Walter Industries, Inc.

Davenport Coal Conference

NYSE: WLT

May 21, 2008




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, including expressions such as “believe,” “anticipate,” “expect,” “estimate,” “intend,” “may,” “will,” and similar expressions involve known and unknown risks, uncertainties, and other factors that may cause the Company's actual results in future periods to differ materially from the expectations expressed or implied by such forward-looking statements. These factors include, among others, the following: the market demand for the Company's products as well as changes in costs and the availability of raw material, labor, equipment and transportation; changes in weather and geologic conditions; changes in extraction costs, pricing and our assumptions and projections concerning our reserves in the Company's mining operations; changes in customer orders; pricing actions by the Company's competitors, customers, suppliers and contractors; changes in governmental policies and laws; changes in the mortgage-backed capital markets; changes in general economic conditions; and the successful implementation and anticipated timing of any strategic actions and objectives that may be pursued, including our announced separation of the Financing and Homebuilding business from the Company. Forward-looking statements made by the Company in this release, or elsewhere, speak only as of the date on which the statements were made. Any forward-looking statements should be considered in context with the various disclosures made by us about our businesses, including the Risk Factors described in our 2007 Annual Report on Form 10-K and our other filings with the Securities and Exchange Commission. The Company disclaims any duty to update its forward-looking statements as of any future date.




Overview

Walter Industries, Inc.

A leading producer of seaborne metallurgical coal for the global steel industry. Company also produces steam coal, coal bed methane gas, metallurgical coke and other related products.

- 5.8 million tons of high-quality, low and mid vol metallurgical coal produced in 2007; annual production capacity increasing to 9 million tons in 2009
- 69 percent of operating income derived from metallurgical coal in 2007; increasing to over 85 percent in 2008
- Produces 800,000 tons of high-quality steam coal
- Produces approximately 420,000 tons of metallurgical coke
- Natural gas operation produces approximately 7 billion cubic feet annually

Walter Industries also operates a mortgage financing and an affordable homebuilding business. The Company has announced plans to separate these businesses from Walter Industries in 2008, positioning the Company as a pure-play natural resources and energy company.

Strategic Initiatives

To continue its track record of maximizing shareholder value, WLT is focused on:

- Continuing to deliver premium pricing on high quality metallurgical coal
- Delivering significant organic growth in metallurgical coal production that begins in 2008
  - JWR production expected to increase from 5.8 million tons in 2007 to 8.7 – 9.1 million tons in 2010
- Improving Natural Resources' size, scale and diversity
  - Expansion of reserve base being evaluated
  - Bolt-on acquisitions and development of United Land coal deposits
- Delivering high margins on metallurgical coke in Sloss' operation
- Completing separation of Financing and Homebuilding businesses in 2008




Recent Highlights

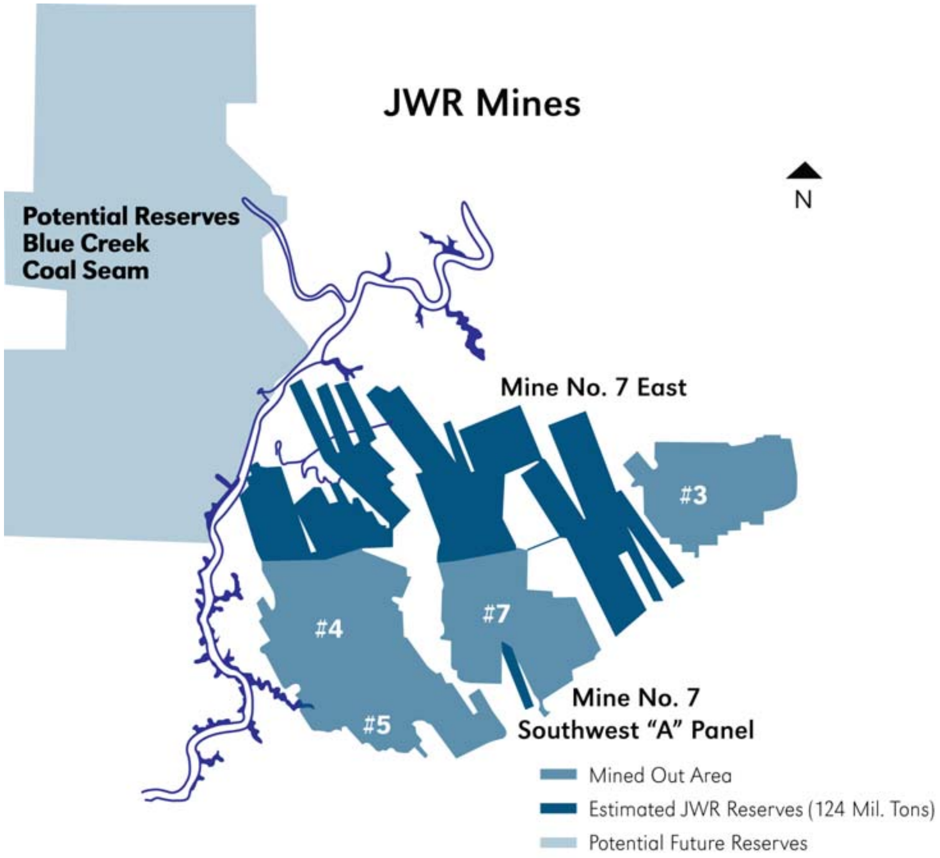
- Price
  - Recently announced record pricing in excess of $315 per metric ton FOB port on 2.0 million metric tons of 2008-2009 metallurgical coal contracts
    - Remaining 1.1 million metric tons expected to settle at similar prices
- Production
  - Expansion plans are on track to realize high-quality metallurgical coal production capacity increases of 20 percent in 2008 and 50 percent in 2009 (versus 2007 output)
- Pure Play
  - Recent strategic actions help facilitate planned separation of Financing and Homebuilding businesses from Walter Industries
    - Walter Mortgage Company exits loan origination business
    - Amended Corporate Credit Agreement pre-approves separation




Jim Walter Resources - Overview

- A leading low-vol and mid-vol producer of export metallurgical coal
- Currently operates two deep underground mines in Central Alabama’s Blue Creek coal seam; recognized among the highest quality coking coals globally
- Marketing strategy
  - Strategic business areas – South America and Europe
  - Use transportation advantages to sell into strategic geographic areas
  - Capitalize on supply – demand imbalance with expanded production
- Highly profitable business
  - Consistently achieves upper end of global met coal pricing
  - Generates industry leading operating and EBITDA margins
- Focused on growth and diversification of production
  - Executing organic growth strategy with Mine No. 7’s Southwest “A” panel and East expansion
  - Evaluating additional organic growth and acquisition opportunities

Metallurgical Coal Reserve Base



Note: Currently operates Mine Nos 4 and 7; Mine No. 3 completed production in 1999
Mine No. 5 completed production in 2006

- Current JWR footprint adequate to support 18 to 20 years of production
- Potential additional Blue Creek Coal reserves could significantly add to existing base




High-Quality Blue Creek Coal

- High coke strength

  CSR: No. 4 Mine – 64; No. 7 Mine - 68

- High BTU content

  14,150 BTU/lb.

- Low sulfur

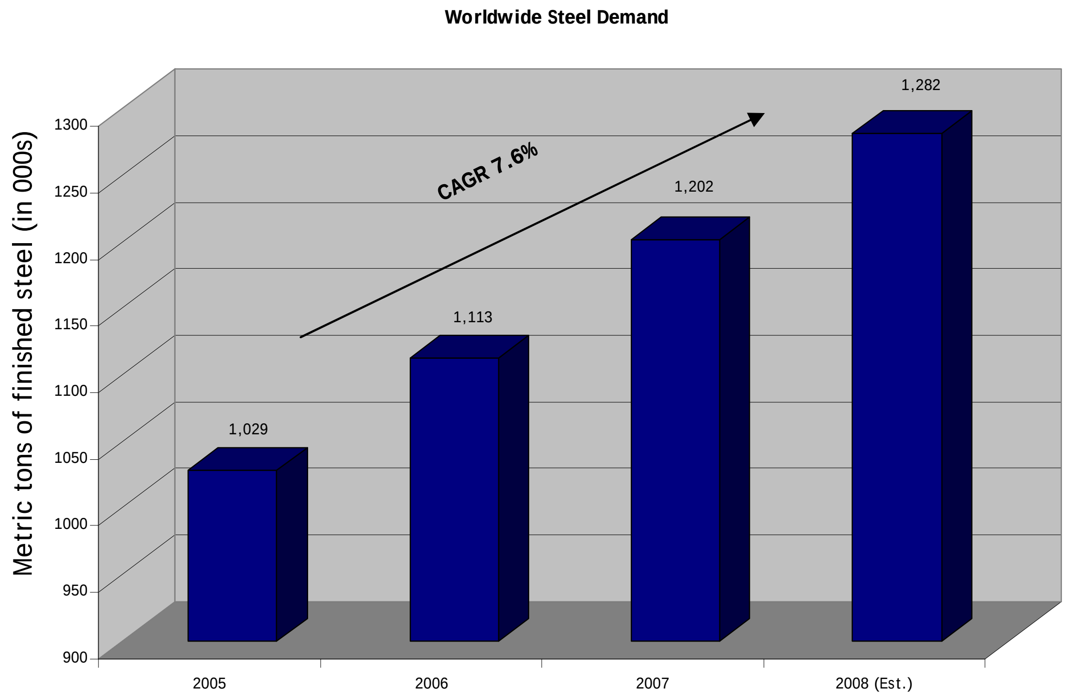
  .65 - .80

- Low expansion characteristics
- High fluidity in relation to volatile content
- Single Seam

Excellent high-quality base coal in metallurgical coke production

Global Demand For Metallurgical Coal

- Growth in BRIC continuing to fuel demand increases – 11.1 percent in 2008 and 10.3 percent in 2009
- Brazilian demand expected to increase from strong growth in automotive, construction and engineering sectors
- Growth in Europe expected from continued replacement of supply
- Russian demand expected to grow, led by energy and construction sectors
- China steel use expected to grow by 11.5 percent in 2008 and 10.0 percent in 2009; accounting for 35 percent of the world's total



Source: International Iron and Steel Institute

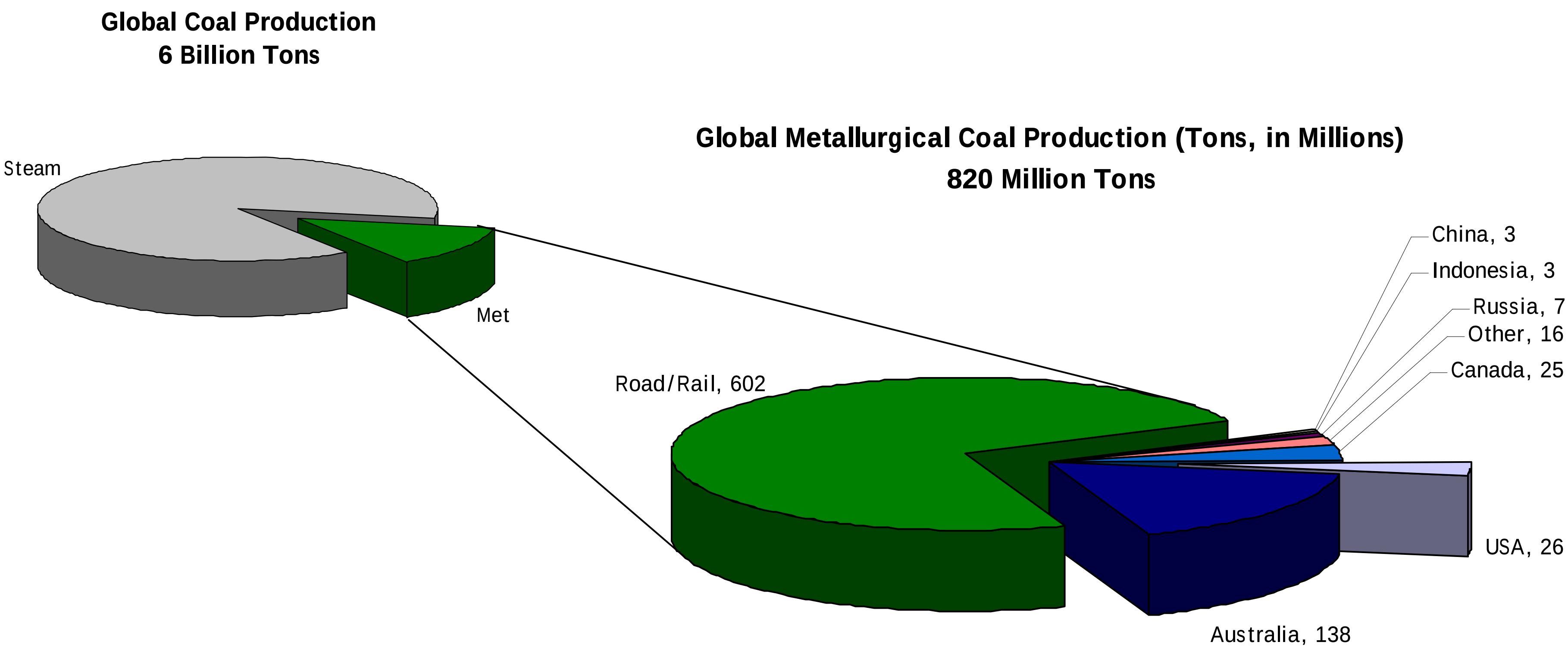
Demand for Jim Walter Resources' metallurgical coal is driven by continued increases in global steel production

Global Supply of Metallurgical Coal

- **Supply constraints continue to impact the market**
  - Impact of floods and continued port congestion in Australia
  - Mismatch between rail throughput and port capacity increases in Australia (12 month lag)
  - Volume and quality issues in Eastern European met coal producing countries
  - Certain low-vol mines in U.S. producing below normal levels
- **Ocean-going freight rates continue at historically high levels**
  - Year-over-year rates up over 100 percent on average
  - U.S. coal more competitive on delivered basis into Europe and South America

Jim Walter Resources benefits from continued supply constraints

Worldwide Coal Production



Seaborne met coal – 218 Million Tons

Source: Macquarie Research, Company Information

Walter Industries' portion of U.S. seaborne metallurgical coal production totaled 5.8 million tons in 2007; expected to grow to 8.7 – 9.1 million tons of rated annual capacity in 2009




Growing Capacity in a Fragmented Market

Company	2007 Hard Coking Coal Production (tons, in millions)
BHP Billiton	50.0
Teck Cominco	19.0
Xstrata	12.0
Anglo American	11.0
Alpha	10.9
Peabody Energy	9.0
Rio Tinto	7.0
Walter Industries	**5.8**
YakutUgol	4.0
Massey Energy	4.0
CONSOL	3.4

Source: Industry Reports & Company Estimates

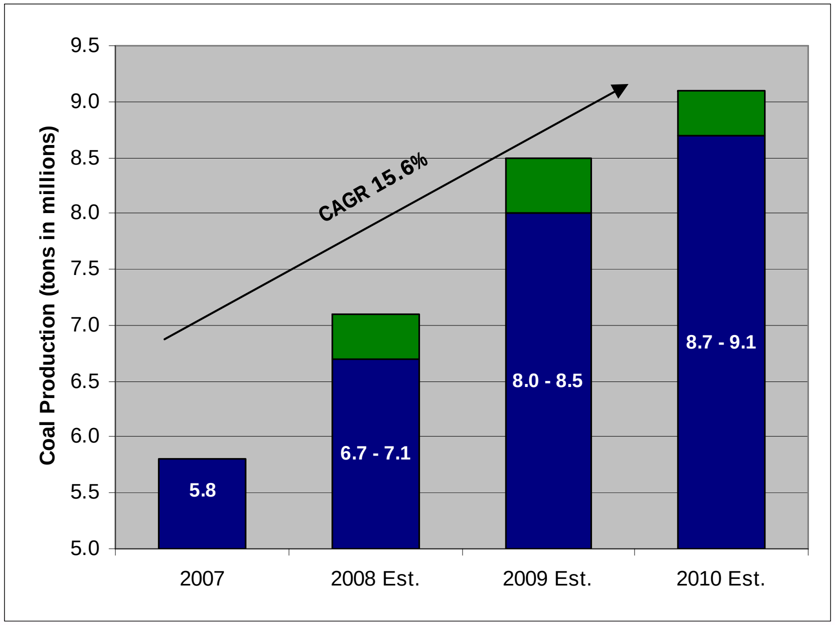
Growing to 8.7 - 9.1 million tons in 2010

Walter Industries represents the only essentially pure metallurgical coal growth opportunity in the industry

JWR Metallurgical Coal Production Outlook

2008 **2009** **2010**

- Mine No. 7 Southwest "A" panel to be completed; 3 incremental CM units added
- Longwall production at Mine No. 7 East to begin
- First full-year of production for Mine No. 7 East



- $134 million in capital expenditures spent to date on Mine No. 7 East expansion; approximately $41 million remaining
- Mine 7 East longwall production expected to begin late first quarter – early second quarter 2009

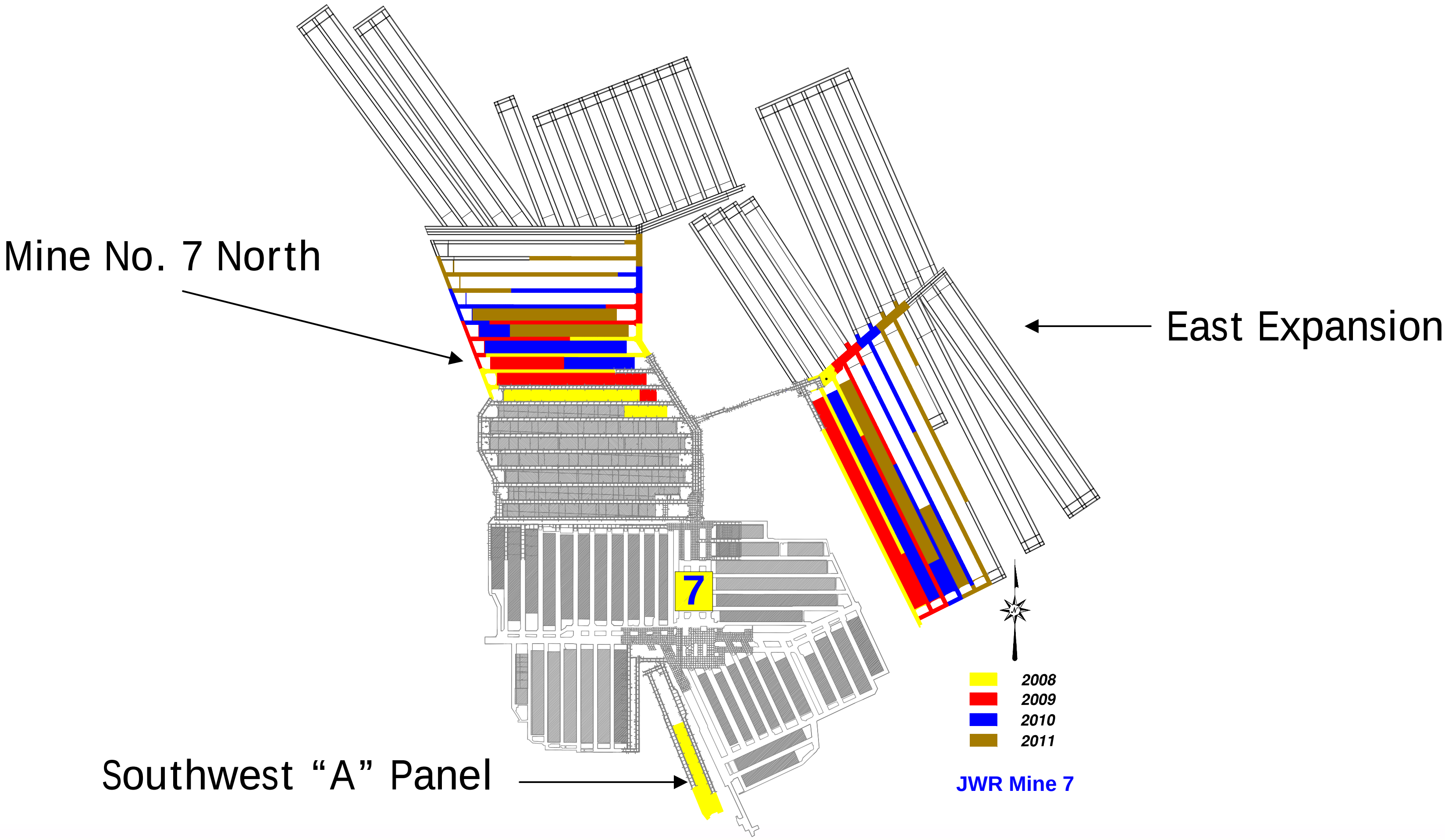



Mine No. 7 East Expansion

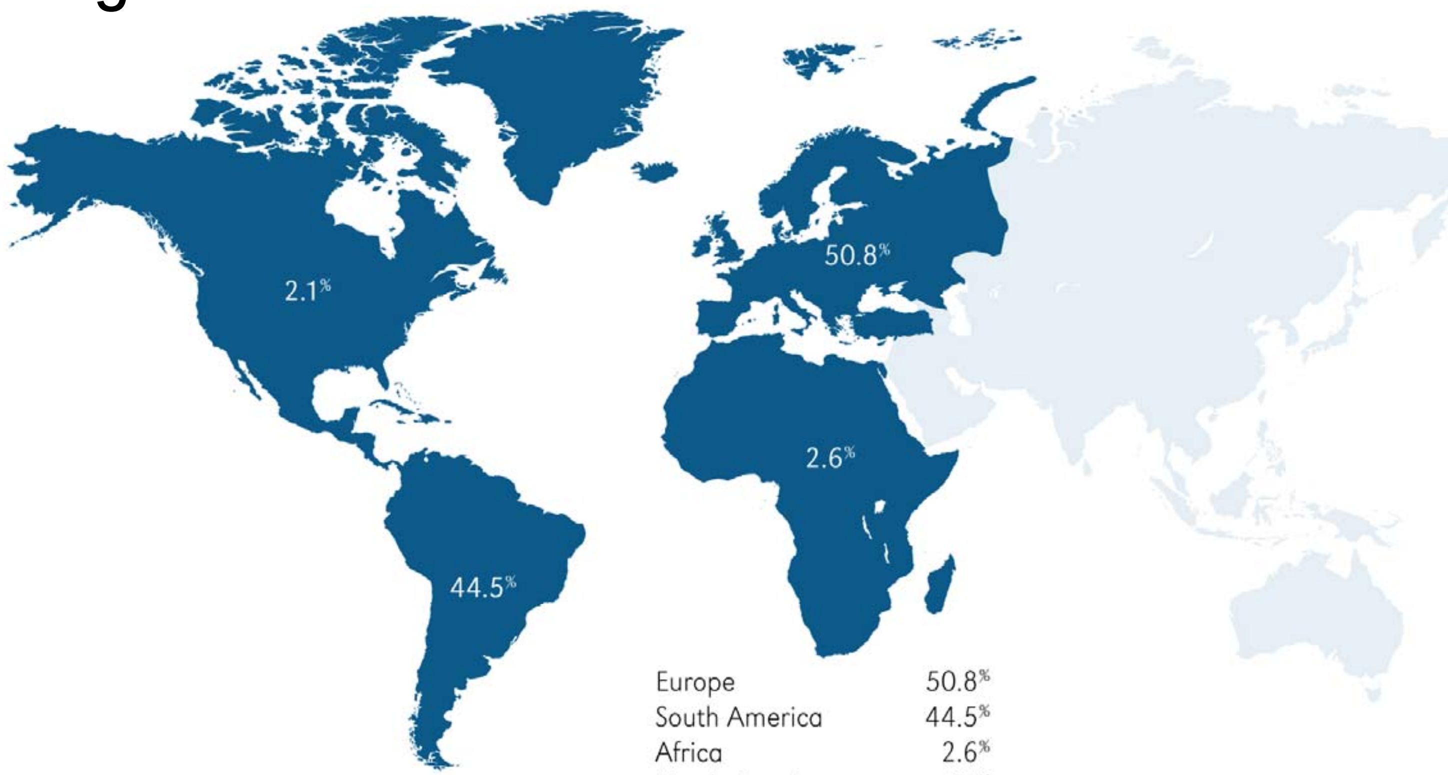
Completed	
✓	Drivage Through East Faults
✓	Production Shaft
✓	Fan Shaft
✓	Mine No. 5 Preparation Plant Upgrade
May 2008	5½ Mile Overland Belt
May 2008	Expanded Underground Bunker
August 2008	Intake/Service Shaft
August 2008	New Bath House/Mine Office Facility
Q1/Q2 2009	Section Development to be Complete; Longwall to Start up




JWR No. 7 Mine Projected Mining Plan



Strategic Business Areas – South America and Europe



Europe	50.8%
South America	44.5%
Africa	2.6%
North America	2.1%
	100.0%

Metallurgical coal sales volumes - as of Dec. 31, 2007

Transportation advantages to South America and Europe

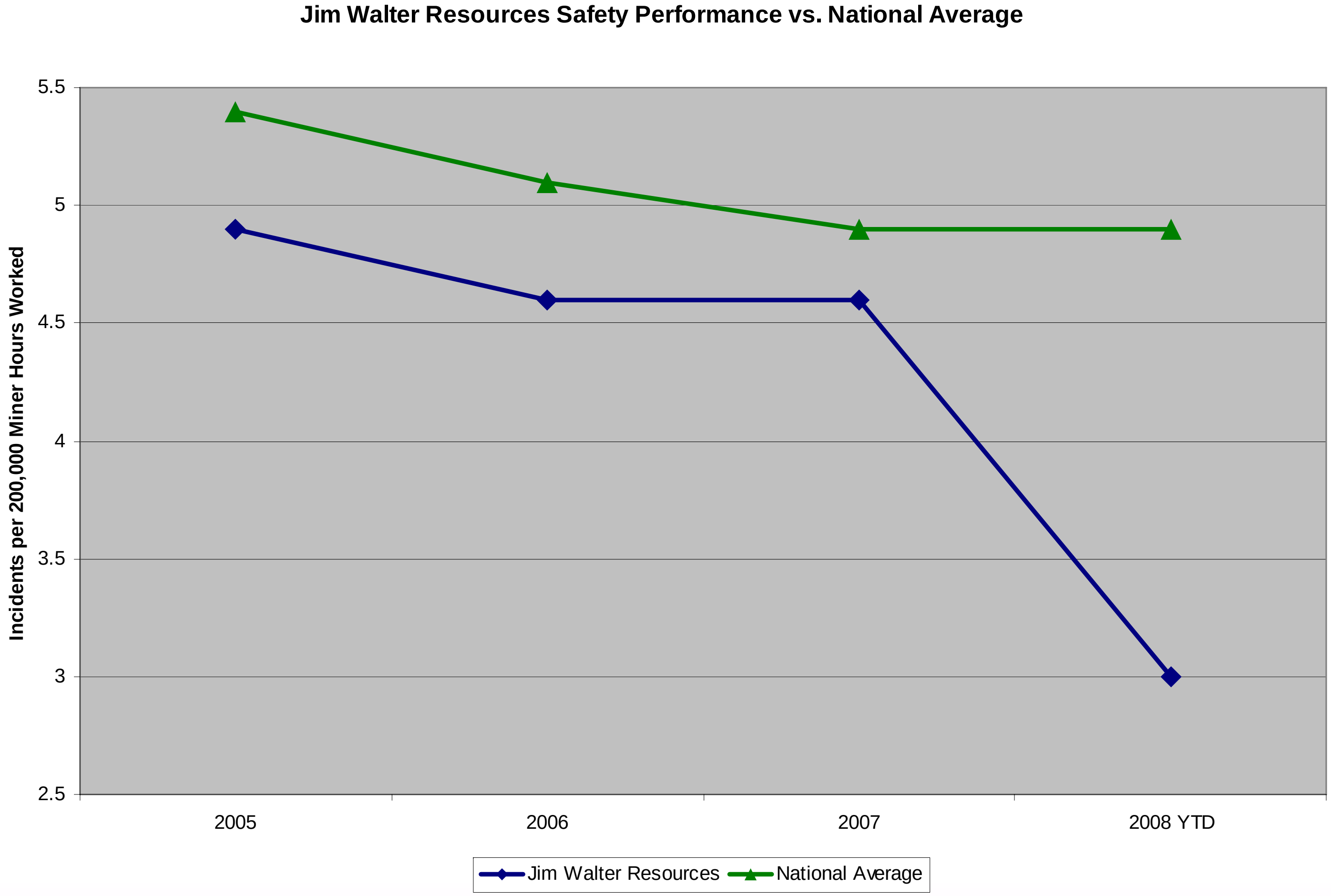



Transportation

- Export metallurgical coal
  - Proximity versus other U.S. producers from mines to port
  - Proximity over Australian and Canadian producers to customers in South America and Europe
- Steam coal
  - Advantages in nearby Southeastern states on a delivered basis

- Transportation alternatives
  - Port of Mobile
    - McDuffie terminal expansion to be complete in August 2008
  - Dedicated railcars from mines to port
  - United Land barge load out facility
    - Provides alternative to rail
    - Annual capacity - up to 4 million tons
  - Currently evaluating additional options

Outstanding Safety Performance






Sloss Industries Overview

- Record earnings in the first quarter 2008
- Coke prices at all time highs and continuing to strengthen
- 95 percent of 2009 volumes unpriced
- Produces in excess of 400,000 tons of furnace and foundry coke annually

Natural Gas Overview

- Joint venture with El Paso Production Co.
- Pricing – 2008 pricing expected to average $8.79 per million cubic feet
- Production – expected to total 6.8 – 7.2 billion cubic feet in 2008 (JWR share)
- Low capital requirements
- Highly profitable, stable free cash generator
- Evaluating options to increase gas production




United Land Corporation Overview

- United Land Corporation holds Walter Industries' surface mining operations and assets - Tuscaloosa Resources, Inc. ("TRI") and Kodiak Mining joint venture
- Controls coal reserves and deposits totaling approximately 22 million tons
- Significant potential for expansion of royalty/equity positions in coal and natural gas wells
- TRI production expected to total 0.8 million tons in 2008
- Kodiak productivity improving; selling into the export metallurgical coal market
- United Land owns and operates a barge load out facility near JWR's mines (4 million tons of annual capacity); also owns rail load out facility




Financing and Homebuilding Overview

Financing

- Services $1.8 billion sub-prime mortgage portfolio
  - Mortgage-backed debt is non-recourse
- Strong delinquency and loss performance (Delinquencies were 3.63 percent at March 31)
- ARM exposure of approximately 2 percent of total portfolio
- Strong and consistent profitability

Homebuilding

- A leading on-your-lot homebuilder with highly-recognized brand name and strong distribution network
- Recent restructuring
  - Closed 36 underperforming branches
  - Transitioned business model to FHA and third party mortgage financing

Financing & Homebuilding Strategy

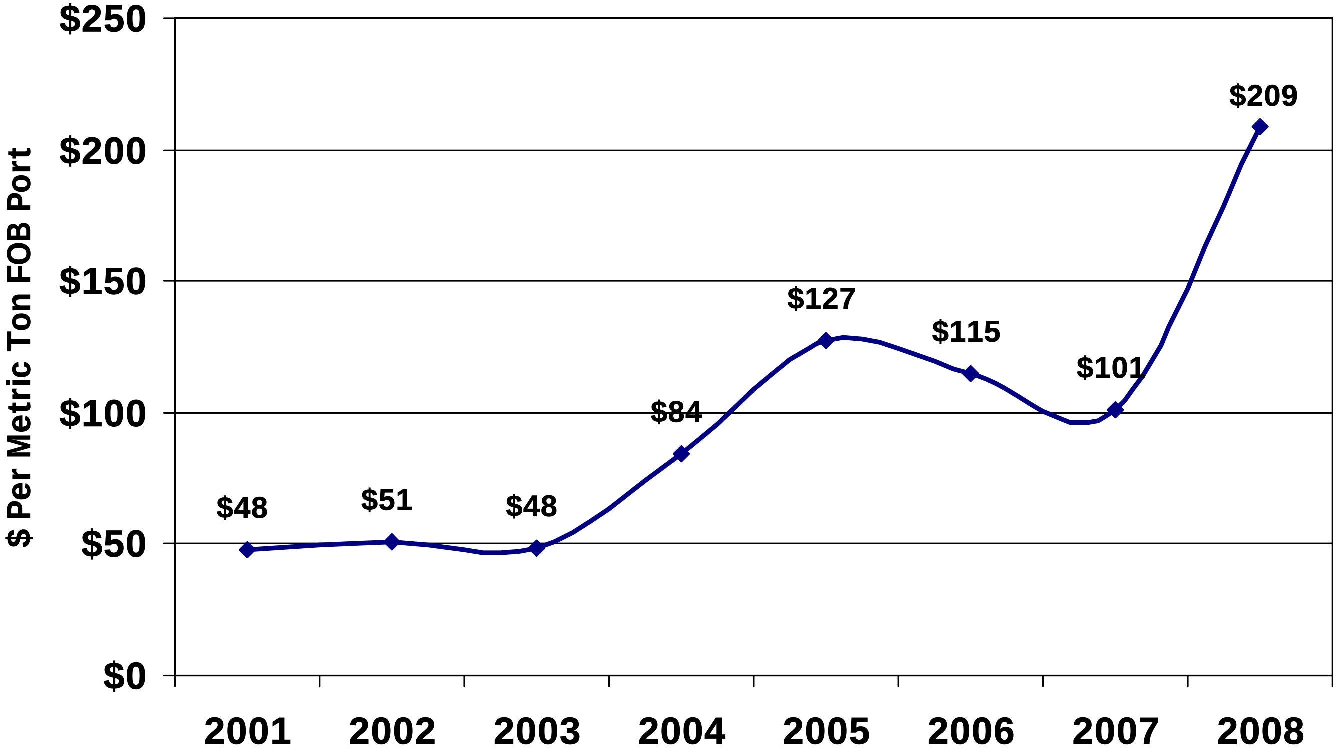
- Company amends credit agreement
  - Credit revolver increased by $250 million
  - Refinances Trust IX and Trust IV mortgage warehouses
  - Company to cease securitization
    - No longer reliant on availability of mortgage warehouses or asset backed securitization markets
  - Amendment pre-approves separation
- Walter Mortgage Company exits loan origination business; Homebuilding shifts to FHA lender model
- Tracking backlog of 900 homes left to be financed
  - Discount recorded in first quarter expected to continue while seller-financed backlog is completed
- Separation from Walter Industries expected by end of 2008

Why Invest in Walter Industries?

- High-quality, high-margin metallurgical coal
- Greatest leverage for metallurgical coal growth opportunities
- Track record for maximizing value for shareholders
- Valuation disconnect
- Strategic direction

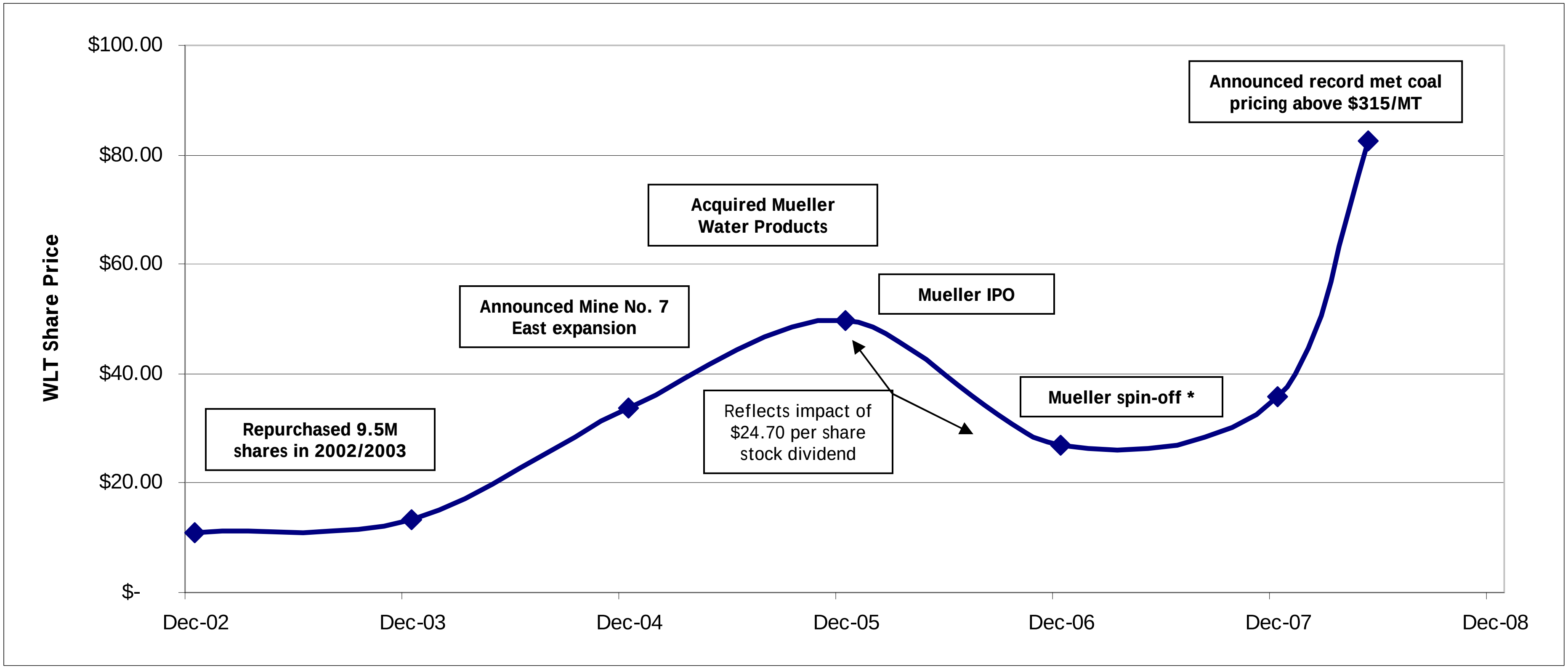
Jim Walter Resources Met Coal Pricing



2008 represents the blended price of 2008 – 2009 contract settlements to date ranging from $135 to over $315 per metric ton FOB Port.

Macquarie Research forecasting hard coking coal prices in excess of $280 per metric ton (FOB) through 2010

Track record of maximizing value for shareholders



*** Mueller Water Products spin-off equated to a $1.4 billion tax-free stock dividend to Walter shareholders ($24.70 per share) in Dec. 2006.**

Demonstrated ability to consistently drive significant value creation




Comparable Company Statistics

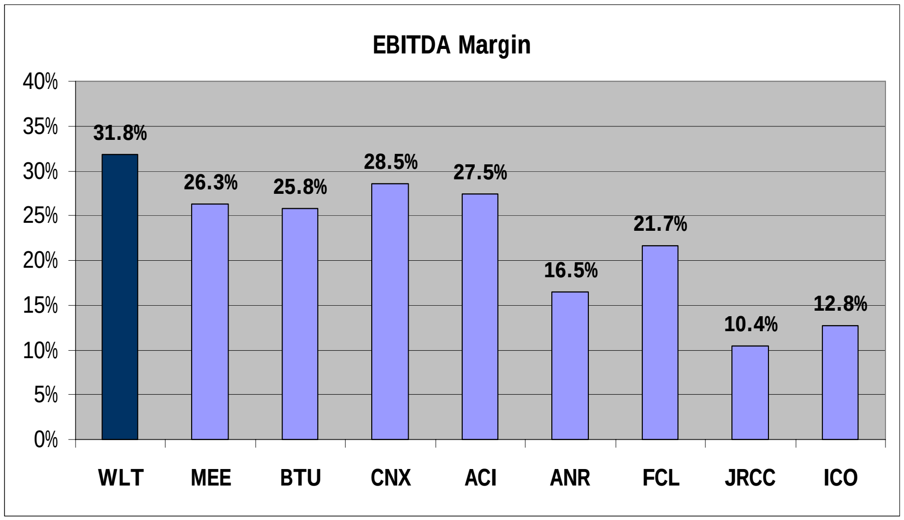
($ in millions, except per share amounts)

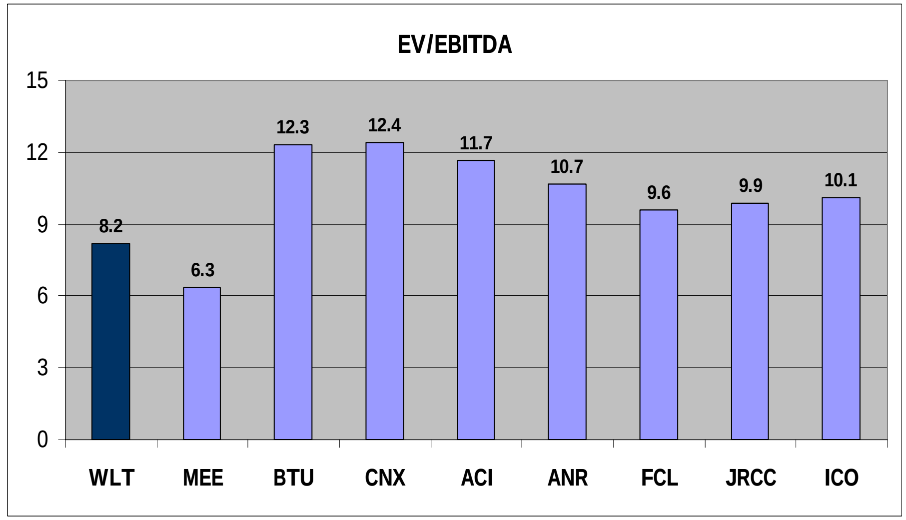
	Price 5/6/2008	Equity Value	Agg. Value	P/E (1) 2009E	AV/EBITDA (1) 2009E
Small Cap/CAPP					
Walter Industries	$ 82.56	$ 4,286	$ 4,741	8.4x	4.6x
Massey Energy	58.20	4,688	5,402	14.6x	7.3x
Alpha Natural Resources	57.61	3,789	4,172	15.1x	7.1x
Patriot Coal	76.50	2,033	2,056	24.4x	9.0x
International Coal Group	9.09	1,391	1,748	13.8x	6.1x
James River Coal	28.68	726	910	NM	6.4x
Large-Mid Cap - Diversified					
Peabody	65.81	17,835	21,116	15.0x	9.4x
CONSOL Energy	91.60	16,738	17,636	14.4x	7.8x
CONSOL Coal (Implied)	NM	11,571	12,295	12.9x	7.0x
Arch Coal	63.79	9,183	10,619	14.5x	8.5x
Foundation Coal	62.76	2,834	3,411	16.3x	6.5x
	Sector Median			14.5x	7.1x
	Sector Mean			14.9x	7.2x
	CAPP Median			14.6x	6.7x
	CAPP Mean			15.3x	6.7x

(1) I/B/E/S Consensus Estimates

Source: Morgan Stanley

Valuation Disconnect





EBITDA and EBITDA margin data based on 2008 I/B/E/S estimates; WLT includes Financing & Homebuilding businesses
Source: ThomsonReuters, May 6, 2008




Strategic Direction

- Natural Resources
  - Executing organic growth initiatives (Mine No. 7 East)
  - Evaluating additional acquisitions and investments that:
    - Leverage Jim Walter Resources’ met coal and global marketing expertise
    - Enhance pure-play met coal position
    - Are accretive to earnings, cash flow and shareholder value
- Financing & Homebuilding
  - Separation expected to be finalized by year end

Appendix




2008 Expectations

Metallurgical Coal Sales Outlook (1)	**Q1A**	**Q2E**	**Q3E**	**Q4E**
Tons Sold (short tons, in millions)	1.5	1.6 - 1.7	1.8 - 1.9	2.0 - 2.1
Average Operating Margin Per Ton	$8	$20 - $21	$75 - $81	$90 - $96

Coke Sales Outlook	**Q1A**	**Q2E**	**Q3E**	**Q4E**
Tons Sold	104,024	100,000 - 108,000	103,000 - 109,000	103,000- 109,000
Average Operating Margin Per Ton	$182	$125 - $145	$140 - $165	$140 - $165

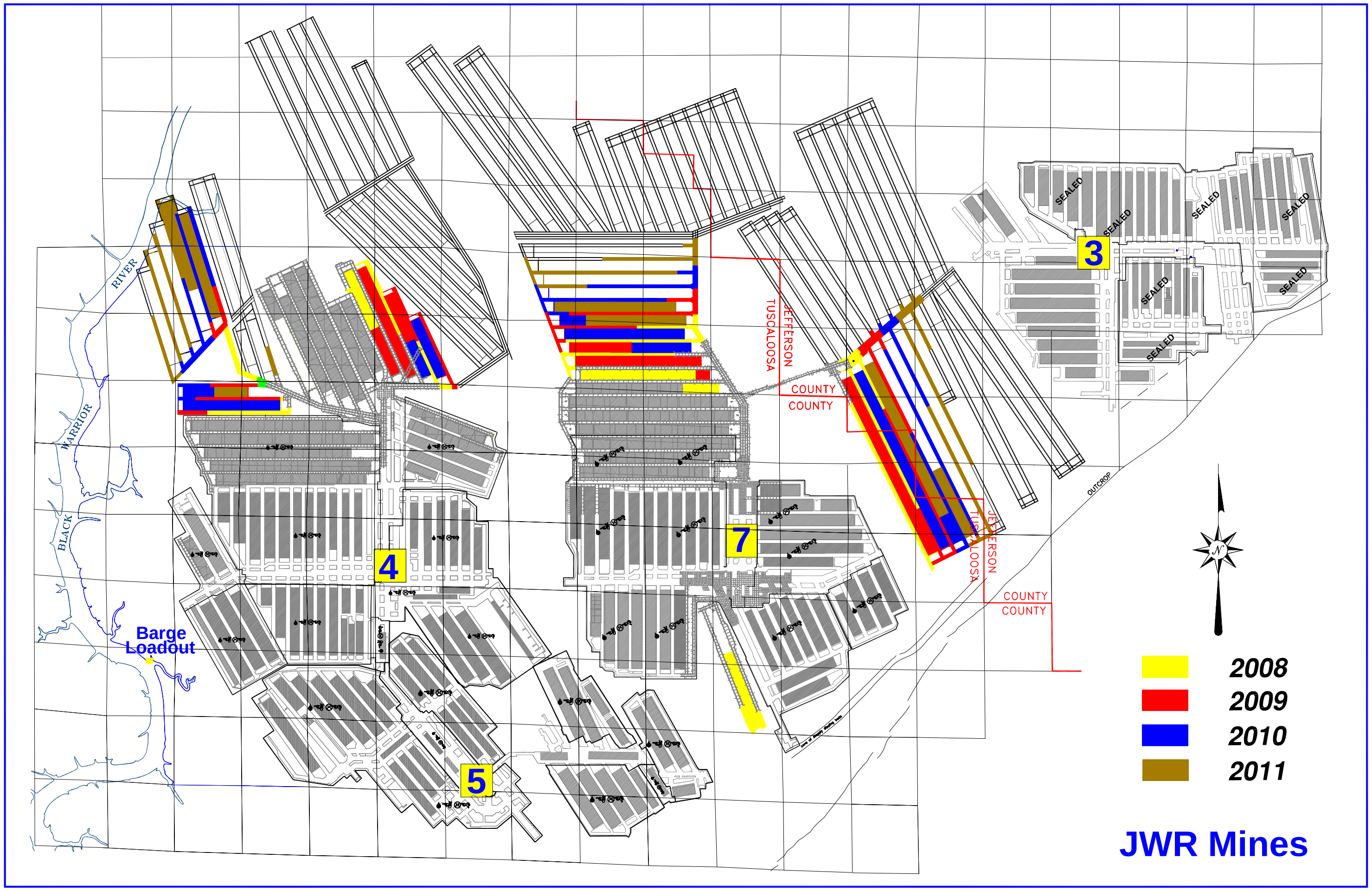
(1) *Quarter-to-quarter variability in timing, availability & pricing of shipments may result in significant shifts in income between quarters.*




2008 Expectations

- Met coal sales expected to total 6.9 – 7.2 million tons
- Met coal pricing reflects blend of 2007 – 2008 rollover contracts at $101 per metric ton FOB Port, 2008 – 2009 contracts at approximately $135 per ton and 2008 – 2009 contracts at prices exceeding $315 per ton
- Met coal production expected to total 6.7 – 7.1 million tons
- Met coal production costs expected to average $45 to $50 per ton
- Demurrage
  - Costs expected to continue at current levels in the second quarter but decline in second half as more No. 7 coal becomes available, the port expansion is completed and negotiated demurrage caps are implemented
- Transportation and loading costs
  - $13 - $14 per ton
- Royalties
  - 5 – 5.5 percent of revenues
- Natural Gas
  - Production expected between 6.8 and 7.2 billion cubic feet
  - Pricing expectations of $8.79 per million cubic feet based on existing hedges and projected pricing
- Corporate interest expense will increase, reflecting the increase in the Revolver per the amended Credit Agreement; however, Financing’s interest expense will be lower, reflecting repayment of the warehouse facilities
- Increased discount at Homebuilding expected to continue through build out of seller-financed mortgages (approximately 900 units)
- Tax rate expected to be between 32 and 34 percent
- Capital expenditures expected to total $140 - $150 million in 2008, then decrease once the Mine 7 East expansion is completed

JWR Mines Projected Mining Plan



Why is Walter's Financing & Homebuilding Business Different?

Walter Mortgage Company

- 98% fixed rate mortgage portfolio
- No hybrid or exotic loan structures
- Low and steady delinquency rates
- Low level of defaults, foreclosures and REOs
- High-touch servicing platform

Versus

Sub-prime Mortgage Market

- Significant ARM exposure; reset risk
- Interest only; no docs; 110%+ LTVs
- High and escalating delinquency rates
- Increasing levels of defaults, foreclosures and REOs
- Remote, phone-bank based servicing platform

Jim Walter Homes

- No land holdings; on-your-lot builder
- No spec building; contract only
- Low capital base

Traditional Homebuilders

- Extensive land holdings; valuation exposure
- Spec building; high cancellations
- High capital requirements