

NEWS BULLETIN

FROM:

**FINANCIAL
RELATIONS BOARD**

RE: **Headwaters Incorporated**
10653 South River Front Parkway, Suite 300
South Jordan, UT 84095
(801) 984-9400
NYSE: HW

FOR FURTHER INFORMATION

AT THE COMPANY:

Sharon Madden
Director of Investor Relations
(801) 984-9400

AT FINANCIAL RELATIONS BOARD:

Tricia Ross
Analyst Contact
(617) 520-7064

FOR IMMEDIATE RELEASE:

September 21, 2005

HEADWATERS INCORPORATED TURNS OVER FEASIBILITY STUDY TO PRESIDENT ARROYO OF THE PHILIPPINES ON ITS DIRECT COAL LIQUEFACTION STUDY

SOUTH JORDAN, UTAH, September 21, 2005 (NYSE: HW) – HEADWATERS INCORPORATED, announced today that its wholly-owned subsidiary, Headwaters Technology Innovation Group (“HTIG”), delivered its feasibility study to Philippine President Gloria Arroyo in regards to its agreement with the Philippine Department of Energy to development coal-to-liquids projects in that country. The study concluded that it will be both technically and economically feasible to move forward in promoting coal liquefaction projects in the Philippines. The project is slated to produce up to 60,000 barrels per day of clean burning fuel at an estimated capital cost of \$2.8 billion.

The proposed plant is a hybrid plant which consists of a direct coal liquefaction unit (DCL), a coal gasification and syngas cleaning unit, a Fischer Tropsch synthesis unit (FT) and a power block. DCL and FT units will each produce about 30,000 barrels per day of liquid fuels. These products will be blended together with minimum downstream refining to meet the required fuel specifications.

The facility will produce approximately 15% of Philippine’s transportation fuel needs, resulting in estimated annual fuel cost savings of \$3.2 billion.

HTIG is the inventor and owner of the HTI Coal Process for Direct Coal Liquefaction (“DCL”) and has developed proprietary Fischer Tropsch synthesis catalyst technology. HTI’s DCL technology is currently being evaluated by Oil India Limited, and was selected and licensed by Shenhua Group Corporation of China for a 50,000 barrels-per-day project in Inner Mongolia, currently under construction. Also, its FT technology will be further developed by the end of 2006 through the demonstration project with UK RACE.

H&WB Corp. of the Philippines is planning to move forward on the hybrid plant project by

initiating financing for the next phase in which selected Philippine coals will be tested at HTIG to collect design data for the development of the front end engineering package. HTIG intends to sign a license agreement with H&WB prior to the starting of the Phase II program.

About Headwaters Incorporated

Headwaters Incorporated is a world leader in creating value through innovative advancements in the utilization of natural resources. Headwaters is a diversified growth company providing products, technologies and services to the energy, construction and home improvement industries. Through its alternative energy, coal combustion products, and building materials businesses, the Company earns a growing revenue stream that provides the capital needed to expand and acquire synergistic new business opportunities.

Forward Looking Statements

Certain statements contained in this report are forward-looking statements within the meaning of federal securities laws and Headwaters intends that such forward-looking statements be subject to the safe-harbor created thereby.

Forward-looking statements include Headwaters' expectations as to the managing and marketing of coal combustion products, the production and marketing of building materials and products, the licensing of technology and chemical sales to alternative fuel facilities, the receipt of product sales, license fees and royalty revenues, the development, commercialization, and financing of new technologies and other strategic business opportunities and acquisitions, and other information about Headwaters. Such statements that are not purely historical by nature, including those statements regarding Headwaters' future business plans, the operation of facilities, the availability of tax credits, the availability of feedstocks, and the marketability of the coal combustion products, building products, and synthetic fuel, 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 "expects," "anticipates," "targets," "goals," "projects," "believes," "seeks," "estimates," variations of such words, and similar expressions are intended to 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 product, alternative fuel, and building products industries or the economy generally, factors which could cause actual results to differ from expectations stated in forward-looking statements include, among others, the factors described in the captions entitled "Forward-looking Statements" and "Risk Factors" in Item 7 in Headwaters' Annual Report on Form 10-K for the fiscal year ended September 30, 2004, 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 report.

Our internet address is www.headwaters.com. There we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports can be accessed through the investor relations section of our web site.