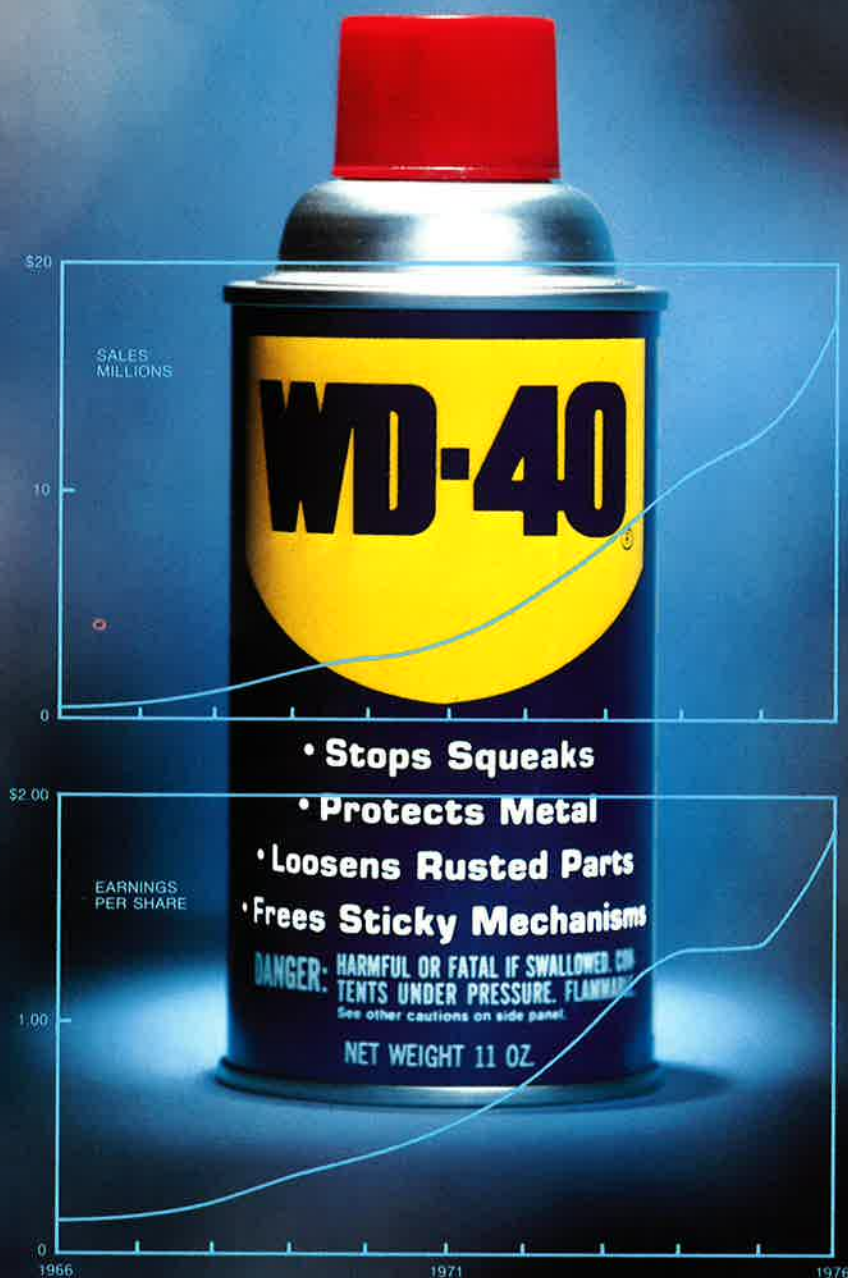


WD-40 COMPANY ANNUAL REPORT 1976

YEAR ENDING AUGUST 31



Highlights of Year Ended August 31, 1976

	<u>1976</u>	<u>1975</u>	<u>% Increase</u>
Net Sales	\$17,339,000	\$12,475,000	38.9%
Income before Taxes.....	\$ 4,721,000	\$ 3,339,000	41.4%
Net Income	\$ 2,253,000	\$ 1,601,000	40.7%
Net Income per Share	\$1.85	\$1.32	
Dividends Paid.....	\$.95	\$.80	
Average No. of Shares Outstanding....	1,217,245	1,217,245	
Shares Outstanding.....	1,217,245	1,217,245	

- Current Ratio: 3.06 to 1
- Receivables to Sales: 13.1%
- Net Income to Net Worth: 53.5%
- Inventories to Sales: 2.7%
- Debt: None
- Sales per Employee: \$642,185

October 25, 1976

TO OUR SHAREHOLDERS:

It is a pleasure to report that for the 15th consecutive year sales and earnings reached record levels. This year's performance is a return to the Company's pre-1975 growth pattern. Sales rose to \$17,339,000, up 38.9% from fiscal 1975. It is significant to note that this represents "real" growth since there were no price changes during either fiscal 1975 or 1976. The professional implementation of an ever-expanding marketing program in a more favorable economic climate must be credited for the attainment of the banner sales.

Earnings reached \$2,253,000, up 40.7% over fiscal 1975. On a per share basis, earnings were \$1.85 versus \$1.32 a year ago. Cash dividends of \$.95 per share were paid during the year and the regular quarterly dividend was raised to \$.25 per share effective July 30, 1976.

The demand for WD-40 rose in all markets, with retail oriented accounts reflecting a significant spurt resulting from the Spring "April is WD-40 Month" promotion. WD-40 is becoming widely recognized as both a staple and promotable product.

Domestic business contributed over 90% of sales and earnings.

Two switches were made in contract packagers during the year to reduce manufacturing costs.

The Company will make an orderly change from the controversial fluorocarbon propellant system to the one successfully used by our Australian Licensee, Hawker de Havilland of Australia, for over a decade.

Our 1977 Marketing Program is designed to sustain the Company's growth pattern. In addition to advertising in a broad spectrum of end-user magazines, national network television will be utilized for the first time in the Spring Promotion. Early trade reaction is very positive.



John S. Barry,
President

THE COMPANY

Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-user's brand loyalty for your Company's only product, WD-40.

The Product

WD-40 is the cornerstone of your Company. It is a chemical-petroleum based maintenance product consumed by end-users in homes, factories, garages, farms and offices throughout the free world. The well-established growth pattern in the demand for WD-40 attests to customer satisfaction with its performance.

WD-40 is typically procured for a specific application and, because of its unusual versatility, finds its way into many other uses. This broad range of uses provides your single-product Company with surprising diversification from a marketing point-of-view — it has little dependency on any one or even a group of end-users.

Markets

WD-40 is supplied to its many markets through a number of trade channels, the most important of which are: hardware, automotive, sporting goods, industrial and farm. Your Company envisions significant growth attainable through increased market penetration, especially in the Midwest and Eastern sections of the United States.

Competition

The success your Company has enjoyed in building the demand for a new, but difficult-to-define, product has lured a number of imitators into the marketplace. In recent years several products have been introduced by companies with well established marketing statures in their own trade channels. None has gained a significant market share and several have discontinued their products because of weak sales. For some reason, this succession of "no-winners" does not deter the spawning of new entrants into the game. Several major and numerous minor companies introduced imitators in the last year and all appear to be joining the "also ran" ranks.

Operational Overview

While your Company is technically a manufacturer, it is really a marketer. Such being the case, it is organized to focus intensive management attention on critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally by your Company's 27 employees are: order handling, credit, concentrate formulation, and quality control.

WD-40 concentrate is formulated in San Diego and shipped by tank wagon to contract packagers in Los Angeles, Texas, Georgia, Wisconsin, and New Jersey. These independent sub-contractors package WD-40 to rigid specifications and, upon order, from your Company, ship WD-40 to customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

Capital Requirements — Dividends

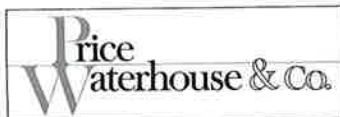
Your Company will be able to accommodate a very substantial increase in business with an insignificant addition to fixed assets. Growth will require modest increases to working capital. There are no other plans for utilizing earnings, hence, it is expected that unneeded funds will be paid out as dividends. The 25% increase in the regular quarterly dividend to \$.25 per share effective July 30, 1976 reflects this policy.

International

Your Company has a network of licensees and distributors throughout the free world. While contributing less than 10% of sales and income, this business does enhance WD-40's overall image as well as build demand in the United States through "cross-pollinization."

Fiscal 1977

Field proven marketing programs are being enlarged to capitalize on the powerful momentum we have developed for WD-40. National network TV will be utilized for the first time in our Spring Program.



600 B STREET, SAN DIEGO, CALIFORNIA 92101
714-231-1200

October 15, 1976

To the Board of Directors and Shareholders
of WD-40 Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of WD-40 Company and its subsidiary at August 31, 1976 and 1975, the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

WD-40 COMPANY
CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended August 31	
	1976	1975
Net sales	\$17,339,000	\$12,475,000
Royalty and other income.....	229,000	210,000
	<u>17,568,000</u>	<u>12,685,000</u>
Cost and expenses:		
Cost of products sold.....	7,929,000	5,863,000
Selling, general and administrative	3,589,000	2,308,000
Advertising and sales promotion.....	1,329,000	1,175,000
	<u>12,847,000</u>	<u>9,346,000</u>
Income before taxes on income.....	<u>4,721,000</u>	<u>3,339,000</u>
Provision for income taxes (Note 2):		
Federal.....	2,058,000	1,450,000
State.....	406,000	284,000
Foreign.....	4,000	4,000
	<u>2,468,000</u>	<u>1,738,000</u>
Net income.....	<u>2,253,000</u>	<u>1,601,000</u>
Beginning retained earnings.....	2,218,000	1,591,000
Cash dividends of \$.95 and \$.80 per share	(1,156,000)	(974,000)
Ending retained earnings.....	<u>\$ 3,315,000</u>	<u>\$ 2,218,000</u>
Earnings per share (Note 1).....	<u>\$1.85</u>	<u>\$1.32</u>

see accompanying notes to consolidated financial statements

WD-40 COMPANY
CONSOLIDATED BALANCE SHEET

ASSETS

	August 31	
	<u>1976</u>	<u>1975</u>
Current assets:		
Cash, including time deposits of \$1,755,000 and \$1,208,000.....	\$2,324,000	\$1,334,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$46,000 and \$29,000	2,269,000	1,619,000
Inventories, at the lower of average cost or market:		
Finished goods.....	227,000	158,000
Raw materials.....	<u>239,000</u>	<u>184,000</u>
	466,000	342,000
Prepaid expenses	<u>134,000</u>	<u>87,000</u>
Total current assets.....	5,193,000	3,382,000
Property, plant and equipment at cost (Note 1):		
Land.....	100,000	100,000
Building and improvements.....	474,000	472,000
Machinery and equipment.....	319,000	299,000
Leasehold improvements.....	<u>19,000</u>	<u>19,000</u>
	912,000	890,000
Less: Accumulated depreciation.....	<u>(163,000)</u>	<u>(107,000)</u>
	<u>749,000</u>	<u>783,000</u>
	<u>\$5,942,000</u>	<u>\$4,165,000</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 481,000	\$ 261,000
Accrued payroll and related expenses.....	224,000	151,000
Accrued sales commissions.....	196,000	89,000
Estimated taxes on income (Note 2)	<u>796,000</u>	<u>527,000</u>
Total current liabilities.....	1,697,000	1,028,000
Deferred income tax (Note 2).....	37,000	26,000
Shareholders' equity:		
Common stock, no par value, 2,000,000 shares authorized — issued and outstanding 1,217,245 shares stated at.....	772,000	772,000
Paid in capital.....	121,000	121,000
Retained earnings.....	<u>3,315,000</u>	<u>2,218,000</u>
Total shareholders' equity.....	<u>4,208,000</u>	<u>3,111,000</u>
	<u>\$5,942,000</u>	<u>\$4,165,000</u>

see accompanying notes to consolidated financial statements

WD-40 COMPANY
CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

	Year ended August 31	
	1976	1975
Financial resources were provided by:		
Operations —		
Net income.....	\$2,253,000	\$1,601,000
Depreciation	60,000	56,000
Provided by operations.....	2,313,000	1,657,000
Disposition of equipment.....	4,000	19,000
Deferred income tax.....	11,000	20,000
	<u>2,328,000</u>	<u>1,696,000</u>
Financial resources were used for:		
Cash dividends	1,156,000	974,000
Additions to plant and equipment.....	30,000	53,000
	<u>1,186,000</u>	<u>1,027,000</u>
Increase in working capital.....	<u>\$1,142,000</u>	<u>\$ 669,000</u>
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash.....	\$ 990,000	\$ 755,000
Accounts receivable.....	650,000	189,000
Inventories.....	124,000	37,000
Prepaid expenses.....	47,000	(10,000)
	<u>1,811,000</u>	<u>971,000</u>
Increase in current liabilities —		
Accounts payable.....	(220,000)	(129,000)
Accrued payroll and related expenses	(73,000)	(20,000)
Accrued sales commissions	(107,000)	(51,000)
Estimated taxes on income	(269,000)	(102,000)
	<u>(669,000)</u>	<u>(302,000)</u>
Increase in working capital.....	<u>\$1,142,000</u>	<u>\$ 669,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — Summary of accounting policies:

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, WD-40 Products (Canada) Limited. All significant intercompany transactions have been eliminated. Accounts of the Canadian subsidiary have been translated into United States dollars at appropriate rates of exchange. The gain or loss resulting from translation, which was not material in amount, has been included in operations.

Depreciation

Depreciation of plant and equipment has been provided on the straight-line method, based upon estimated useful lives of thirty years for the plant, ten to fifteen years for machinery and equipment, and leasehold improvements over the life of the lease. Management has elected to depreciate plant, machinery and equipment on the declining balance method for income tax purposes. Expenditures for renewals and betterments are capitalized; maintenance and repair costs are expensed. Upon the sale or retirement of property, plant and equipment, cost and related depreciation are cleared from the accounts and any gain or loss is included in income.

Earnings per share

Earnings per share are based on the weighted average number of shares outstanding during each year. Stock options do not have a material dilutive effect and have been excluded from per share computations.

NOTE 2 — Income taxes:

Income tax provisions are computed at the statutory rates in effect for federal, state and foreign authorities, respectively. The provision for income taxes includes the following timing differences:

	August 31	
	1976	1975
Due to expenses recorded in advance of tax deduction —		
California Franchise Tax	\$(47,000)	\$12,000
Other — net	<u>1,000</u>	<u>(1,000)</u>
	(46,000)	11,000
Due to tax deduction in advance of recording expense —		
Excess of tax over book depreciation	<u>11,000</u>	<u>20,000</u>
Income taxes (prepaid) deferred	<u>\$(35,000)</u>	<u>\$31,000</u>

NOTE 3 — Stock option plan:

The Company has a Qualified Stock Option Plan under which officers and key employees of the Company may be granted options to purchase an aggregate of not more than 30,000 shares of the Company's no par value common stock at a price not less than 100% of the fair market value of the stock at the date of grant. Options are exercisable one year after grant and may not be granted for terms in excess of five years. The Company has granted options under the plan for 10,000 shares in January 1973 at \$16.50 per share, 2,400 shares in September 1973 at \$22.75 per share, 4,700 shares in September 1974 at \$12.37 per share, and 4,700 shares in September 1975 at \$11.00 per share. No options have been exercised as of August 31, 1976. When an option is exercised the proceeds will be credited to common stock.

NOTE 4 — Profit sharing plan:

The Company has a Profit Sharing Plan for the benefit of their regular full time employees, including officers. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more as approved by the Board, but which may not exceed the amount deductible for federal income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1976 and 1975 approximated \$74,000 and \$60,000, respectively.

COPY OF FORM 10-K

Beneficial owners may obtain a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1976 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, CA 92110.

COMPARATIVE STOCK DATA

Period	1976			1975		
	High	Low	Dividend	High	Low	Dividend
First quarter	14¼	10¼	\$.25	14¾	9½	\$.20
Second quarter	17½	13¼	.20	13½	7½	.20
Third quarter	19¼	15½	.25	18¼	10½	.20
Fourth quarter	18¾	15¼	.25	13½	10½	.20

The high and low sales prices are as quoted in Standard and Poor's Daily Stock Prices.

TEN YEAR SUMMARY (1)

FISCAL YEAR ENDED AUGUST 31

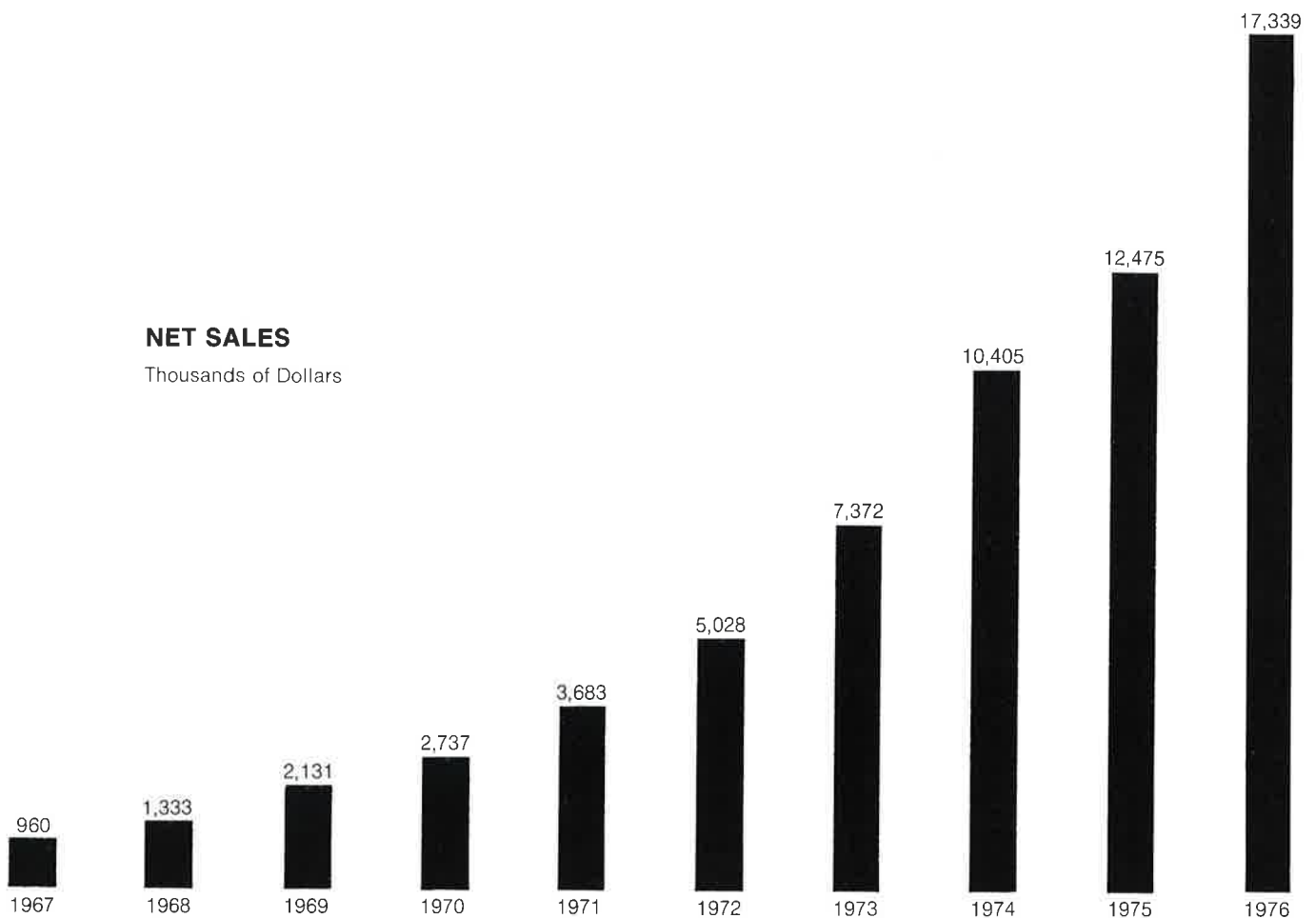
	1967	1968	1969
Net sales.....	\$960,000	\$1,333,000	\$2,131,000
Cost of products sold.....	328,000	477,000	794,000
Gross profit.....	632,000	856,000	1,337,000
Selling, advertising, general and administrative expense.....	297,000	394,000	532,000
Royalty and other income.....	33,000	55,000	71,000
Income before taxes on income.....	368,000	517,000	876,000
Provision for income taxes (2).....	183,000	275,000	484,000
Net income.....	\$185,000	\$ 242,000	\$ 392,000
Earnings per share (3).....	\$.16	\$.21	\$.34
Cash dividends per share (4).....	\$.16	\$.33	\$.61

(1) Includes the accounts of the Company and its wholly owned subsidiary. All significant intercompany transactions have been eliminated. See Management's Discussion and Analysis of Operations of the five years ended August 31, 1972 through 1976 on page 9.

(2) The Company's shareholders elected to be taxed under Subchapter S of the Internal Revenue Code of 1954 during the five years ended August 31, 1968 through 1972. Under this election, the Company paid no federal income tax for these years because taxable income of the Company was includable in the federal income tax returns of the shareholders. A charge equivalent to federal income taxes which would have been paid, had the Subchapter S election not been made, has been included in the provision for income taxes for fiscal 1968 through 1972.

NET SALES

Thousands of Dollars



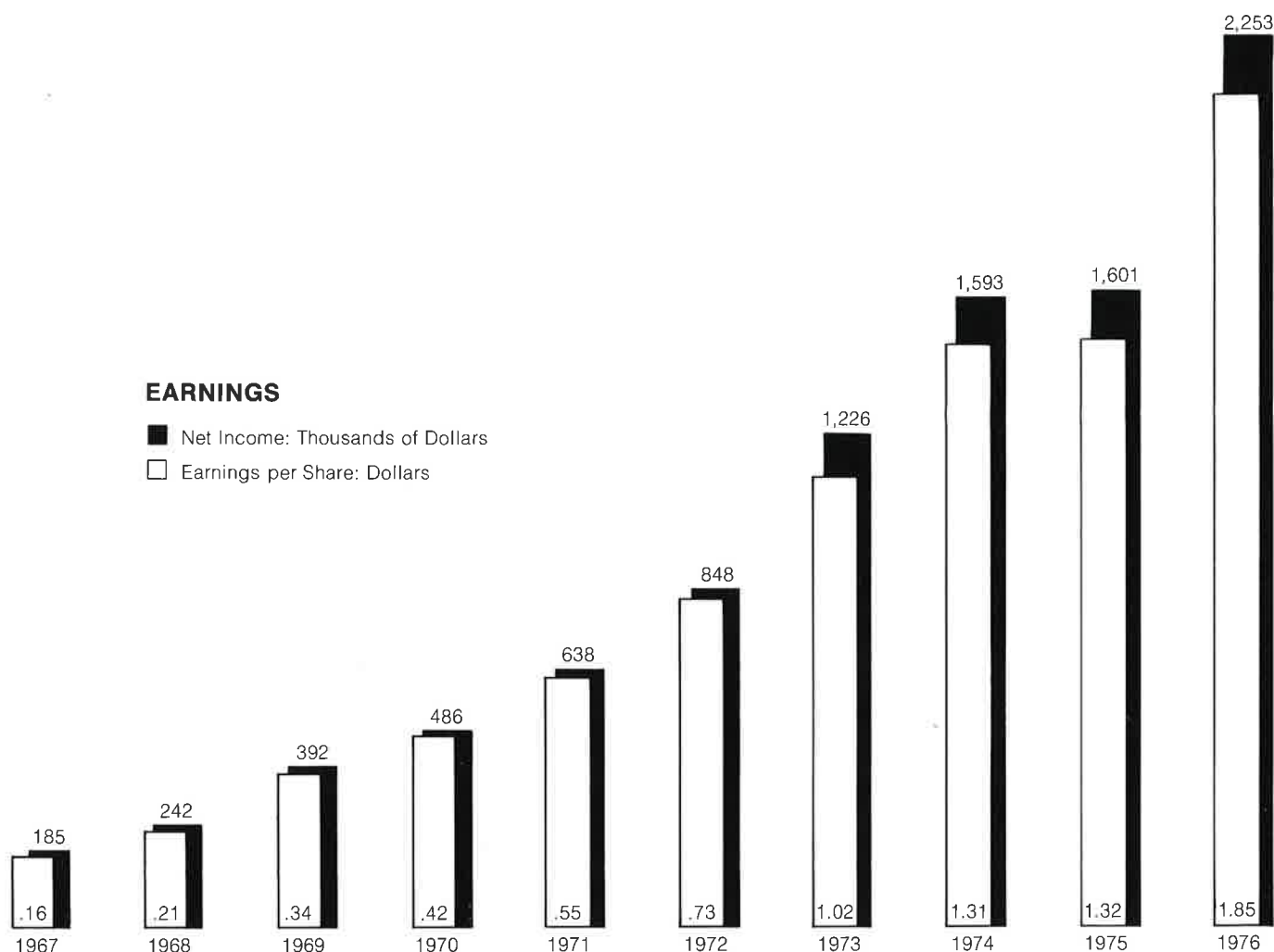
1970	1971	1972	1973	1974	1975	1976
\$2,737,000	\$3,683,000	\$5,028,000	\$7,372,000	\$10,405,000	\$12,475,000	\$17,339,000
1,043,000	1,443,000	1,921,000	2,834,000	4,392,000	5,863,000	7,929,000
1,694,000	2,240,000	3,107,000	4,538,000	6,013,000	6,612,000	9,410,000
681,000	1,004,000	1,469,000	2,140,000	2,877,000	3,483,000	4,918,000
42,000	70,000	111,000	146,000	193,000	210,000	229,000
1,055,000	1,306,000	1,749,000	2,544,000	3,329,000	3,339,000	4,721,000
569,000	668,000	901,000	1,318,000	1,736,000	1,738,000	2,468,000
\$ 486,000	\$ 638,000	\$ 848,000	\$1,226,000	\$ 1,593,000	\$ 1,601,000	\$ 2,253,000
\$.42	\$.55	\$.73	\$1.02	\$1.31	\$1.32	\$1.85
\$.66	\$1.03	\$1.06	\$.95	\$.80	\$.80	\$.95

(3) Earnings per common share have been computed based upon the weighted average number of shares of common stock outstanding during each year after giving retroactive effect to the 42.5 for 1 stock split in November, 1972. The weighted average number of shares outstanding during the fiscal years through August 31, 1972, the year ended August 31, 1973, and the years ended August 31, 1974 through 1976 were 1,165,945, 1,203,853 and 1,217,245, respectively.

(4) The cash dividends paid per common share have been retroactively restated to give effect to the November 1972 stock split. Cash distributions paid to the shareholders through November 1972 were based on the approximate taxable income under Subchapter S for the five years ended August 31, 1968 through 1972 and therefore exceed net income after the charge equivalent to federal taxes on income.

EARNINGS

- Net Income: Thousands of Dollars
- Earnings per Share: Dollars



MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE LAST FIVE FISCAL YEARS OF OPERATIONS

Sales

Ever expanding marketing programs have resulted in the following sales growth rates for 1972 through 1976 respectively: 36.5%, 46.4%, 41.2%, 19.9%, and 38.9%. All growth was "real" except for 1975 which benefited from a price adjustment of 10.6% in the last month of fiscal 1974. Fiscal 1975 was stunted by a weak economy.

Cost of Products Sold

Product cost as a per cent of sales was fairly steady during 1972 and 1973, then the cost of container, propellant, chemical, and petroleum based ingredients shot up in 1974 and 1975. Costs tended to stabilize in 1976 and several economies were introduced which eased the situation slightly.

Selling, Advertising, General and Administrative Expenses

Selling, administrative and marketing expense fluctuated within a narrow range as a per cent of sales: 29.2%, 29.0%, 27.6%, 27.9%, and 28.3% from 1972 through 1976, respectively.

Board of Directors

John S. Barry	President, Treasurer
Frank L. Bryant	Senior Vice President, Bateman Eichler, Hill Richards, Inc.
Sam Crivello	Investor
Eugene H. DeFalco	Investor
Reginald S. Fleet	Investment Advisor
J. Lawrence Irving	Secretary; Attorney — Jones, Tellam, Irving & Estes
Robert S. Roulette	Insurance Executive
Lucia D. Taylor	Investor

Officers

John S. Barry	President, Treasurer
Albert P. Schafer	Vice President — Sales
Gerald C. Schleif	Vice President — Marketing
J. Lawrence Irving	Secretary
Judith Nieto	Assistant Secretary

General Counsel

Jones, Tellam, Irving & Estes

Independent Accountants

Price Waterhouse & Co.
San Diego, California

Transfer Agent & Registrar

Bank of America, 111 West 7th St., Los Angeles, California 90014

Corporate Office

1061 Cudahy Place
San Diego, California 92110
714/275-1400

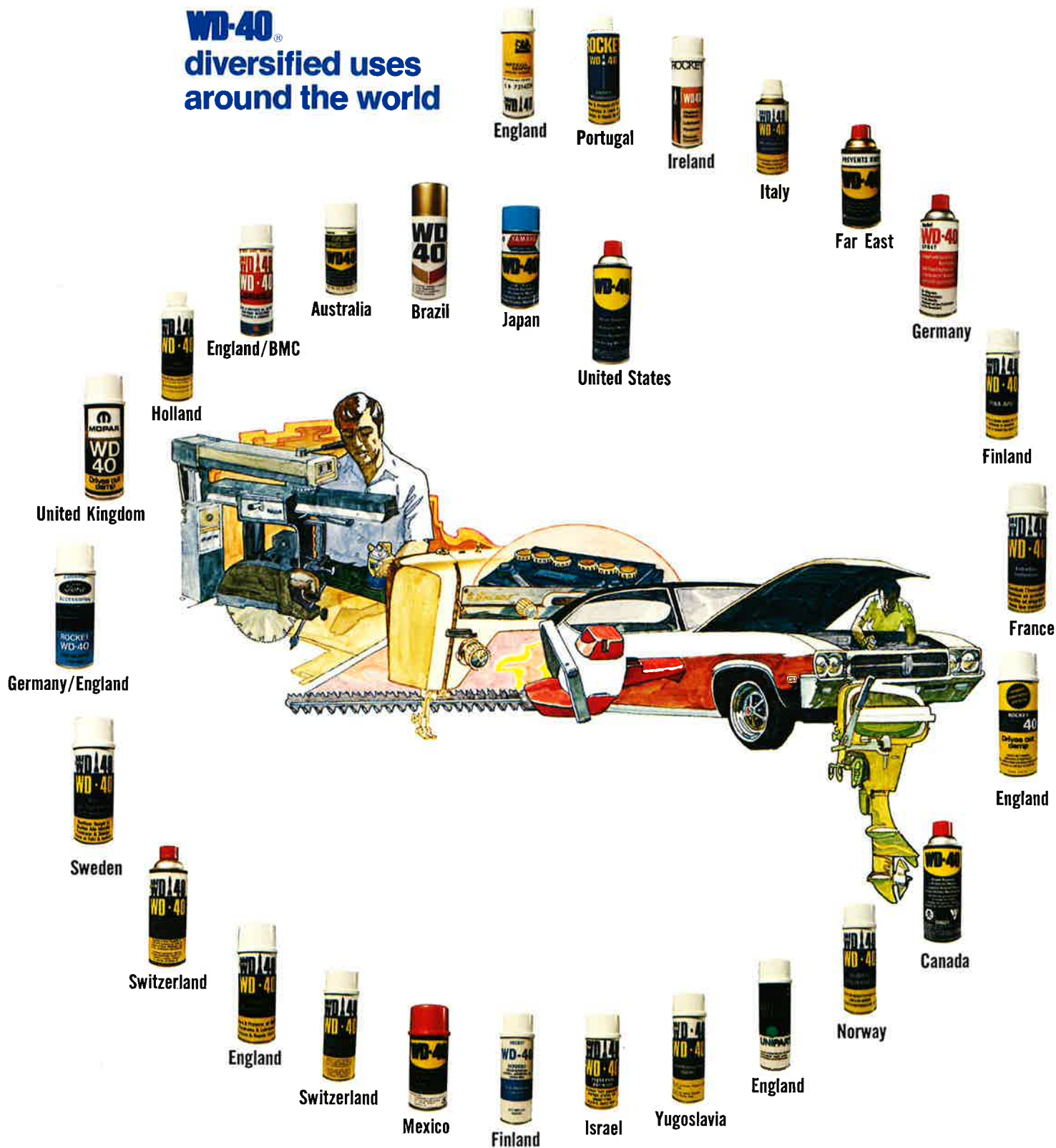
Annual Meeting

2:00 PM, November 29, 1976
Company Offices
1061 Cudahy Place
San Diego, California 92110

Listed

Over the Counter. Symbol WDFC

WD-40[®] diversified uses around the world





WD-40 World Headquarters, San Diego, California.



WD-40 COMPANY 1061 CUDAHY PLACE, SAN DIEGO, CA. 92110