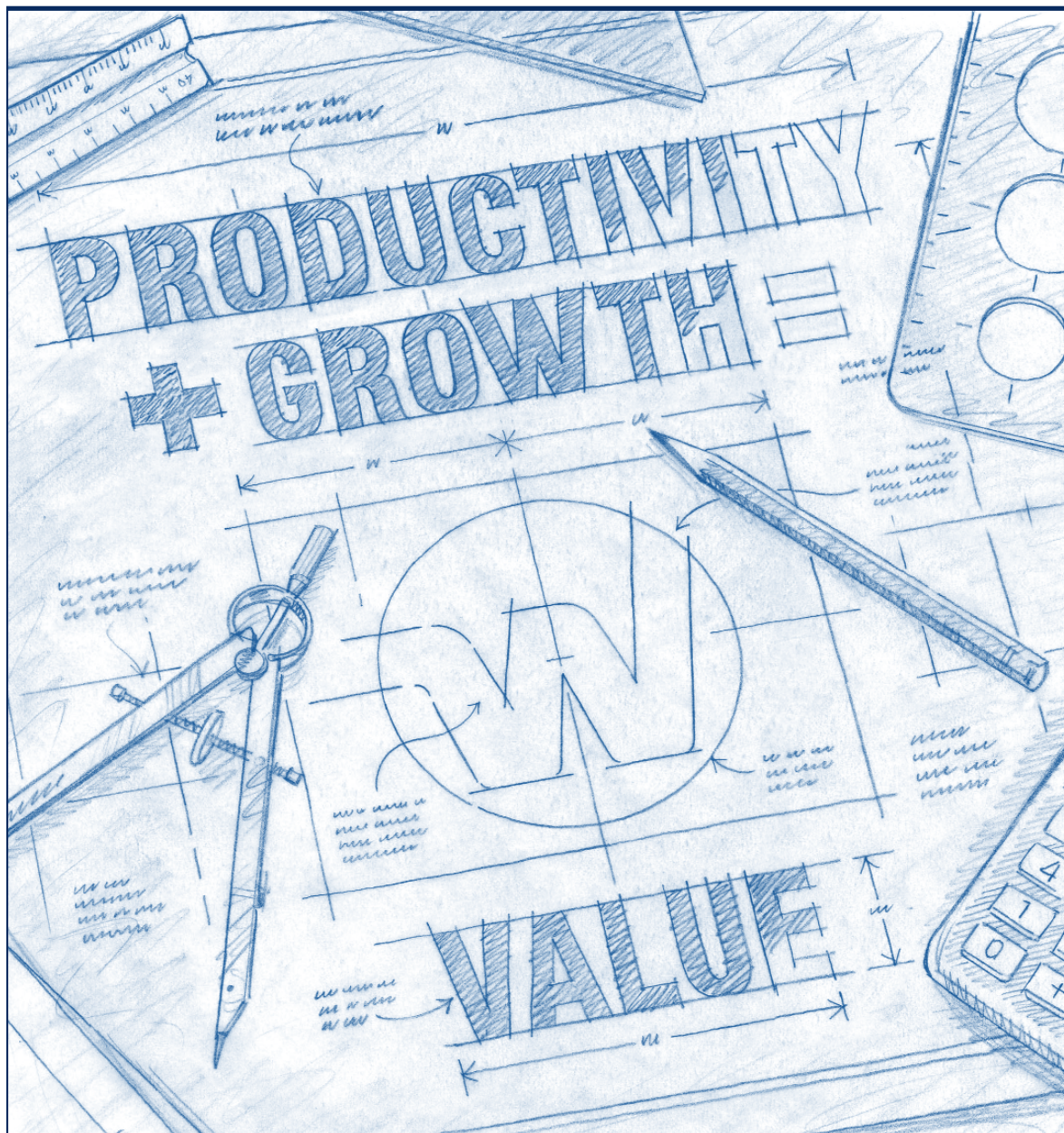




Walter Industries, Inc.

2002 ANNUAL REPORT



HOMEBUILDING
FINANCING
INDUSTRIAL PRODUCTS
CARBON AND METALS
NATURAL RESOURCES



AT A GLANCE

Business: Homebuilding/industrial conglomerate

Founded: 1946

Headquarters: Tampa, Fla.

Chairman, President, CEO: Don DeFosset

2002 revenues: \$1.9 billion

2002 net income: \$73.4 million (\$1.64/share)*

2002 free cash flow from operations: \$59.0 million

Employees: 6,326**

Stock: WLT, New York Stock Exchange

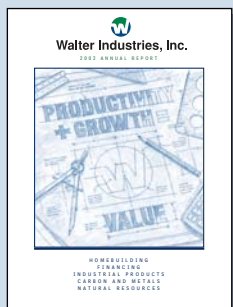
Shares outstanding: 44.3 million**

Market capitalization: \$479.9 million (at \$10.83/share)**

Recourse debt/book capitalization: 47.7%**

* before cumulative effect of change in accounting principle

**as of 12/31/02



About the cover

This year's cover art, which symbolizes Walter Industries' commitment to productivity, growth and building value for the shareholder, was illustrated by Russ Kramer. Kramer, who also illustrated the cover of the 2001 Walter Industries annual report, is a nationally recognized illustrator based in Tampa, Florida.

OPERATING SEGMENTS



HOMEBUILDING

Jim Walter Homes
Dream Homes
Neatherlin Homes
Crestline Homes



FINANCING

Mid-State Homes
Walter Mortgage Company



INDUSTRIAL PRODUCTS

U.S. Pipe & Foundry
JW Aluminum



CARBON AND METALS

AIMCOR
Sloss Industries



NATURAL RESOURCES

Jim Walter Resources



CONSOLIDATED FINANCIAL HIGHLIGHTS

CONSOLIDATED RESULTS

FOR THE YEARS ENDED

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

	December 2002	December 2001	(7 months) December 2000	May 2000	May 1999
Net sales and revenues	\$ 1,943,233	\$ 1,919,906	\$ 1,187,915	\$ 1,904,908	\$ 1,900,107
EBITDA (a)	195,091	225,512	104,251	201,951	237,349
Segment operating income (loss)	145,086	143,812	62,128	(57,773)	94,012
Income (loss) before cumulative effect of change in accounting principle	73,425	43,250	3,186	(111,003)	22,224
Cumulative effect of change in accounting principle, net of tax	(125,947)	—	—	—	—
Net income (loss)	(52,522)	43,250	3,186	(111,003)	22,224
Diluted EPS before cumulative effect of change in accounting principle	1.64	0.95	0.07	(2.28)	0.43
Cumulative effect of change in accounting principle, net of tax	(2.81)	—	—	—	—
Diluted EPS	\$ (1.17)	\$ 0.95	\$ 0.07	\$ (2.28)	\$ 0.43
Average diluted shares outstanding	44,726,000	45,293,000	46,454,000	48,744,000	51,745,000
BALANCE SHEET					
Total assets	\$ 3,205,224	\$ 3,334,096	\$ 3,359,479	\$ 3,467,620	\$ 3,655,205
Total recourse debt	308,900	308,500	411,500	495,400	555,200
Stockholders' equity	338,994	440,651	425,451	436,627	578,953
CASH FLOWS					
Cash flows from operations	\$ 128,970	\$ 149,349	\$ 144,485	\$ 140,256	\$ 319,220
Cash flows used in investing	(64,613)	(82,916)	(47,261)	(80,262)	(89,123)
Cash flows used in financing	(62,552)	(66,309)	(113,018)	(72,800)	(243,676)
OTHER					
Capital expenditures	\$ 79,028	\$ 76,874	\$ 49,555	\$ 81,995	\$ 83,057
Employees (all operations)	6,326	6,535	6,960	7,261	7,683
Book value per share	\$ 7.58	\$ 9.73	\$ 9.16	\$ 8.96	\$ 11.19

(a) Earnings before interest, taxes, depreciation, amortization, non-cash OPEB and non-cash impairment charges.

SAFE HARBOR STATEMENT

Except for historical information contained herein, the statements in this annual 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, the ultimate outcome with respect to recovery of insurance proceeds related to the third quarter 2001 mining accident, changes in customers' demand for the Company's products, changes in raw material and equipment costs and availability, changes in customer orders, pricing actions by the Company's competitors, and general changes in economic conditions. Risks associated with forward-looking statements are more fully described in the Company's filings with the Securities and Exchange Commission.



QUARTERLY HIGHLIGHTS

Fiscal year 2002

(in thousands, except per share amounts)	QUARTER ENDED			
	Mar. 31	June 30	Sept. 30	Dec. 31
Net sales and revenues	\$ 447,111	\$ 503,229	\$ 500,382	\$ 492,511
Gross profit	74,915	89,531	78,946	62,355
Net income (loss) before cumulative effect of change in accounting principle	13,483	24,214	21,127	14,600
Cumulative effect of change in accounting principle, net of Tax	(125,947)	—	—	—
Net income (loss)	<u>\$ (112,464)</u>	<u>\$ 24,214</u>	<u>\$ 21,127</u>	<u>\$ 14,600</u>
Diluted earnings per share before cumulative effect of change in accounting principle, net of tax	\$ 0.30	\$ 0.54	0.47	.33
Cumulative effect of change in accounting principle, net of tax	(2.81)	—	—	—
Diluted earnings per share**	<u>\$ (2.51)</u>	<u>0.54</u>	<u>0.47</u>	<u>0.33</u>

Fiscal year 2001

(in thousands, except per share amounts)	QUARTER ENDED			
	Mar. 31	June 30	Sept. 30	Dec. 31
Net sales and revenues	\$ 464,081	\$ 516,843	\$ 494,815	\$ 444,167
Gross profit	79,405	87,104	82,886	81,096
Net income	5,427	14,331	11,193	12,299
Diluted earnings per share*	<u>\$ 0.12</u>	<u>\$ 0.32</u>	<u>\$ 0.25</u>	<u>\$ 0.28</u>

7 months – December 2000

(in thousands, except per share amounts)	THREE MONTHS ENDED		FOUR MONTHS ENDED	
	Aug. 31		Dec. 31	
Net sales and revenues	\$ 514,347		\$ 673,568	
Gross profit	81,235		115,471	
Net income (loss)	(599)		3,785	
Diluted earnings per share	<u>\$ (0.01)</u>		<u>\$ 0.08</u>	

Fiscal year 2000

(in thousands, except per share amounts)	QUARTER ENDED			
	Aug. 31	Nov. 30	Feb. 29	May 31
Net sales and revenues	\$ 457,322	\$ 486,921	\$ 449,590	\$ 511,075
Gross profit	87,023	84,565	79,140	78,369
Net income (loss)	9,722	7,501	2,158	(130,384)
Diluted earnings per share	<u>\$ 0.19</u>	<u>\$ 0.15</u>	<u>\$ 0.04</u>	<u>\$ (2.67)</u>

* Basic EPS was \$0.96 for 2001. Diluted EPS was \$0.95 for 2001, which is lower than the sum of the quarterly EPS reported above as a result of purchases of treasury stock during the year.

** Basic EPS was \$(1.19) for 2002.



PRODUCTIVITY. GROWTH. VALUE.

At Walter Industries, Inc., productivity and growth are crucial elements to unlocking value for the shareholders.

The Company achieved \$60 million in cost savings in 2002, but there's more to productivity than cost savings. We also enhance our productivity when we improve our efficiencies and when we grow.

Our commitment to productivity is all-important – it's the most directly controllable part of our earnings and cash flow. And as we constantly find ways to boost productivity, we build a culture that emphasizes positive, progressive change.





WALTER INDUSTRIES' SENIOR MANAGEMENT TEAM



Don DeFosset
Chairman, President and
Chief Executive Officer



William F. Ohrt
Executive Vice President
and Chief Financial Officer



Charles E. Cauthen
Senior Vice President
and Controller



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



Joseph J. Troy
Senior Vice President -
Financial Services;
President, Mid-State
Homes



Larry E. Williams
Senior Vice President -
Human Resources



Bonnie VanOverbeke
Chief Information Officer



Brad Kitterman
President, U.S. Pipe



George R. Richmond
President and Chief
Operating Officer,
Jim Walter Resources



Michael M. Roberts
President, Jim Walter
Homes



Gerard M. Sweeney
President and Chief
Executive Officer,
AIMCOR



Miles C. Dearden, III
Vice President and
Treasurer

Vision Statement

Walter Industries, Inc.'s businesses are global and 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

Customer Commitment
High-Performance Culture
Fleet of Foot
Innovation
Accountability
Integrity
Respect for Others
Teamwork

TO OUR SHAREHOLDERS



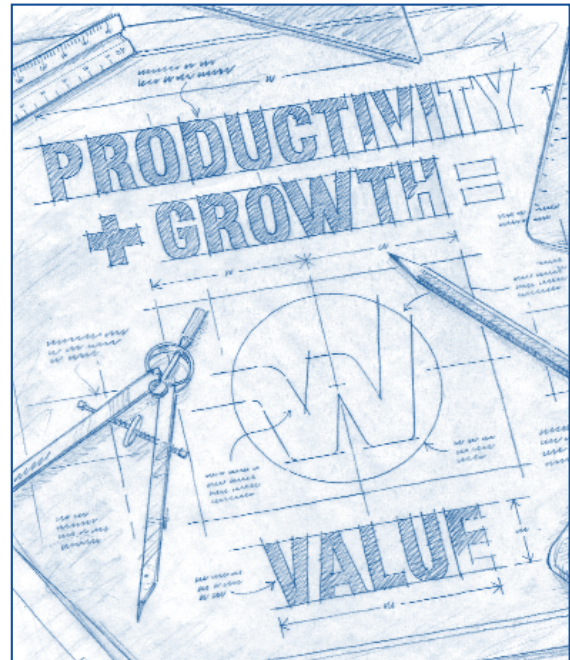
At Walter Industries, we believe productivity and growth are the crucial elements of building value for you, the shareholder.

Productivity takes many forms, including growth, cost reduction and process improvement. We improved our productivity in 2002, as programs such as lean manufacturing and Six Sigma have become ingrained in our everyday life as a company. We also saw some revenue growth for the year, and we know growth is critical to the long-term creation of value.

Reaching our productivity goals in 2002 was essential as the year proved to be extremely challenging on a number of fronts. The economy didn't rebound as we had hoped, which hurt demand for a number of our products. Also, at one of our subsidiaries, U.S. Pipe & Foundry, an industry price war cut into profitability, while at AIMCOR, renegotiation of major contracts with oil refiners impacted our margins.

We posted \$60 million in productivity gains in 2002, including approximately \$15 million from our Six Sigma program, and also responded quickly and decisively to reduce overhead where needed. These actions enabled us to generate free cash flow of \$59 million and to grow earnings by 8%, to \$1.64 per share, before the change in accounting principle for goodwill.

Our productivity gains represent measurable and sustainable improvements in the way we run our businesses, and they offset the economic cost increases all businesses face.



Some examples of our productivity enhancements:

- ➔ At Jim Walter Resources Mine No. 4, productivity has increased by 67 percent in three years, while the mine set an Alabama safety record in 2002.
- ➔ JW Aluminum has increased inventory turns from 6.7 to 9.7 times in three years.
- ➔ At U.S. Pipe's facility in Chattanooga, Tennessee, a Six Sigma team developed ways to recycle waste materials, leading to \$1.1 million in annual savings.
- ➔ And a Six Sigma team at our Crestline Homes division modified inventory, distribution, workforce deployment and material flow to generate more than \$500,000 in savings.



To Our Shareholders

HOMEBUILDING



Main businesses: Jim Walter Homes, Dream Homes, Neatherlin Homes, Crestline Homes

2002 revenues: \$270.2 million
(14% of Walter Industries' total)

2002 operating income: \$17.1 million
(11% of Walter Industries' total)

Homes built in 2002: 4,267

Average price: \$63,000

Products: Jim Walter Homes, Dream Homes and Neatherlin Homes construct stick-built, affordable houses across the South. Crestline Homes builds modular homes.

2003 initiatives:

- ✓ Move beyond "on-your-lot" customer base with land/home financing
- ✓ Build subdivision and "spec" homes in targeted locations
- ✓ Expand Dream and Neatherlin brands beyond Texas base

The Six Sigma program continues to expand and has proven to be a leading source of productivity inside the Company. It has grown to include 33 "black belts" who work on Six Sigma full-time, along with 87 "green belts" who work on projects part-time. Savings from the program grew from \$6.2 million in 2001 to \$15.3 million in 2002.

Looking ahead, our productivity enhancements have put Walter Industries in an improved position for 2003. We expect to make continued progress in improving our earnings in the coming year and have potential for further improvements when business in some of our markets, such as U.S. Pipe, returns to normal levels.

As you know, a company can't cost-cut its way to long-term prosperity. So in 2003, we have made a commitment to implement strategies to grow each of the Company's businesses. In particular, we are making significant moves designed to grow our core businesses – Homebuilding, Financing and U.S. Pipe – both organically and potentially through strategic and accretive acquisitions.

We are moving rapidly to expand the homebuilding business, as our new land/home financing options have already broadened the mix of buyers for our traditional home offerings. The challenge is to expand at a faster pace through subdivision and "spec" homebuilding. Meanwhile, we have launched the most ambitious marketing and advertising campaign in the history of Jim Walter Homes.

Looking ahead, our productivity enhancements have put Walter

PRODUCTIVITY. GROWTH. VALUE.

Home completions were up 6% in 2002 versus the previous year, and our goal is for double-digit percentage growth in the future. The Homebuilding Group has embarked on an internal reorganization to streamline its operations, while also installing comprehensive new enterprise systems to make our processes more efficient.

We also see opportunities to build profitability in our U.S. Pipe business, particularly by growing our product lines of valves, hydrants and fittings.

In all three of our core businesses, we are finding ways to grow organically while also pursuing strategic acquisitions that would fit our long-term goals.

And as we continue our productivity efforts, grow the Company and build a corporate culture that delivers results, we are focused on enhancing shareholder value.



Commitment to Excellence

As we move forward, our Commitment to Excellence program provides a solid framework for our employees to follow. Built on vision and values, strategy and operational excellence, it has taken hold at Walter Industries and provides the foundation for our new culture. In fact, the Company's core values now comprise an integral part of the performance evaluation process.

Commitment to Excellence impacts the bottom line every day: It stresses results, with a high-performance culture that is innovative and fleet of foot. The core values also emphasize how we attain those results – with teamwork among employees and a requirement that we show integrity in everything we do.

FINANCING



Main businesses: Mid-State Homes, Walter Mortgage Company

2002 revenues: \$241.0 million
(12% of Walter Industries' total)

2002 operating income: \$55 million
(37% of Walter Industries' total)

Number of accounts: 54,065

Portfolio size: \$1.7 billion

Products: Mid-State services the mortgages provided to the Homebuilding segment's traditional on-your-lot buyers, while Walter Mortgage Company offers new types of lending products.

2003 initiatives:

- ✓ **Expand land/home financing capabilities through Walter Mortgage Company**
- ✓ **Continue quality portfolio servicing to keep mortgage delinquencies and losses at low levels**
- ✓ **Expand portfolio by purchasing seasoned loans that meet strict underwriting criteria**



To Our Shareholders

INDUSTRIAL PRODUCTS



Main businesses: U.S. Pipe & Foundry, JW Aluminum

2002 revenues: \$691.3 million
(35% of Walter Industries' total)

2002 operating income: \$41.9 million
(28% of Walter Industries' total)

Products: For U.S. Pipe, ductile iron pipe, valves, hydrants and fittings; for JW Aluminum, specialty flat-rolled aluminum products including "fin stock" used by the heating and cooling industry.

U.S. Pipe 2003 initiatives:

- ✓ Continue to increase efficiencies to counter effects of industry price war
- ✓ Build revenues and profitability in valves, hydrants and fittings segments
- ✓ Expand international sales

JW Aluminum 2003 initiatives:

- ✓ Expand capacity to meet increased demand from new and existing customers
- ✓ Balance mix of products to better utilize capabilities and increase margins

2003 Business Outlook

Though we met our original full-year earnings expectations for 2002, we were not satisfied with our performance, as we did not achieve some of our internal financial and non-financial targets. As a results-oriented company, our senior executives' incentive compensation is heavily weighted to meeting subsidiary and companywide goals for earnings and return on net assets. Reflecting that, the majority of our senior executives' 2002 bonuses were significantly lower than the prior year.

We have set aggressive targets for 2003, and we are confident in our outlook for a successful year. Our continued productivity enhancements have put us in a good position to capitalize as the economy rebounds.

Here's a look at our prospects within each business segment:



The launch of Walter Mortgage Company and its land/home financing offerings is already making a difference in our **Homebuilding** and **Financing** segments. At year's end, we had funded \$15.6 million of loans at Walter Mortgage since its launch in August 2001.

In 2003, we will continue to move forward with our subdivisions in Brookwood, Alabama, and Houma, Louisiana, while building a modest number of spec homes in targeted locations across the South. We also plan to continue to grow our traditional Jim Walter Homes business, while we expand the higher-priced Dream Homes and Neatherlin Homes brands beyond their home state of Texas.

PRODUCTIVITY. GROWTH. VALUE.

...we will continue to move forward with our subdivisions in Brookwood, Alabama, and Houma, Louisiana,

In the Financing segment, growth will occur to parallel Homebuilding's expansion efforts, and we are also launching a program to buy seasoned mortgage loans that fit our strict underwriting criteria. We have started deliberately on a small scale with this program, but expect it to

help grow the size and quality of the portfolio over time.



In the **Industrial Products** segment, our biggest challenge continues to be battling the effects of the price war in the ductile iron pipe industry.

While it is too soon to know if ductile iron pipe prices have stabilized, we developed our operating plans for 2003 with the assumption that prices won't improve over the year. This ensures that we will keep strong focus on operational effectiveness.

At the same time, pipe volumes and backlog remain strong, and we expect plans for federal water infrastructure spending to increase demand in the future. The Environmental Protection Agency has estimated that more than \$200 billion will be spent over the next 20 years on clean water projects in the United States.

We are aggressively pursuing ways to grow

CARBON AND METALS



Main businesses: AIMCOR, Sloss Industries

2002 revenues: \$499.2 million
(26% of Walter Industries' total)

2002 operating income: \$12.8 million
(9% of Walter Industries' total)

Products: AIMCOR markets and distributes petroleum coke and related carbon products and services, and also supplies ferroalloys and other related steel and foundry products. Sloss primarily manufactures foundry and furnace coke and slag wool products.

AIMCOR 2003 initiatives

- ✓ **Leverage core competencies and capabilities to expand outside current business model**
- ✓ **Increase product and service offerings to end consumers**

Sloss 2003 initiatives

- ✓ **Optimize furnace coke prices in rebounding market**
- ✓ **Develop new markets for high-margin slag wool products**



NATURAL RESOURCES



Main business: Jim Walter Resources

2002 revenues: \$249.8 million
(13% of Walter Industries' total)

2002 operating income: \$22.4 million
(15% of Walter Industries' total)

Coal sold in 2002: 6.0 million tons

Natural gas sold in 2002: 9.5 billion cubic feet (BCF)

Products: metallurgical and steam coal; natural gas.

2003 initiatives:

- ✓ Continue production enhancements for mine development operations
- ✓ Increase longwall production at Mines No. 5 and No. 7
- ✓ Utilize best practices, spread cost-saving initiatives to all mine locations

the pipe business by pursuing more international sales and considering strategic acquisitions. At the same time, we see significant opportunities for increasing profitability in valves, hydrants and fittings.

JW Aluminum, meanwhile, continues to make impressive strides in improving its production and efficiency. JWA increased operating income by 125% in 2002 versus the previous year, as more sales resulted in a 13% increase in pounds shipped. The JWA leadership team is working hard to expand its output in 2003 to meet increased demand from new and existing customers.



At AIMCOR, the largest component of our **Carbon & Metals** segment, the challenge is to redefine the business model so we can counter the impact of lower margins on our petroleum coke business. By parlaying our knowledge in such areas as in-refinery handling and ship logistics, we plan to move into additional types of services that carry higher margins.

Meanwhile, the outlook at Sloss Industries has improved, thanks to a sold-out position in foundry and furnace coke at more favorable market prices.



In the **Natural Resources** segment, much of 2002 was spent rebuilding Mine No. 5, which was restored to full operation in June. Our thoughts and prayers continue to be with the families of the 13 miners who died in the September 2001 accident there, and we will continue to focus on providing a safe working environment for our employees.

PRODUCTIVITY. GROWTH. VALUE.

JWR is dedicated to maximizing coal output and continuing to generate strong increases in productivity in 2003.

We are committed to building a company that constantly improves productivity and profitability.

We expect prices for metallurgical coal to remain steady during our contract renewal period. Demand is extremely strong for metallurgical coal in the global markets we serve, as we sell all we can mine.

Meanwhile, JWR's steam coal prices are locked in through 2005 under a long-term contract with Alabama Power. Natural gas prices are up, which helps our de-gas business, and we expect that trend to continue through 2003.



Wrapup

Our employees are focused on the important tasks ahead that will drive shareholder value. The Commitment to Excellence program has unified the Company while making clear what our goals are and how we are going to achieve them.

We are committed to achieving 5 percent gains in productivity each and every year. We will continue to improve our performance in everything from how we manufacture products to how we handle working capital. And we will find ways to profitably grow the Company.

I recently shared my three goals for the year with our employees. For 2003, we are committed to:

- ✓ meeting our financial goals;
- ✓ growing the business;
- ✓ living our core values.

As we do these things every day, the results will be evident in our earnings. We are committed to building the right kind of company – one that constantly improves productivity and profitability while establishing a vibrant corporate culture that makes these gains sustainable year after year.

Our actions and our goals are focused on increasing shareholder value, and that is how we will reward you, the shareholder.

Don DeFosset
Chairman, President and Chief Executive Officer
March 14, 2003



COMMITMENT TO EXCELLENCE

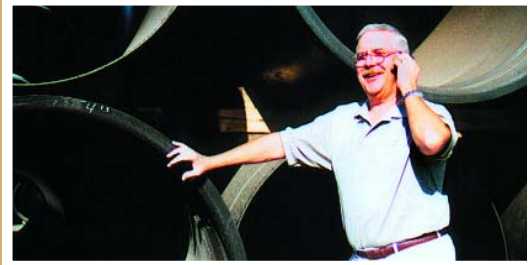
These employees live the core values every day

How does a company reinforce its core values? At Walter Industries, one of the ways is to reward employees who live the values.

Twice a year, the Company gives out a set of Core Value Awards, choosing an individual or group that has embodied each core value. Each winner, chosen from nominations submitted by employees, receives 100 shares of Walter Industries stock.

Here's a sampling of the employees who have won awards since the program was launched in 2001. Their successes show how Walter Industries is building a high-performance culture that sets and achieves aggressive goals.

Integrity



David Miller
U.S. Pipe
Phoenix, Arizona

In a 2001 restructuring, David's management job ceased to exist. He was asked to take over the Phoenix, Arizona district. Sales have increased dramatically, and David has done such extra tasks as volunteering to tutor co-workers on software systems in the evenings.

Customer Commitment



Patrick O'Neal
AIMCOR
St. Croix, Virgin Islands

Patrick is general supervisor of one of the world's most environmentally sensitive petroleum coke storage and loading operations, located in St. Croix, Virgin Islands. His team consistently performs to these stringent environmental standards both on land and in the pristine Caribbean waters.

High Performance Culture



Anita Hibberd
Mid-State Homes
Tampa, Florida

Anita headed Mid-State Homes' efforts to put more than 1.4 million home financing paper records online. This has dramatically improved productivity: Previously, files took a day to be delivered to mortgage servicing employees; now, they are available instantly.

Fleet of Foot



Kevin Drum
JW Aluminum
Mt. Holly, South Carolina

Kevin is a vital part of JW Aluminum's sales team for "fin stock," a product used in the heating and cooling industry. Juggling the needs of over 50 customers at once, Kevin is highly regarded for his ability in identifying those needs and taking care of them.

PRODUCTIVITY. GROWTH. VALUE.

Teamwork



**Keith Shalvey, Dave Hicks,
Larry Morgan, Mike Yates
and Larry Vines**

**Jim Walter Resources Mine No. 4
Brookwood, Alabama**

No. 4 Mine's five area managers work closely together to ensure that all segments of the operation run smoothly. The No. 4 miners have posted spectacular improvements in productivity and have cut the mine's cost per ton by 32 percent since 1999. They also set an Alabama state safety record in 2002.

Innovation



Wayne Shaw
Sloss Industries
Birmingham, Alabama

Wayne, Quality Control Supervisor for Sloss' fiber division, leads a department that cut approximately \$50,000 in costs last year by thinking of new ways to schedule production and shipments. The ideas also led to a 10 percent reduction in customer credits.

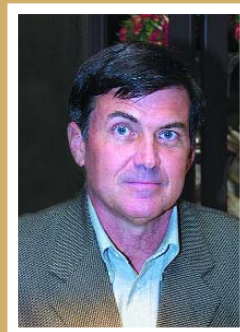
Accountability



Ruth McRae
Walter Industries
Tampa, Florida

Ruth establishes the Company's cash position every day, handling hundreds of thousands of dollars going through more than 100 bank accounts. She does an outstanding job of monitoring the Company's activities, and has saved the Company millions of dollars over the years.

Respect For Others



Bob McNeal
Jim Walter Homes
Tampa, Florida

For seven years, Bob has organized Walter Industries' participation in "Paint Your Heart Out Tampa," which uses volunteers to paint homes for lower-income residents. Last spring, Walter Industries employees repainted a Tampa house's entire exterior in one day.



10 Commonly asked questions about Walter Industries

Q: Why was the stock price down in 2002 when earnings were up?

A: While the absolute level of the stock was flat for the year, on a relative basis our stock outperformed the general stock market, beating the S&P 500 and Russell 2000 indexes. The stock has been negatively impacted by the fact that one of our large shareholders, the Asbestos Settlement Trust, has been regularly selling shares as it diversifies its portfolio.

Q: Does the Asbestos Trust's ownership of Walter Industries stock mean you still have issues with asbestos liability?

A: Absolutely not. The Trust was created as part of a far-reaching settlement that resolved our asbestos litigation issues with finality in the mid-1990s.

Q: How are the growth initiatives progressing in the Homebuilding and Financing segments?

A: We laid a solid groundwork for the initiatives in 2002, and plan to see that work bear fruit in 2003. Subdivisions are underway in Alabama and Louisiana, while we have started building spec homes around the South. Our new land/home financing options are broadening our mix of potential customers, and we have launched the largest marketing campaign in the history of Jim Walter Homes.

Q: Is the price war over in the ductile iron pipe industry?

A: It's still too soon to tell, but we have seen some early signs of prices stabilizing, though at lower-than-historical levels. We continue to improve our competitive position by aggressively pursuing cost-reduction initiatives, and the positive news is that volumes have remained strong.

Q: Why hasn't the Company sold any of its businesses?

A: We have promised to narrow the Company's mix of businesses, and we remain committed to that. However, we are equally committed to doing so in a disciplined manner that ensures that we don't give businesses away. All of our businesses contribute to our earnings and cash flow, and do not warrant selling at a reduced valuation due to market turmoil. Any transaction we execute would be subject to rigorous analysis and would be for a price that's fair to our shareholders. Our efforts in this area are active and ongoing.

Q: Why didn't you buy back more shares in 2002?

A: The Company repurchased 181,200 shares in 2002, which brings our total repurchase activity over the past three years to 4.7 million shares. Clearly, we continue to feel the stock is undervalued. However, with the uncertainty surrounding the economy, we are prudently managing the balance sheet and our liquidity position.

Q: Do you expect to be more active in repurchasing shares in the coming year?

A: While we have adequate capacity for repurchases, our buyback strategy during 2003 will be balanced with other uses for cash, such as repayment of debt and potential acquisitions.

Q: There has been a lot of negative news about the sub-prime lending industry. How is your business doing?

A: We need to differentiate here. Most of the trouble these lenders are having stems from providing mortgages on mobile homes where no land was involved. A trailer depreciates quickly, leading to heavy losses upon a repossession. We construct stick-built homes, and our financing business requires land as collateral, so we do not share these risks. In general, our properties increase in value over time. We also have an experienced field force to help keep delinquencies and losses low.

Q. You talk a lot about cost savings. How long can you continue to cut costs?

A: In the past two years, our management team has found significant opportunities to take costs out of our businesses. However, over the long term, our focus is on continuous productivity improvement, which focuses both on cutting costs and on growing revenue. We aim to increase productivity by 5% per year in each of our businesses.

Q: What have you done differently with respect to corporate governance issues pertaining to the new Sarbanes-Oxley law?

A: We are in full compliance with the letter and the spirit of the law. Sarbanes-Oxley was a reaction to the absence or abuse in a few companies of basic business ethics and good corporate governance practices. Congress felt that some boards of directors had become too complacent in the exercise of their duty to oversee the management of their companies. The only member of our Board of Directors who is employed by the Company is our Chairman and CEO, Don DeFosset. All of our other Directors are completely independent of management. The Audit Committee of the Board reviews all of our earnings reports and SEC filings before they are issued to the public, and meets several times a year — including in private sessions without management — to review the findings of our independent and our internal auditors. Our Board of Directors closely monitors the evolving requirements of the law, and is committed to maintaining the highest standards of corporate governance.



Corporate Directory and Stockholder Information

OFFICERS

Don DeFosset

Chairman, President
and Chief Executive Officer

William F. Ohrt

Executive Vice President
and Chief Financial Officer

Charles E. Cauthen

Senior Vice President, Contoller

Victor P. Patrick

Senior Vice President,
General Counsel and Secretary

Joseph J. Troy

Senior Vice President, Financial Services

Larry E. Williams

Senior Vice President, Human Resources

Bonnie Van Overbeke

Chief Information Officer

Miles C. Dearden, III

Vice President and Treasurer

Kimberly A. Perez

CFO, Financial Services Group

Cynthia B. Eisch

Assistant Controller; Tax Director

Mary C. Snow

Assistant General Counsel;
Assistant Secretary

Joseph W. Spransy

Assistant Secretary

INDEPENDENT ACCOUNTANTS

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

CORPORATE OFFICES

Walter Industries, Inc.
4211 W. Boy Scout Blvd.
Tampa, Florida 33607
(813) 871-4811

BOARD OF DIRECTORS

Don DeFosset

Chairman, President and Chief Executive
Officer, Walter Industries, Inc. (7)

Donald N. Boyce

Retired Chairman and CEO, IDEX
Corporation (3,5,6,7)

Howard L. Clark, Jr.

Vice Chairman, Lehman Brothers, Inc.
(1,2,5,6,7)

Perry Golkin

Member, Kohlberg Kravis Roberts
& Co., LLC (3,4,6)

Scott C. Nuttall

Principal, Kohlberg Kravis Roberts
& Co., LLC (1,2,4)

Bernard G. Rethore

Chairman Emeritus, Flowserve
Corporation (1,3,4)

Wayne W. Robinson

Chief Executive Officer,
Eventflo Company, Inc. (2,3,4)

Neil A. Springer

Managing Partner, Springer
& Associates, LLC (1,3,5)

Michael T. Tokarz

Member, Tokarz Group, LLC (2,4,6,7)

(1) Audit Committee, (2) Finance Committee,
(3) Compensation Committee, (4) Environmental, Health
and Safety Committee, (5) Special Tax Oversight
Committee, (6) Nominating Committee, (7) Executive
Committee

CORPORATE WEB SITE

The Walter Industries Web site,
www.walterind.com, offers access to
information on Walter Industries, Inc. and
its operating subsidiaries, news releases,
financial statements, stock information
and links to a number of our subsidiaries.
The site also offers financial and investor
relations data, an e-mail link to the Walter
Industries investor relations department,
and an electronic mailing list where users
can register to receive corporate news
and information via e-mail as it is
released.

ANNUAL MEETING

The annual meeting of stockholders of
Walter Industries, Inc. will be held April
24, 2003, at 10 a.m. at the Hyatt Regency
Tampa, Two Tampa City Center, Tampa,
Florida, 33602.

INVESTOR/MEDIA CONTACT

For further information about Walter
Industries, Inc. and its subsidiaries,
please contact:
Investor Relations
Walter Industries, Inc.
P.O. Box 31601
Tampa, Florida 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 December 31, 2002
are available upon written request to:
Walter Industries, Inc.
Investor Relations
P.O. Box 31601
Tampa, Florida 33631-3601

COMMON STOCK

Trading Symbol: WLT
New York Stock Exchange

TRANSFER AGENT AND REGISTRAR

The Bank of New York
101 Barclay Street
New York, NY 10286
(212) 815-4374

QUARTERLY STOCK PRICE RANGE (Calendar 2002)

	1Q	2Q	3Q	4Q
High	\$13.57	\$14.70	\$13.40	\$12.20
Low	\$8.89	\$12.25	\$10.36	\$9.24



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Tampa, FL 33631-3601
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www.walterind.com