

# NEWS BULLETIN

**FRB**

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RE: **Headwaters Incorporated**  
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**FOR IMMEDIATE RELEASE:**

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## **HEADWATERS INCORPORATED ANNOUNCES FUEL CELL PARTNERSHIP WITH LEADING CHINESE RESEARCH INSTITUTE**

**SOUTH JORDAN, UTAH, JULY 10, 2003 – HEADWATERS INCORPORATED (NASDAQ: HDWR)**, has announced formation of a fuel cell technology development and commercialization joint venture with the Dalian Institute of Chemical Physics (“DICP”) of the Peoples Republic of China.

Housing three national laboratories for the Chinese Academy of Sciences, the Dalian Institute of Chemical Physics has a similar role to U.S. national laboratories such as Sandia and Argonne. Established for over 50 years, DICP is a world leader in chemical research. With over 1200 research scientists covering a broad range of fields, DICP has developed cutting edge technology in catalysis, molecular reaction dynamics and fuel cells.

Headwaters NanoKinetix (“HNI”), a wholly owned subsidiary of Headwaters, is a leader in nanocatalyst development. With unique technology to control catalyst structure at a molecular level, HNI is working with major chemical and catalyst producers to create high performance catalysts.

The new partnership will develop and plans to market fuel cell nanocatalysts, fuel cell membrane electrode assemblies, fuel cell systems and other related electronic devices. Initial focus will be on direct alcohol fuel cells for portable applications.

The nanocatalysts used in these devices facilitate the conversion of simple alcohol fuels such as methanol to electrical energy. Fuel cells are being developed to power portable electrical devices such as cell phones and laptop computers. Through the combination of HNI expertise in nanocatalysis and DICP’s world-class fuel cell capabilities, the partnership looks to produce small, durable and cost efficient fuel cells.

According to Ray Balee, President of Headwaters NanoKinetix, “By bringing together leaders in nanocatalysis and fuel cell technology, the partnership is well positioned to pursue the

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development of economically viable fuel cells. Mr. Balee credits Dr. Bing Zhou, Vice President and Chief Technology Officer of HNI, for bringing the two institutions together. Dr. Zhou was honored earlier this year by the Chinese Academy of Sciences as one of its “outstanding overseas scholars,” which included an endowment for nanocatalysis developmental work to be done under Dr. Zhou’s direction.

Dr. Gong-Quan Sun, who led the Dalian Institute’s Direct Alcohol Fuel Cell team to its world competitive position, stated, “Our partnership with Headwaters NanoKinetix capitalizes on our strong relationship with Dr. Zhou, joins us with a leader in nanocatalyst development and provides an international showcase for commercialization of the Institute’s world-class fuel cell technologies.”

### ***About Headwaters Incorporated***

*Headwaters Incorporated is a world leader in providing technology and services that maximize the value of fossil fuels. The Company is focused on providing services to energy companies, conversion of fossil fuels into alternative energy products, and generally adding value to energy. Headwaters generates revenue from managing coal combustion products (CCPs) and from licensing its innovative chemical technology to produce an alternative fuel. Through its CCP business and its solid alternative fuels business, 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 document may be deemed to be forward-looking statements under federal securities laws, and Headwaters intends that such forward-looking statements be subject to the safe-harbor created thereby.*

*Such forward-looking statements relate to: (i) the growth of Headwaters' revenues, earnings, or earnings per share; (ii) the expectation that operating results will be higher for the June and September quarters; (iii) the ability of Headwaters to sustain the earnings stream from its alternative fuels, coal combustion products, and other businesses; (iv) the expectation that Headwaters' stock is undervalued or will increase in value in the future; (v) the identification and completion of any future acquisitions and the expectation that the value of such acquisitions will increase; (vi) the commercialization of any technology acquired or developed.*

*Headwaters cautions that these statements are qualified by important factors that could cause actual results to differ materially from those reflected by the forward-looking statements contained herein.*

*Such factors include, but are not limited to: (a) the availability of tax credits to us and our licensees under the tax code; (b) our dependence on licensees to use our technology; (c) collection of payments outstanding; (d) the company's ability to repay its debt and comply with covenants in financing agreements; limitations in the capital available to Headwaters to execute on its business plan, and the cost of that capital; (e) the ability of Headwaters to locate and close on attractive acquisition opportunities; (f) Headwaters' limited operating history with its new business strategy and its ability to sustain and manage its growth under that strategy; and (g) the success Headwaters in replacing and growing its financial performance before its legacy alternative fuels business decline.*

*More information about potential factors which could affect either company's business and financial results is included in Headwaters' Annual Report on Form 10-K for the fiscal year ended Sept. 30, 2002, Quarterly Reports on Form 10-Q, and other periodic filings and prospectuses. All forward-looking statements are based on information available to Headwaters on the date hereof, and Headwaters assumes no obligation to update such statements. Investors and security holders may obtain a free copy of the Annual and Quarterly Reports and other documents filed by Headwaters with the Securities and Exchange Commission at the Commission's Web site at <http://www.sec.gov>. Free copies of Headwaters' Annual Report and other filings with the Commission may also be obtained by directing a request to [smadden@hdwtrs.com](mailto:smadden@hdwtrs.com).*