

DEAR FELLOW SHAREHOLDERS



*Patrick Cavanagh,
President and CEO (left)
and Dennis Bunday,
Executive Vice President and CFO.*

For the past 18 months North American truck sales have been severely depressed. Pair that with the country's current economic turmoil, and Williams Controls would not be in as strong a position if not for our disciplined approach to growing and investing in our global business. In fiscal 2008 we continued to increase sales outside North America, making improvements throughout our business to better manage market fluctuations and capitalize on growth opportunities worldwide. Today, Williams Controls is a stronger, more diversified company than at any point in our history.

GLOBAL REACH One of Williams Controls' assets is our global reach. In a cyclical industry like ours, it is normal to see revenue fluctuations linked to emission standards and economic cycles that result in a surge or drop in truck orders. A few years ago, a reduction in NAFTA sales would have had a much greater impact on our business. Today, due to our growing penetration of Asia, Europe and South America, we have continued to expand our global customer base even as North American sales remain depressed.

In fiscal 2008 Williams' business outside North America accounted for more than \$24 million in annual revenues, or 36 percent of our worldwide sales. This represents a 22 percent increase over fiscal 2007 sales and a 104 percent increase since we began our strategic focus on growing internationally four years ago. Since then, our Asia business has consistently achieved double-digit growth. The move to emission-compliant engines in China, Korea, Russia and India accounted for a significant portion of Williams' international revenues in fiscal 2008. In our more mature European markets, sales were up 8 percent year-over-year, while North American truck sales were down 34 percent for the year.

Williams secured several significant contracts in 2008 that will help drive revenue and growth opportunities in the future. Most notably, we won business to support new truck platforms for two of the world's largest global truck manufacturers. This business will provide us with significant future revenue and greater visibility for more opportunities with these customers. We also secured new heavy truck business in Japan, India and Russia, gaining a valuable foothold in the Indian and Russian truck markets. We expect these markets, along with China and South America, to continue to develop in 2009. To support these new opportunities, we are increasing production capability in China in fiscal 2009.

GLOBAL OFFERING A key factor in Williams Controls' growth and stability is the breadth and quality of our global product offering. In 2008 we successfully introduced several new products in each of our market segments, while continuing to invest in innovative technologies to enhance both our pedal and sensor offerings.

Supported by Williams' positions with the world's leading truck manufacturers, electronic pedals for commercial trucks are at the core of our business. In 2008 we continued to solidify our leadership in this segment by developing more innovative pedal and sensor designs, which resulted in new contracts.

In the off-road segment, more than 25 new pedal and sensor designs were developed and launched in 2008. Many of them, like The Rocker Pedal, are highly customizable, making them a great fit for many types of off-road vehicles. Our new hand controls helped us secure contracts with a large off-road equipment manufacturer. All of these products feature Williams' new sensor technology, which became a key growth driver in 2008.

After just two years in the market, Williams has produced well over one million sensors. We currently offer a total of 55 sensor variations for our heavy truck and off-road customers. The quality and durability of our sensor products will continue to drive growth in new and existing markets.

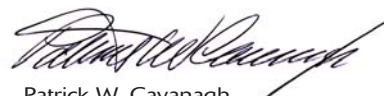
Much of the credit for Williams' ever-expanding mix of innovative products and resulting new contracts can be linked to the work in our Conceptual Development Center. In 2008 we expanded the Center's capabilities by offering leading-edge molding technology, powder coating and fabrication processes, while maintaining our quick turnout of prototypes and pre-production designs. Our continued investment in the Conceptual Development Center has made Williams Controls more competitive, enabling us to more quickly meet the needs of our customers and secure more business.

GLOBAL OPERATIONS In 2008 we continued to implement programs to improve our business and strengthen our global operations. Our entire operation benefited from the application of Six Sigma and quality processes in many functions. Williams' environmental compliance process achieved "best in class" designation during ISO 14001 recertification for our Portland and Suzhou manufacturing plants. We streamlined our product introduction process, with the implementation of Agile development software, which significantly reduced the time it takes to get products to market. Our efforts to improve customer relations were recognized with a "Supplier of Excellence" nomination by one of our largest global customers.

In fiscal 2008 we also achieved significant operational improvements with the implementation of the **DRIVE** employee gainsharing program. The program was launched in January to promote operational improvements in six key performance areas: cost productivity, employee productivity, product quality, on-time delivery and inventory reduction, new product introductions, and safety. Over the course of the year **DRIVE** realized significant productivity, quality and efficiency gains that increased shareholder value and rewarded employees.

Our continuous focus on Williams Controls' global business and operations has put us in solid financial shape and increased the value of our company. For the year, we maintained our gross profit margin in spite of reduced sales and significant price increases on commodities used to manufacture our products. We paid off all our debt, increased shareholder equity to \$26 million, and announced the buy-back of up to \$5 million of shares of Williams Controls' common stock to increase shareholder value.

In today's turbulent environment, our visibility into the future is limited. But we are confident that, by sticking to a disciplined global strategy, we will continue to have the reach, depth and stability necessary to succeed in any environment. I am grateful for the support and contributions of Williams Controls' Board of Directors and for our employees' dedication, creativity and vision in making Williams Controls the leader in our markets.



Patrick W. Cavanagh
President and Chief Executive Officer