

FOR IMMEDIATE RELEASE
July 20, 2007

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HEADWATERS INCORPORATED FORMS STRATEGIC PARTNERSHIP WITH SUMITOMO CHEMICAL TO COMMERCIALIZE CARBON NANOSPHERES

SOUTH JORDAN, UT – HEADWATERS INCORPORATED today announced the formation of a strategic partnership with the Sumitomo Chemical Co., Ltd. for the development and commercialization of carbon nanospheres, a new carbon nano-material.

Sumitomo Chemical is one of Japan's leading chemical companies, with over 24,000 employees and global sales for 2006 exceeding \$15 billion. The company offers a diverse range of products in the fields of basic chemicals, petrochemicals, fine chemicals, IT-related chemicals, agricultural chemicals and pharmaceuticals.

The carbon nanospheres (CNS) developed by Headwaters, are a new type of hollow, spherical carbon nano-material with a diameter of less than 100 nanometers. Their unique structure gives them many advantages compared to other carbon nano-materials like carbon nanotubes (CNT)^(*1) and high-performance carbon black (HPCB)^(*2).

1. High conductivity

CNS have a unique graphitized^(*3) multiwalled spherical structure, giving them high electrical conductivity. Therefore, they can be expected to find such applications as antistatic plastic fillers^(*4). In addition, because of its high conductivity, it can be used as an additive in smaller amounts than conventional HPCB, making it possible to take advantage of the intrinsic strength of plastics.

2. Surface modification is possible without compromising strength

Unlike CNT, the surface of CNS can be modified without deteriorating the basic structure of CNS or compromising strength or conductivity. This makes it possible to increase its affinity for all types of plastics, enabling plastics containing a uniform CNS composition to be easily obtained.

3. Simple manufacturing process

Compared with the complex process necessary to manufacture CNT, it is possible to manufacture CNS using a simple and efficient process.

These special characteristics of CNS are expected to open the door to new applications that have until now been unachievable with HPCB and CNT.

Sumitomo Chemical will collaborate with Headwaters to exploit the unique characteristics of CNS to develop applications for this new material. Based on the results of this development, the two companies will work together to launch a commercial business in CNS at the earliest opportunity.

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. The Company, established in 1986 and headquartered in Salt Lake City, UT, has built a leadership position in the synthetic fuel industry by developing a proprietary chemical technology that transforms, coal, coal fines, and coal refuse into a chemically transformed fuel. Since 1999, under the leadership of Kirk A. Benson, Chairman and CEO, Headwaters has grown from a Company that employed approximately 50 people, and reported revenues of \$6.7 million, to a Company with over 4,000 employees and revenues of \$1.12 billion at the end of fiscal 2006.

(Reference)

Table 1 Comparison of CNS with other carbon nano-materials

	CNS	CNT	HPCB
Conductivity	++	++	-
Affinity with Plastic	++	-	+
Mfg. Process	++	-	++

Explanation of Technical Terms:

(*1) Carbon nanotube

A type of carbon nano-material discovered in 1991 by Dr. Sumio Iijima of NEC. Their structure is formed from a graphite sheet (see *3) rolled into an extremely fine cylinder with several nanometers in diameter and hundreds of nanometers to a few microns in length. Recently, other applications are being explored in such areas as field electron emission sources for displays and the storage of gasses such as hydrogen.

(*2) Carbon black

A form of carbon created by the incomplete combustion of natural or hydrocarbon gasses. It is a fine powder with a spherical or chain-like structure. It is used as a filler to strengthen rubber, a pigment for printing ink and other products, a raw material for carbon-based materials, etc.

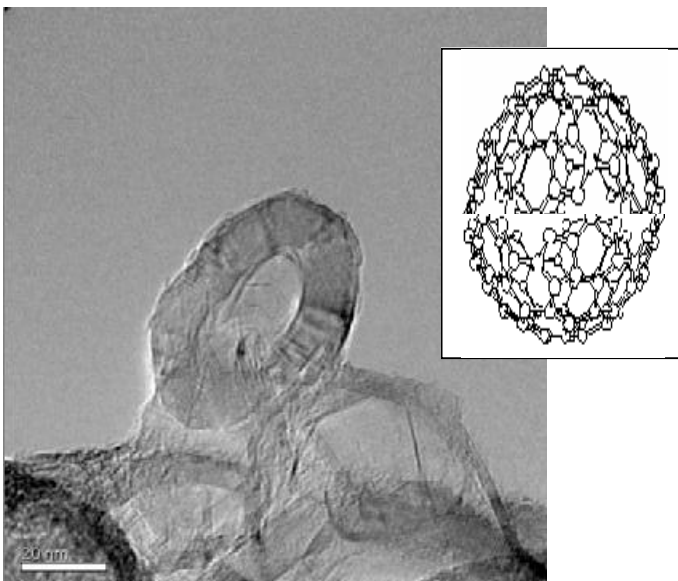
(*3) Graphite / graphitized

Graphite is one of the allotropes of carbon. It is produced naturally, but may also be obtained

by heat-treating amorphous carbon at up to 3000°C. The carbon molecules are arranged in large hexagonal networks stacked on top of one another (graphite sheets). Transforming amorphous carbon into graphite is called graphitization, and carbon will exhibit different properties to the extent it is graphitized.

(*4) Antistatic filler

Because plastic has a high electrical resistance, electrostatic charges can build up on its surface and cause a variety of problems. Giving the plastic a certain amount of conductivity prevents the build up of electrostatic charges, for which there are methods of mixing highly conductive fillers (additives) into plastic. Using a large amount of filler has an impact on the various properties of the plastic.



Carbon Nanosphere Transmission Electron Microscopy Picture (TEM) and Illustration

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, which are subject to tax credit phase out risks, 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 in an environment of high oil prices and potential tax credit phase out, 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, 2006, 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.