

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

## **News Release**

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**For Immediate Release**

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### **WILLIAMS CONTROLS REPORTS FIRST QUARTER 2004 RESULTS**

PORTLAND, OR....February 10, 2004.... Williams Controls, Inc. (OTC: WMCO) today announced results for its 2004 first quarter ended December 31, 2003. Net sales of \$12,538,000 were 4.6% higher than the net sales of \$11,981,000 recorded for the corresponding quarter last year. Net income allocable to common shareholders was \$1,090,000 or \$.03 per diluted share for the first quarter 2004 compared to \$246,000 or \$.01 per diluted share for the corresponding 2003 quarter.

The increase in sales was the direct result of higher unit sales volume in our heavy truck business, which increased \$1,319,000 or 11.8% compared to the same quarter of fiscal 2003. The increase in sales was offset by the elimination of sales related to the passenger car and light truck product lines, which were sold on September 30, 2003. Operating income from continuing operations improved to \$2,079,000 compared to \$722,000 for the same quarter of 2003, due to an increase in gross margin and an overall reduction in operating expenses. Gross margin in the first fiscal quarter improved by 27.9% to \$3,842,000 over the \$3,003,000 recorded in the first quarter of fiscal 2003, primarily due to the higher sales volumes to our heavy truck customers and the elimination of the start-up costs associated with the passenger car and light truck product lines. Operating expenses decreased \$518,000 due to the elimination of our passenger car and light truck product lines, which incurred \$708,000 of operating expenses in the first quarter of 2003. In addition, administrative costs related to legal, accounting and professional fees declined \$108,000 during the first quarter of fiscal 2004 when compared to the same period in the prior

year. These decreases are offset by an increase of \$192,000 of research and development expenses for our heavy truck and transit bus product lines.

Net income allocable to common shareholders increased to \$1,090,000 for the first quarter of fiscal 2004 from \$246,000 in last year's corresponding quarter. Included in fiscal 2004's first quarter income allocable to common shareholders is a loss of \$164,000 from discontinued operations. In fiscal 2003's first quarter the loss from discontinued operations was \$49,000. Interest expense on debt declined to \$21,000 in the first quarter of fiscal 2004 as a significant portion of our bank debt was paid down early in the quarter with the proceeds from the sale of our passenger car and light truck product lines.

Williams Controls' Board Chairman Gene Goodson stated, "there are several positive factors for Williams at this time. The market for heavy trucks in North America appears to be improving, which is evidenced by our increased sales volume during the quarter to our customers in those markets." He continued, "we have concluded the sale of our passenger car and light truck product lines which has eliminated the operating losses we were sustaining from these product lines and has allowed us to focus on our core heavy truck business." Mr. Goodson concluded "financially, we are stronger than we have been in several years and very well positioned to take advantage of opportunities as they arise. With the proceeds from the sale of our passenger car and light truck product lines we have been able to pay down most of our bank debt and pay previously accrued dividends on our Series A-1 Preferred Stock."

## ABOUT WILLIAMS CONTROLS

Williams Controls is a designer, manufacturer and integrator of sensors and controls for the motor vehicle industry. For more information, you can find Williams Controls on the Internet 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, and Section 27A of the Securities 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 Securities and Exchange Commission filings of the Company; economic downturns affecting the operations of the Company or any of its business operations, competition, 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.**  
**Consolidated Statements of Operations**  
(Dollars in thousands, except share and per share amounts)

	<b>Three months ended 12/31/03 (unaudited)</b>	<b>Three months ended 12/31/02 (unaudited)</b>
Net sales	\$ 12,538	\$ 11,981
Cost of sales	8,696	8,978
Gross margin	3,842	3,003
Research and development expense	610	773
Selling expense	274	328
Administration expense	879	1,180
Operating income from continuing operations	2,079	722
Interest expense – Series B Preferred Stock dividends and accretion	769	-
Interest expense - Debt	21	169
Other (income) expense, net	(5)	(91)
Income from continuing operations before income taxes	1,294	644
Income tax expense (benefit)	40	(300)
Net income from continuing operations	1,254	944
Loss from discontinued operations	164	49
Net income	1,090	895
Preferred dividends and accretion for Series B Preferred Stock	-	(649)
Net income allocable to common shareholders	\$ 1,090	\$ 246
<b>Earnings per share information:</b>		
<i>Basic -</i>		
Income per share from continuing operations	\$ 0.06	\$ 0.01
Loss per share from discontinued operations	(0.01)	-
Net income per share allocable to common shareholders	\$ 0.05	\$ 0.01
Weighted common shares outstanding – basic	20,125,492	20,059,835
<i>Diluted -</i>		
Income per share from continuing operations	\$ 0.04	\$ 0.01
Loss per share from discontinued operations	(0.01)	-
Net income per share allocable to common shareholders	\$ 0.03	\$ 0.01
Weighted common shares outstanding –diluted	54,147,843	33,882,562

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

	<b>December 31, 2003 (unaudited)</b>	<b>September 30, 2003 (unaudited)</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,042	\$ 101
Trade accounts receivable, net	6,788	7,015
Other receivables	229	7,185
Inventories, net	3,680	4,053
Prepaid expenses and other current assets	963	330
Net assets held for sale	74	-
Total current assets	12,776	18,684
Property, plant and equipment, net	5,445	5,647
Other assets, net	568	576
Total assets	\$ 18,789	\$ 24,907
<b>Liabilities and Stockholders' Deficit</b>		
Current Liabilities:		
Accounts payable	\$ 3,926	\$ 4,027
Accrued expenses	5,468	8,796
Current portion of long-term debt and capital leases	330	4,658
Total current liabilities	9,724	17,481
Long-term debt and capital lease obligations	319	402
Employee benefit obligations	7,973	8,095
Mandatory redeemable Convertible Series B Preferred Stock, net	16,841	16,072
Shareholders' Deficit:		
Preferred stock (Series A and A-1)	1	1
Common stock	201	201
Additional paid-in capital	22,209	22,224
Accumulated deficit	(32,310)	(33,400)
Treasury Stock	(377)	(377)
Other Comprehensive Loss – Pension liability adjustment	(5,792)	(5,792)
Total shareholders' deficit	(16,068)	(17,143)
Total liabilities and shareholders' deficit	\$ 18,789	\$ 24,907