

NEWS BULLETIN

FROM:



RE: Headwaters Incorporated

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FOR IMMEDIATE RELEASE:

January 18 , 2011

**HEADWATERS INCORPORATED ANNOUNCES SUCCESSFUL
COMMERCIAL IMPLEMENTATION OF THE HCAT[®] HEAVY
OIL UPGRADING TECHNOLOGY AT THE NESTE OIL
PORVOO REFINERY**

SOUTH JORDAN, UTAH, January 18, 2011 (NYSE: HW) – HEADWATERS INCORPORATED announced today that Neste Oil Corporation's Porvoo Refinery has become the first refinery to commercially implement its HCAT heavy oil upgrading technology. Following a lengthy evaluation of the technology, Neste Oil confirmed their intent to utilize the technology on an on-going commercial basis. The Notice of Intent issued by Neste triggers implementation of the technology commercially and requires that the catalyst used in conjunction with the technology be purchased from HTI, a wholly owned subsidiary of Headwaters.

Headwaters' HCAT technology improves catalytic residue hydrocracking, creating the possibility of higher residue conversion to lighter transportation fuels such as diesel and gasoline. HCAT is a proprietary technology in which a liquid precursor is introduced with the bottom-of-the-barrel residual feedstock, generating a highly active molecular catalyst which improves the performance of existing ebullated bed upgrading units. Process enhancements reported by Neste Oil include higher residue conversion and less fouling of downstream equipment.

"We are pleased to have worked with Headwaters during the HCAT testing period," said Refinery Manager, Miika Eerola. "Neste has used technology to enhance its refining capabilities and HCAT will continue that tradition by improving our processing of heavy oils as we move to the commercialization stage."²

Jeff Gendler, Vice President of sales at HTI, said "Having the Neste Oil facility as a commercial reference has generated interest from around the world in adding HCAT to ebullated bed

upgraders. With more than 500,000 barrels of heavy oil processed in these upgraders every day, and at least 200,000 BPD of additional capacity to be added by 2014, there is a very substantial market for the HCAT additive technology.”

About Headwaters Incorporated

Headwaters Incorporated's vision is to improve sustainability by transforming underutilized resources into valuable products. Headwaters is a diversified growth company providing products, technologies and services to the heavy construction materials, light building products, and energy technology industries. Through its coal combustion products, building products, and energy businesses, the Company earns a revenue stream that helps to provide the capital to fund growth of existing and new business opportunities.

Forward Looking Statements

Certain statements contained in this press release 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 production and marketing of cleaned coal, the licensing of residue hydrocracking technology and catalyst sales to oil refineries, the availability of refined coal tax credits, 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 feedstocks, and the marketability of the coal combustion products, building products, cleaned coal, catalysts, and the availability of tax credits, 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 "may," "should," "intends," "plans," "expects," "anticipates," "targets," "goals," "projects," "believes," "seeks," "estimates," "forecasts," or variations of such words and similar expressions, or the negative of such terms, may help 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 products, building products, and energy industries or the economy generally, factors that could cause actual results to differ from expectations stated in forward-looking statements include, among others, the factors described in the caption entitled "Risk Factors" in Item 1A in Headwaters' Annual Report on Form 10-K for the fiscal year ended September 30, 2010, 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 press release. 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.