

NEWS BULLETIN

FROM:

**FINANCIAL
RELATIONS BOARD**

RE: **Headwaters Incorporated**
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DEGUSSA/HEADWATERS PILOT PLANT VALIDATES NEW TECHNOLOGY

SOUTH JORDAN, UTAH, MARCH 9, 2005 – HEADWATERS INCORPORATED (NASDAQ: HDWR) DegussaHeadwaters, a joint venture between Degussa AG, Dusseldorf, Germany, and Headwaters Incorporated, South Jordan, Utah, has successfully integrated its pilot plant for direct synthesis hydrogen peroxide (DSHP) into the pilot plant for manufacturing propylene oxide (PO) using Degussa-Uhde technology. The joint venture thus reached an important milestone in developing and marketing the direct synthesis of H₂O₂. It also marks the first time that propylene oxide has been generated from hydrogen peroxide by means of the DSHP process. DegussaHeadwaters expects to complete its development of the new DSHP process by end of 2006, making the technology commercially available in 2007.

The industrial process for the direct synthesis uses a nanocatalyst developed by Headwaters to react hydrogen (H₂) and oxygen (O₂) to form hydrogen peroxide. “The hydrogen peroxide is produced as a dilute solution in methanol and can be directly converted into propylene oxide in the PO process,” explains Dr. Thomas Haas, general manager of DegussaHeadwaters. Ray Balée, Vice President and General Manager of Headwaters NanoKinetix, says, “Pilot plant performance results demonstrate the value of both our NxCat™ technology and the accomplishments of our innovative nanocatalyst development team.” Headwaters is steadily expanding its catalyst production so that it can provide the nanocatalyst in commercial quantities.

Direct synthesis is expected to provide a highly cost-effective process for the production of H₂O₂ as an intermediate product for chemical synthesis. José Berges, vice president and general manager of New Technologies, in Degussa’s Active Oxygens Business Line, says, “Versus conventional technology, we project that we can reduce our investment cost for integrated H₂O₂ plants by one-third to one-half.” He adds that the customer interest is very strong. This applies, he says, to both the major PO producers as well as to potential new players. In his estimation, the direct synthesis route to H₂O₂ developed by DegussaHeadwaters, combined with the Degussa-Uhde technology for propylene oxide, will greatly reduce the cost of producing propylene oxide in the future. Propylene oxide is a starting material for polyurethane, which is used in applications such as cushions and car seats. While Degussa itself will not produce propylene

oxide commercially, it believes that the new H₂O₂ produced from direct synthesis by the DegussaHeadwaters joint venture offers significant market opportunities. Berges also envisions applications in the chemical synthesis of other major chemicals such as caprolactam, phenol, and epichlorohydrin.

About Degussa AG

Degussa is a multinational corporation consistently aligned to highly profitable specialty chemistry. In fiscal 2003, its 47,000 employees generated sales of €11.4 billion and operating profits (EBIT) of €878 million, making it Germany's third-largest chemical company and the global market leader in specialty chemicals. Innovative products and system solutions enable Degussa to play a valuable and indispensable role in the success of its customers, as summed up by our claim "creating essentials".

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 products 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.

