

# ***Williams Controls, Inc.***

## **News Release**

**Contact:** Mike Rusk  
Financial Controller

**For Immediate Release**

**Telephone:** (503) 684-8600

### **WILLIAMS CONTROLS REPORTS THIRD QUARTER 2010 RESULTS**

PORTLAND, OR....August 4, 2010....Williams Controls, Inc. (the "Company") (NasdaqGM: WMCO) today announced financial results for its third fiscal quarter ended June 30, 2010.

Net sales for the quarter were \$13,764,000, up 63.0% from sales of \$8,444,000 reported in the third quarter of fiscal 2009. The Company reported net income in the third quarter of fiscal 2010 of \$903,000, or \$0.12 per diluted share, compared to a net loss of \$333,000, or \$0.05 per diluted share, for the corresponding quarter of fiscal 2009.

Sales for the nine months ended June 30, 2010, increased \$9,856,000, or 34.9%, to \$38,122,000 from \$28,266,000 for the comparable period last year. Net income for the nine months ended June 30, 2010 was \$866,000, or \$0.12 per diluted share, compared to net loss of \$2,374,000, or \$0.32 per diluted share, for the nine months ended June 30, 2009.

Included in the nine months of fiscal 2010 results was an after tax charge of approximately \$487,000, or \$0.07 per diluted share, related to the provision recognized in the second quarter for the anticipated settlement of the Cuesta class action lawsuit.

Sales volume increased in essentially all of our principal markets as the industry world-wide continues to recover. The low point of the economic cycle relevant to our operations appears to have occurred during our third fiscal quarter of 2009 and sales have steadily increased since that time. Sales to NAFTA truck customers were up 51% over third quarter fiscal 2009 and up 17% for the first nine months. Sales to European OEM truck customers have seen an

increase of 113% on a quarter over quarter basis and are up 70% year to date. Net sales to our Asian customers were up 47% for the quarter and 73%, for the first nine months primarily due to increased sales volumes of heavy trucks in Korea and heavy trucks and off-road vehicles in China. Third quarter fiscal 2010 world-wide off-road sales have doubled since last year and are up 60% when compared to the first nine months of fiscal 2009. A significant portion of that is from new China off-road customers and US military applications.

Third quarter operating income was \$940,000 compared to an operating loss of \$633,000 in the same quarter of fiscal 2009. For the first nine months of fiscal 2010, operating income was \$675,000 compared to an operating loss of \$3,424,000 in the first nine months of fiscal 2009. For both the quarter and nine months, the improvement of earnings was primarily the result of the overall sales increase from the prior year periods.

Commenting on the third quarter results Patrick W. Cavanagh, Williams Controls' President and Chief Executive Officer stated, "This is the fourth consecutive quarter of improving sales from our low point in the third quarter of last year. While the NAFTA heavy truck build rate is still weak by historical standards, it is improving. The European heavy truck industry has worked off much of its excess inventory and build rates are improving there also. Korea is stronger as that economy improves." He continued "China's build rate for emission compliant engines appears to be increasing, particularly in the off-road markets." He concluded "This quarter we established our manufacturing facility in Pune, India to support our new customers in that market as India moves toward more emission compliant engines."

Williams Controls will hold an investor conference call at 4:15 P.M. Eastern Time on Wednesday, August 4, 2010 to provide an overview of the third quarter of fiscal 2010 financial performance and business highlights. You are invited to listen to the conference call by dialing 1-888-665-2348 (domestic) or 1-706-643-4013 (international). Participants should call prior to the start time to allow for registration. The conference access code is 90297203. An audio

replay will be available by telephone through August 31, 2010. The telephone number to access the replay is 1-800-642-1687 (domestic) and 1-706-645-9291 (international). The access code will be 90297203.

## **ABOUT WILLIAMS CONTROLS**

Williams Controls is a leading global designer and manufacturer of Electronic Throttle Control Systems (“ETCs”) for the heavy truck, bus and off-road markets. Williams Controls is headquartered in Portland, Oregon and employs more than 200 people worldwide at locations in North America, Europe, and Asia. For more information, visit Williams Controls’ website at [www.wmco.com](http://www.wmco.com).

The statements included in this news release concerning predictions of economic performance and management’s plans and objectives constitute forward-looking statements made pursuant to the safe harbor provisions of Section 21E of the Securities Exchange Act of 1934, as amended. These forward looking statements are based on management’s assumptions and projections, and are sometimes identifiable by use of the words, “expect to,” “plan,” “will,” “believe” and words of similar predictive nature. Because management’s assumptions and projections are based on anticipation of future events, you should not place undue emphasis on forward-looking statements. You should anticipate that our actual performance may vary from these projections, and variations may be material and adverse. You should not rely on forward-looking statements in evaluating an investment or prospective investment in our stock, and when reading these statements you should consider the uncertainties and risks that could cause actual results to differ materially from the forward-looking statements. Factors which could cause or contribute to such differences include, but are not limited to, factors detailed in the Company’s Securities and Exchange Commission filings. Some of these factors include our ability to resolve any remaining outstanding issues relating to the Cuesta settlement, the length and severity of any economic downturns affecting the operations of the Company or any of its

business operations, competition, and the Company's ability to attract and retain qualified management and to maintain positive labor relations with our collective bargaining employees, and the ability of the Company to successfully identify and implement any strategic alternatives. The forward-looking statements contained in this press release speak only as of the date hereof and the Company disclaims any intent or obligation to update these forward-looking statements.

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**Williams Controls, Inc.**  
**Unaudited Condensed Consolidated Statements of Operations**  
*(Dollars in thousands, except share and per share amounts)*

	<b>Three months ended 6/30/10 (unaudited)</b>	<b>Three months ended 6/30/09 (unaudited)</b>	<b>Nine months ended 6/30/10 (unaudited)</b>	<b>Nine months ended 6/30/09 (unaudited)</b>
Net sales	\$ 13,764	\$ 8,444	\$ 38,122	\$ 28,266
Cost of sales	9,714	6,536	27,131	22,582
Gross profit	4,050	1,908	10,991	5,684
Research and development expense	1,191	844	3,406	3,000
Selling expense	695	585	2,115	1,866
Administration expense	1,224	1,112	4,020	4,242
Class action provision	-	-	775	-
Operating income (loss)	940	(633)	675	(3,424)
Interest income	(4)	(5)	(11)	(21)
Interest expense	4	4	13	14
Loss on impairment of investments	-	-	-	317
Gain on sale of investments	(441)	-	(441)	-
Other (income) expense, net	9	(1)	(48)	85
Income (loss) before income taxes	1,372	(631)	1,162	(3,819)
Income tax expense (benefit)	469	(298)	296	(1,445)
Net income (loss)	\$ 903	\$ (333)	\$ 866	\$ (2,374)
<b>Earnings per share information:</b>				
<i>Basic –</i>				
Net income (loss) per common share	\$ 0.12	\$ (0.05)	\$ 0.12	\$ (0.32)
Weighted average shares used in per share calculation – basic	7,275,559	7,268,741	7,273,306	7,330,347
<i>Diluted –</i>				
Net income (loss) per common share	\$ 0.12	\$ (0.05)	\$ 0.12	\$ (0.32)
Weighted average shares used in per share calculation –diluted	7,399,032	7,268,741	7,374,225	7,330,347

**Williams Controls, Inc.**  
**Unaudited Condensed Consolidated Balance Sheets**  
*(Dollars in thousands)*

	<b>June 30, 2010 (unaudited)</b>	<b>September 30, 2009 (unaudited)</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 9,841	\$ 9,245
Short-term investments	-	286
Trade accounts receivable, net	8,480	6,677
Other accounts receivable	1,383	1,509
Inventories	6,520	5,539
Deferred income taxes	668	579
Prepaid expenses and other current assets	472	269
Total current assets	27,364	24,104
Property, plant and equipment, net	8,957	8,893
Deferred income taxes	3,067	3,019
Other assets, net	375	368
Total assets	\$ 39,763	\$ 36,384
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities:		
Accounts payable	\$ 4,101	\$ 2,990
Accrued expenses	5,586	4,492
Current portion of employee benefit obligations	225	225
Total current liabilities	9,912	7,707
Long-term Liabilities:		
Employee benefit obligations	8,159	8,297
Other long-term liabilities	305	290
Stockholders' Equity:		
Preferred stock	-	-
Common stock	73	73
Additional paid-in capital	37,214	36,643
Accumulated deficit	(5,910)	(6,776)
Treasury stock	(2,734)	(2,734)
Accumulated other comprehensive loss	(7,256)	(7,116)
Total stockholders' equity	21,387	20,090
Total liabilities and stockholders' equity	\$ 39,763	\$ 36,384