



Highlights of the Three Years Ended August 31

	1993	1992	1991
Net Sales	\$108,964,000	\$99,964,000	\$89,833,000
Net Income	\$ 19,330,000	\$18,073,000	\$15,306,000
Earnings Per Share	\$2.52	\$2.38	\$2.02
Dividends Per Share	\$2.30	\$2.16	\$1.72
Average Number of Shares Outstanding	7,660,462	7,594,243	7,555,948
Shares Outstanding at Year-End	7,670,781	7,647,892	7,556,508
Number of Shareholders	2,420	2,399	2,440
Number of Employees	143	136	134

Highlights of Fiscal 1993:

- Current Ratio: 4.4 to 1
 - Net Sales per Employee: \$762,000
 - Receivables to Net Sales: 12.8%
 - Inventories to Net Sales: 5.1%
 - Net Income to Average Shareholder Equity: 42.5%
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Letter to the Shareholders

October 14, 1993

To Our Shareholders:

We are happy to report that fiscal year 1993 was a very good year for your Company as we celebrated your Corporation's 40th Anniversary, with record sales and earnings.

Sales were just shy of \$109 million, up 9.0% over 1992 and net income was up 7.0% to \$19.3 million despite a legal settlement payout of \$2.5 million. This represented real growth as there were no price increases enacted during the year.

While weak economies and adverse currency transactions impacted our performance in some key markets, you should be proud of the dedication and motivation of your employees who played an important role in achieving these record results.

We are particularly pleased to report that your cash dividends this year were \$2.30 per share, up from \$2.16 last year, on earnings of \$2.52 per share, a gain of 6.5% from 1992.

The costs for raw materials and components continued to decline in fiscal year 1993, coming in at 41.0% of net sales compared to 42.2% a year ago and 44.3% two years ago. We expect mild inflationary pressures to impact these costs during fiscal year 1994.

Selling, general and administrative and advertising also declined by approximately a percentage point to 28.7% this year versus 29.6% of net sales in fiscal year 1992.

As you can see by the results, your employees did an outstanding job of implementing creative market programs, pursuing cost improvements and your direct sales force continues to excel in the ever changing global marketplace.

The U.S. parent Company sales were up almost 11% to \$81.9 million, this on top of a 12.4% increase in 1992. Export sales to Latin America and the Pacific Rim expanded by over 25% this year. This produced an operating income in the U.S. of \$26.2 million, representing a 6.4% increase over 1992.

The U.K. subsidiary increased unit sales by over 19%, however this was offset by a negative currency translation of 15.7%, which on consolidation produced a marginal increase. In units, Prime Europe was up 40% and even the Middle East improved by 27%.

Cost of sales dropped 3.2 percentage points and expenses were down 1.0 percentage point. This produced an operating income of 23.0% of net sales for the current year versus 17.4% a year ago.

Combined net sales of the Australian and Canadian subsidiaries were up 10.7%. This was attributed to very strong sales in Canada even though negative currency translations in both countries offset this increase average 8.5%. Operating income posted a significant increase of over 400% because of increased Canadian sales and decreased expenses in both Canada and Australia.

WD-40's global sales ratio remained at two-thirds domestic and one-third international during 1993, due to the excellent gains made in the U.S. and to the negative currency translations experienced by our subsidiaries. Our goal is to eventually bring this ratio up to fifty-fifty, therefore the international arena represents a major challenge with significant rewards.

The search for a synergistic companion product did not produce any viable candidates during 1993, so we intend to accelerate our efforts in this area during 1994.

Fiscal year 1994 will be a challenging year to match the strong sales gains that were posted in the U.S. over the last two years. Furthermore, many global economies are still in mild recessions although currency exchanges should have minimal impact on consolidation. Management anticipates a record year with moderate gains in both sales and operational income for fiscal year 1994.

Sincerely,



Gerald C. Schleif
President,
Chief Executive Officer
and Treasurer

Corporate Objectives

Management is dedicated to the objectives of increasing corporate earnings and dividends by winning the end-users' brand loyalty for your Company's only product, WD-40. The Company would consider adding another product if it is determined that the Company can make a decisive contribution to that product's growth in the area of marketing-distribution. The product would, of course, have to have an attractive profit potential.

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 world. The well-established growth pattern of 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 any group of end-users.

Markets

Because of the wide range of uses of WD-40 by diverse groups of end-users there are a multitude of markets for the product that must be accessed by many trade channels, including automotive, hardware, drug, grocery, industrial and farm. WD-40 is a horizontal product cutting across numerous trade channels. This same pattern holds true in foreign markets.

While domestic sales currently account for approximately two-thirds of total sales, foreign sales are expected to capture a larger share of the total because of their less developed markets.

Competition

Over the years the high visibility of our success in the United States has spawned envy and lured literally hundreds of imitators into the marketplace. WD-40's strong brand loyalty with the end-user has resulted in our withstanding these attempted intrusions even when launched by billion-dollar companies.

In a retail arena the true competition is every product that is competing for shelf space be it anti-freeze, light bulbs or razor blades. To survive and grow our promotional programs must be attractive enough to the trade to win retail display space to capitalize on the impulse nature of WD-40.

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 the critical success areas of: (1) sales policies, (2) marketing plan formulation, and (3) implementation of marketing plans. Other vital functions handled internally are order handling, credit, WD-40 concentrate formulation, and quality control.

WD-40 concentrate for North America is formulated in San Diego and shipped by railcar or tank wagon to contract packagers in Los Angeles, Texas, Georgia, Massachusetts, Wisconsin, Toronto, Canada, and Sydney, Australia. These independent subcontractors package WD-40 to rigid specifications and, upon order from your Company, ship ready-to-sell WD-40 to our customers in their respective areas via common carrier. The packagers have no responsibility for marketing WD-40.

The San Diego facility also oversees providing distributors and licensees in Mexico, the Caribbean, Central America, South America, the Pacific Rim and Southeast Asia with finished product or concentrate.

Europe, the Middle East and Africa are served from our European headquarters located in Milton Keynes, England. WD-40 concentrate is formulated there and converted to ready-to-sell WD-40 by two English contract packagers. The language and labeling standards of each of the many countries served by this operation has resulted in the production of over two dozen different WD-40 labels.

Our Australian subsidiary is responsible for marketing WD-40 in Australia, New Zealand, Southeast Asia and the Far East. Sales outside of Australia and New Zealand are recorded by the parent Company.

Report of Independent Accountants

Price Waterhouse



October 6, 1993

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

In our opinion, the accompanying consolidated statement of income, the consolidated balance sheet and the related consolidated statements of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 9 to the consolidated financial statements, the Company was a defendant in a lawsuit seeking damages for an alleged breach of contract. On January 23, 1992, damages for breach of contract were awarded by a jury in the aggregate amount of \$10,291,000. The amount awarded accrues interest at the legal rate of ten percent per year from the date of the jury's verdict until paid. The Company is pursuing appellate remedies in the California Court of Appeal. The ultimate outcome of the litigation cannot be determined at present. No provision for any liability that may result upon the final adjudication has been made in the accompanying financial statements.

Price Waterhouse
San Diego, California

WD-40 Company Consolidated Statement of Income

	Year ended August 31		
	1993	1992	1991
Net sales	\$108,964,000	\$99,964,000	\$89,833,000
Interest income, net	897,000	1,248,000	1,209,000
Other income (expense), net	(2,203,000)	15,000	197,000
	<u>107,658,000</u>	<u>101,227,000</u>	<u>91,239,000</u>
Cost and expenses:			
Cost of product sold	44,686,000	42,217,000	39,828,000
Selling, general and administrative	21,333,000	20,472,000	17,308,000
Advertising and sales promotion	9,909,000	9,065,000	8,997,000
	<u>75,928,000</u>	<u>71,754,000</u>	<u>66,133,000</u>
Income before income taxes	31,730,000	29,473,000	25,106,000
Provision for income taxes	12,400,000	11,400,000	9,800,000
Net income	<u>\$ 19,330,000</u>	<u>\$ 18,073,000</u>	<u>\$15,306,000</u>
Earnings per share	<u>\$2.52</u>	<u>\$2.38</u>	<u>\$2.02</u>
Average number of shares outstanding	<u>7,660,462</u>	<u>7,594,243</u>	<u>7,555,948</u>

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Balance Sheet

	August 31	
	1993	1992
Assets		
Current assets:		
Cash	\$10,882,000	\$ 7,093,000
Short-term investments	10,979,000	11,976,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$553,000 and \$543,000	13,964,000	15,691,000
Inventories	5,515,000	4,729,000
Prepaid expenses	1,905,000	1,953,000
Total current assets	43,245,000	41,442,000
Property, plant and equipment, net	3,108,000	2,890,000
Investment with bonding agency	8,117,000	8,274,000
Long-term investments	3,000,000	
Other assets	1,314,000	990,000
	<u>\$58,784,000</u>	<u>\$53,596,000</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,182,000	\$ 4,274,000
Accrued payroll and related expenses	2,833,000	2,559,000
Income taxes payable	2,375,000	1,359,000
Current portion of long-term debt	349,000	
Total current liabilities	9,739,000	8,192,000
Long-term debt	2,651,000	
Deferred employee benefits	701,000	
Deferred income taxes		193,000
	<u>3,352,000</u>	<u>193,000</u>
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized – shares issued and outstanding of 7,670,781 and 7,647,892	5,180,000	4,616,000
Paid-in capital	221,000	221,000
Retained earnings	41,428,000	39,719,000
Cumulative foreign currency translation adjustment	(1,136,000)	655,000
Total shareholders' equity	45,693,000	45,211,000
Commitments and contingencies (Note 9)		
	<u>\$58,784,000</u>	<u>\$53,596,000</u>

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Shareholders' Equity

	Common Stock		Paid-in	Retained	Cumulative
	Shares	Amount	Capital	Earnings	Translation Adjustment
Balance at August 31, 1990	7,554,508	\$2,594,000	\$121,000	\$35,739,000	\$ 497,000
Issuance of common stock upon exercise of options	2,000	39,000			
Cash dividends				(12,996,000)	
Change in cumulative foreign currency translation adjustment					(611,000)
Net income				15,306,000	
Balance at August 31, 1991	7,556,508	\$2,633,000	\$121,000	\$38,049,000	\$ (114,000)
Issuance of common stock upon exercise of options	126,017	3,426,000	100,000		
Repurchase of common stock upon exercise of options	(34,633)	(1,443,000)			
Cash dividends				(16,403,000)	
Change in cumulative foreign currency translation adjustment					769,000
Net income				18,073,000	
Balance at August 31, 1992	7,647,892	\$4,616,000	\$221,000	\$39,719,000	\$ 655,000
Issuance of common stock upon exercise of options	29,978	893,000			
Repurchase of common stock upon exercise of options	(7,089)	(329,000)			
Cash dividends				(17,621,000)	
Change in cumulative foreign currency translation adjustment					(1,791,000)
Net income				19,330,000	
Balance at August 31, 1993	<u>7,670,781</u>	<u>\$5,180,000</u>	<u>\$221,000</u>	<u>\$41,428,000</u>	<u>\$(1,136,000)</u>

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Cash Flows

	Year ended August 31		
	1993	1992	1991
Cash flows from operating activities:			
Net income	\$19,330,000	\$18,073,000	\$15,306,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	551,000	551,000	472,000
Loss on sale of equipment	176,000	72,000	214,000
Changes in assets and liabilities:			
Accounts receivable	905,000	(1,994,000)	2,768,000
Inventories	(1,219,000)	(229,000)	(798,000)
Prepaid expenses	(133,000)	(533,000)	75,000
Other assets	(324,000)	(156,000)	(165,000)
Accounts payable and accrued expenses	843,000	1,010,000	211,000
Income taxes payable	1,122,000	(21,000)	(657,000)
Long-term deferred employee benefits	701,000		
Long-term deferred income taxes	(91,000)	34,000	(44,000)
Net cash provided by operating activities	<u>21,861,000</u>	<u>16,807,000</u>	<u>17,382,000</u>
Cash flows from investing activities:			
Decrease (increase) in short-term investments	756,000	3,631,000	(15,699,000)
Decrease (increase) in restricted note	157,000	(8,274,000)	
Proceeds from sale of equipment	303,000	206,000	279,000
Capital expenditures	(1,357,000)	(678,000)	(1,078,000)
Net cash used in investing activities	<u>(141,000)</u>	<u>(5,115,000)</u>	<u>(16,498,000)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock	564,000	2,083,000	39,000
Dividends paid	(17,621,000)	(16,403,000)	(12,996,000)
Net cash used by financing activities	<u>(17,057,000)</u>	<u>(14,320,000)</u>	<u>(12,957,000)</u>
Effect of exchange rate changes on cash	(874,000)	536,000	(361,000)
Increase (decrease) in cash and cash equivalents	3,789,000	(2,092,000)	(12,434,000)
Cash and cash equivalents at beginning of year	7,093,000	9,185,000	21,619,000
Cash and cash equivalents at end of year	<u>\$10,882,000</u>	<u>\$ 7,093,000</u>	<u>\$ 9,185,000</u>
Non-cash investing and financing activities:			
Long-term investment in low income housing	<u>\$ 3,000,000</u>		
Long-term debt related to low income housing investment	<u>\$ 3,000,000</u>		
Repurchase of common stock upon exercise of options	<u>\$ 329,000</u>	<u>\$ 1,443,000</u>	

See accompanying notes to consolidated financial statements.

WD-40 Company 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 subsidiaries, WD-40 Company Ltd. (U.K.), WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. All significant intercompany transactions and balances have been eliminated.

Revenue Recognition

Revenues are recognized upon the shipment of product.

Inventories

Inventories are stated at the lower of average cost or market.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation has been computed principally using the straight-line method based upon estimated useful lives of thirty to forty years for buildings and improvements and three to fifteen years for machinery and equipment.

Foreign Currency Translation

The accounts of the Company's foreign subsidiaries have been translated into United States dollars at appropriate rates of exchange. Cumulative translation gains or losses are recorded as a separate component of shareholders' equity. Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's local currency) are included in the consolidated statement of income and are not material.

Earnings Per Share

Earnings per share are based upon the weighted average number of shares outstanding during each year increased by the effect of dilutive stock options, when applicable, using the treasury stock method.

Income Taxes

Current income tax expense is the amount of income taxes expected to be payable for the current year. A deferred income tax liability or asset is established for the expected future tax consequences resulting from differences in financial reporting and tax bases of assets and liabilities. Deferred income tax expense is the net change during the year in the deferred income tax liability or asset.

Effective September 1, 1992, the Company adopted Statement of Financial Accounting Standard No. 109 "Accounting for Income Taxes" (SFAS No. 109) which supersedes SFAS No. 96, the Company's previous method of accounting for income taxes. The Company adopted SFAS No. 109 prospectively with no significant impact on current year financial statements.

Cash and Cash Equivalents

Cash equivalents are highly liquid investments purchased with an original maturity of three months or less.

Short-term Investments

Short-term investments are valued at cost which approximates fair market value.

Reclassifications

Certain 1992 and 1991 balances have been reclassified to conform to the 1993 presentation.

Note 2 — Selected Financial Statement Information:

	August 31	
	1993	1992
Inventories:		
Finished goods	\$ 5,241,000	\$ 4,356,000
Raw materials	274,000	373,000
	<u>\$ 5,515,000</u>	<u>\$ 4,729,000</u>
Property, plant and equipment:		
Land	\$ 254,000	\$ 254,000
Building and improvements	1,699,000	1,573,000
Machinery and equipment	3,501,000	3,353,000
	<u>5,454,000</u>	<u>5,180,000</u>
	<u>(2,346,000)</u>	<u>(2,290,000)</u>
Accumulated depreciation	<u>\$ 3,108,000</u>	<u>\$ 2,890,000</u>

Note 3 — Business Segment and Foreign Operations:

The Company operates in one business segment — the manufacture and sale of a multi-purpose lubricant principally through retail chain stores, automotive parts outlets and industrial distributors and suppliers.

Information regarding the Company's operations in different geographic areas is summarized below. WD-40 Company (U.S.) includes all domestic and intercompany sales, as well as sales to the Caribbean, Mexico, South America and the Pacific Rim, except for Australia. WD-40 Company Ltd. (U.K.) includes sales to Europe, the Middle East and Africa. WD-40 Products (Canada) Ltd. and WD-40 Company (Australia) Pty. Ltd. are included in other foreign subsidiaries. Substantially all sales by these operations are to customers within Canada and Australia.

	Year ended August 31		
	1993	1992	1991
Net sales:			
WD-40 Company (U.S.)	\$ 83,245,000	\$75,520,000	\$66,783,000
WD-40 Company Ltd. (U.K.)	17,573,000	17,498,000	15,019,000
Other foreign subsidiaries	9,535,000	8,617,000	9,090,000
Intercompany	<u>(1,389,000)</u>	<u>(1,671,000)</u>	<u>(1,059,000)</u>
	<u>\$108,964,000</u>	<u>\$99,964,000</u>	<u>\$89,833,000</u>
Operating profit:			
WD-40 Company (U.S.)	\$ 26,201,000	\$24,619,000	\$19,125,000
WD-40 Company Ltd. (U.K.)	4,044,000	3,046,000	2,975,000
Other foreign subsidiaries	2,791,000	545,000	1,600,000
Interest income (expense), net	897,000	1,248,000	1,209,000
Other income (expense), net	<u>(2,203,000)</u>	<u>15,000</u>	<u>197,000</u>
Income before income taxes	<u>\$ 31,730,000</u>	<u>\$29,473,000</u>	<u>\$25,106,000</u>
Identifiable assets:			
WD-40 Company (U.S.)	\$ 43,110,000	\$39,150,000	\$33,186,000
WD-40 Company Ltd. (U.K.)	10,791,000	9,000,000	9,202,000
Other foreign subsidiaries	<u>4,883,000</u>	<u>5,446,000</u>	<u>5,364,000</u>
	<u>\$ 58,784,000</u>	<u>\$53,596,000</u>	<u>\$47,752,000</u>

Note 4 — Income Taxes:

Effective September 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109) which superseded SFAS No. 96, the Company's previous method of accounting for income taxes.

The provision for income taxes includes the following:

	Year ended August 31		
	1993	1992	1991
Current tax provision:			
United States	\$ 7,982,000	\$ 7,759,000	\$ 6,106,000
State	1,900,000	2,000,000	1,500,000
Foreign	2,931,000	1,662,000	2,263,000
Total current	<u>12,813,000</u>	<u>11,421,000</u>	<u>9,869,000</u>
Deferred tax (benefit) provision:			
United States	(382,000)	141,000	(6,000)
Foreign	(31,000)	(162,000)	(63,000)
Total deferred	<u>(413,000)</u>	<u>(21,000)</u>	<u>(69,000)</u>
	<u>\$12,400,000</u>	<u>\$11,400,000</u>	<u>\$ 9,800,000</u>

Deferred tax assets are comprised of the following:

	August 31, 1993	Sept. 1, 1992
State income taxes	\$ 305,000	\$ 312,000
Reserves and allowances	101,000	118,000
Foreign tax credit	91,000	283,000
Accrued vacation expense	39,000	34,000
Effect of inventory overhead adjustment	6,000	3,000
Gross deferred tax assets	542,000	750,000
Deferred tax assets valuation allowance		(283,000)
	<u>\$ 542,000</u>	<u>\$ 467,000</u>

Long-term deferred tax assets and (liabilities) are comprised of the following:

	August 31, 1993	Sept. 1, 1992
Depreciation	\$ (150,000)	\$ (193,000)
Deferred compensation	295,000	
	<u>\$ 145,000</u>	<u>\$ (193,000)</u>

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate to income before income taxes follows:

	Year ended August 31		
	1993	1992	1991
Amount computed at U.S. statutory federal rate	\$11,106,000	\$10,021,000	\$ 8,536,000
State income taxes, net of federal benefit	1,235,000	1,320,000	990,000
Net effect of foreign income tax effective rates higher than U.S. statutory federal rate	59,000	59,000	274,000
	<u>\$12,400,000</u>	<u>\$11,400,000</u>	<u>\$ 9,800,000</u>

Income taxes paid in 1993, 1992 and 1991 amounted to \$11,017,000, \$11,657,000 and \$10,270,000, respectively.

Note 5 — Stock Options:

The Company has an Incentive Stock Option Plan whereby the Board of Directors may grant officers and key employees options to purchase an aggregate of not more than 240,000 shares of the Company's common stock at a price not less than 100 percent 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 ten years. At August 31, 1993 options for 68,109 shares were exercisable and options for 86,302 shares were available for future grants.

A summary of the changes in options outstanding under the Company's Stock Option Plan during the three years ended August 31, 1993 is as follows:

	Number of shares	Option price per share
Outstanding at August 31, 1990	146,791	\$19.50-\$34.25
Options granted	54,700	\$24.50
Options exercised	(2,000)	\$19.50
Options canceled	(15,100)	\$24.50-\$34.25
Outstanding at August 31, 1991	184,391	\$19.50-\$34.25
Options granted	54,800	\$30.88
Options exercised	(126,017)	\$19.50-\$34.25
Options canceled	(7,500)	\$19.50-\$34.25
Outstanding at August 31, 1992	105,674	\$19.50-\$34.25
Options granted	57,500	\$40.00
Options exercised	(29,978)	\$19.50-\$34.25
Options canceled	(600)	\$40.00
Outstanding at August 31, 1993	132,596	\$24.50-\$40.00

Note 6 — Employee Benefit Plans:

The Company has a Profit Sharing Plan for the benefit of its regular full-time employees. The Plan provides for annual contributions into a trust which are based upon an annual earnings formula, or more, as approved by the Board of Directors, but which may not exceed the amount deductible for income tax purposes. The Plan may be amended or discontinued at any time by the Company. Profit sharing expense for 1993, 1992 and 1991 approximated \$965,000, \$895,000 and \$829,000, respectively.

The Company has a Salary Deferral Employee Stock Ownership Plan whereby regular full-time employees who have completed one year of service can defer a portion of their income through contributions to a trust. The Plan provides for Company contributions to the trust, as approved by the Board of Directors, equal to fifty percent or more of the compensation deferred by employees, but not in excess of the amount deductible for income tax purposes. Company contributions to the trust are invested in the Company's common stock. The Plan may be amended or discontinued at any time by the Company. Company contribution expense for 1993, 1992 and 1991 was approximately \$44,000, \$93,000 and \$34,000, respectively.

The Company has agreed to provide fixed retirement benefits to key executives. At August 31, 1993, the Company's gross liability related to these agreements approximates \$2,612,000 of which \$701,000, representing the present value of these obligations, has been accrued.

Note 7 — Significant Customer

In 1993, sales to one customer amounted to \$11,439,000. Accounts receivable from this customer equated to \$1,871,000 at August 31, 1993.

Note 8 — Long-Term Investment and Related Debt

On August 31, 1993, the Company purchased partnership units in a low income housing tax credit fund for \$3,000,000. The Company's decision to invest in this project was due to the favorable tax credits that are available over the investment period of 15 years, subject to certain tax restrictions. The investment will be accounted for under the cost method. The Company, on August 31, 1993, entered into a 7-year promissory note to fund its investment in the low income housing project. The note is secured by the investment and bears interest at 7.0% with interest and principal payments of \$432,000 due January 1994 and \$559,000 due January 1995 through 2000.

Note 9 — Commitments and Contingencies:

An action was brought against the Company in 1989 by eight former commissioned sales corporations. The action arose out of the alleged wrongful termination of the plaintiffs' contracts when the Company replaced all of its United States commissioned sales corporations with an in-house sales force in November, 1988. On January 23, 1992, damages for breach of contract were awarded by a jury to the plaintiffs in the aggregate amount of \$10,291,000. The amount awarded accrues interest at the legal rate of ten percent per year from the date of the jury's verdict until

paid. The Company is pursuing appellate remedies in the California Court of Appeal. Notice of appeal was filed by the Company on May 18, 1992 and notice of cross-appeal was filed by the plaintiffs on May 28, 1992. The appellate briefs have been filed, but the time for oral argument has not been set. A bond in the amount of \$15,460,000 was deposited by a surety company on behalf of the Company. The bond is collateralized by the Company's 8¾% Treasury Notes due August 15, 1994 with a total market value of \$8,117,000. Based on advice of counsel, Company management believes that there is a reasonable possibility that a reviewing court will reverse the judgment on contractual causes of action. The ultimate outcome of this case remains uncertain and management is unable to definitively assess the likelihood of loss or to reasonably estimate the extent of loss that might be incurred; therefore, the Company has not recorded any loss related to this case.

On April 30, 1992 an action was brought against the Company by two former commissioned sales corporations. The action arose out of similar circumstances as the above-referenced action brought against the Company in 1989. The two plaintiffs in this action did not join the eight plaintiffs whose judgments are now on appeal. On April 8, 1993, the Company reached an out-of-court settlement for the total sum of \$2,500,000 which has been recorded as other expense. This settlement does not constitute an admission of liability by WD-40 Company for any of the claims asserted in the action.

The Company is party to various other claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, all such matters are adequately covered by insurance or will not have a material adverse effect on the Company's financial position.

The Company was committed under certain noncancelable operating leases at August 31, 1993 which provide for the following minimum lease payments: 1994, \$116,000; 1995, \$98,000; 1996, \$97,000; 1997, \$57,000; 1998, \$33,000. Rent expense for the years ended December 31, 1993, 1992 and 1991 approximated \$165,000, \$137,000 and \$190,000, respectively.

Note 10 — Subsequent Event:

On September 27, 1993 the Company declared an increased regular cash dividend of \$.50 per share payable on October 29, 1993 to shareholders of record on October 8, 1993.

Quarterly Financial Information (Unaudited)

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1993.

Quarter ended:	Net Sales	Gross Profit	Net Income	Earnings Per Share
November 30, 1991	\$ 21,927,000	\$12,670,000	\$ 3,534,000	\$.47
February 29, 1992	27,955,000	16,056,000	5,569,000	.73
May 31, 1992	21,566,000	12,711,000	3,415,000	.45
August 31, 1992	28,516,000	16,310,000	5,555,000	.73
	<u>\$ 99,964,000</u>	<u>\$57,747,000</u>	<u>\$18,073,000</u>	<u>\$ 2.38</u>
November 30, 1992	\$ 24,621,000	\$14,675,000	\$ 4,919,000	\$.64
February 28, 1993	29,373,000	17,278,000	6,303,000	.82
May 31, 1993	29,306,000	16,866,000	3,552,000	.46
August 31, 1993	25,664,000	15,459,000	4,556,000	.60
	<u>\$108,964,000</u>	<u>\$64,278,000</u>	<u>\$19,330,000</u>	<u>\$ 2.52</u>

Stock Information

Period:	Fiscal 1993			Fiscal 1992		
	High	Low	Dividend	High	Low	Dividend
First Quarter	44¼	38½	\$.60	32	30¼	\$.73
Second Quarter	48	41	.45	39¼	29¼	.43
Third Quarter	47½	43	.80	47¾	34¾	.45
Fourth Quarter	48¾	44⅞	.45	50	38	.55

The high and low sales prices are as quoted in the Wall Street Journal.

Results of Operations

WD-40 Company (U.S.)

1993 vs. 1992 Net sales increased \$8,007,000 or 10.8% over the previous year. This record performance was particularly meaningful because it followed a 12.4% gain in 1992. Creative marketing programs were professionally implemented by our sales teams plus, we introduced two new promotional sizes during 1993.

In the Fall, we introduced a "Triple Pac" to the club accounts and in the Spring a special 40th Anniversary "Bonus Ounce" offering 25% more free. This promotion was enthusiastically accepted by both the trade and the consumer.

Export sales continued to expand in both Latin America and the Pacific Rim, growing by over 25% this year. Fiscal year 1994 should produce even more rapid expansion in these areas.

Cost of product sold as a percentage of net sales increased to 41.1% versus 40.8% last year, due totally to the additional costs associated with the two new promotional sizes. As a percentage of net sales, selling, general and administrative was 18.4% versus 18.0% in 1992. Advertising and promotional expenses were 8.5% of net sales versus 7.9% last year primarily due to the Pacific Rim marketing expenses being recorded by the U.S. corporation versus the Australian subsidiary recording the expense and charging a commission as was done in prior years. Operating income increased by \$1,582,000 or 6.4% and equated to 32.0% of net sales versus 33.3% last year. The U.S. recorded expense of \$2,500,000, included in other income (expense), net, related to the out-of-court settlement with two former commissioned sales corporations who originally brought the action against the Company on April 30, 1992.

Effective September 1, 1992, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," (SFAS No. 109) which supersedes SFAS No. 96, The Company's previous method of accounting for income taxes. The Company adopted SFAS No. 109 prospectively with no significant impact on current year financial statements.

1992 vs. 1991 Net sales increased \$8,125,000 or 12.4% over the previous year. This record performance was the result of professionally implemented sales programs in the U.S., as well as increased exports to both Latin America and the Pacific Rim. U.S. domestic sales gained 12%, while exports increased 22% over 1991.

Cost of product sold dropped to 40.8% of net sales versus 44.0% in 1991. This significant reduction was due to decreased costs of the petroleum based ingredients, reduced costs of aerosol packaging, and a slight shift in sales toward the higher margin product size. Operating profit increased by \$5,494,000 or 28.7% and equated to 33.3% of net sales versus 29.1% in 1991. The increase as a percentage of net sales is the result of the reduction of cost of product sold, as discussed above, and the Company's successful efforts to control selling, general and administrative, and advertising and sales promotion costs. As a percentage of net sales, selling, general and administrative costs increased slightly to 18.0% versus 17.9% in 1991, while advertising and sales promotion costs decreased 1.1 percentage points to 7.9%.

WD-40 Company Ltd. (U.K.)

1993 vs. 1992 Net sales were up slightly on consolidation when compared to 1992. Even though unit sales were up over 19%, this was totally offset by a strong U.S. dollar when compared to the pound sterling. In unit sales, the U.K. was up 10%, Prime Europe gained 40% and the Middle East improved by 27%.

Cost of product sold as a percentage of net sales continued to decline and came in at 39.4% versus 43.8% last year. The lower product costs were brought about by a change in both of our contract aerosol packagers in the U.K. We would expect future costs to stabilize at these lower levels. Operating income increased a significant \$998,000 or 32.8% as the result of increased sales and a lower cost of product sold. As a percentage of net sales, operating income was 23.0% this year versus 17.4% last year.

The pound sterling continued to weaken against the currencies of its export countries, which provided an exchange gain of \$248,000 versus a foreign exchange loss of \$111,000 in 1992.

The U.K. subsidiary continues to be committed to make WD-40 the brand leader in Prime Europe. Toward that goal, we added 2 salespeople in Spain during 1993 and plan to add 2 salespeople in North Italy during 1994. The Company anticipates increased sales and related expense growth as we develop this region.

1992 vs. 1991 Net sales increased \$2,479,000 or 16.5% from 1991, despite the ongoing recessionary climate. Sales increased across the board with England up 10%, Prime Europe up 50% and the Middle East up 35% when compared to last year.

The pound sterling weakened as it relates to the currency of its export countries, which contributed to the foreign exchange loss of \$111,000 versus a foreign exchange gain of \$64,000 in 1991.

Cost of product sold as a percentage of net sales decreased to 43.8% versus 45.3% last year. This decrease reflects lower product costs brought about by a change in one of our contract aerosol packagers in the U.K. We would expect our future costs to stabilize at these lower percentages. Operating income for the U.K. increased a

mere \$71,000 or 2.4% in spite of increased net sales and the reduced cost of product sold. This was due to selling, general and administrative, and advertising and sales promotion aggregating to 38.8% of net sales versus 34.9% in 1991 as the subsidiary continued to support its commitment to make WD-40 the brand leader in Prime Europe. In Prime Europe, WD-40 added 5 salespeople during 1992. The Company anticipates increased sales growth and related expense growth for the necessary personnel, advertising and promotions in the region.

Other Foreign Subsidiaries

1993 vs. 1992 Net sales increased \$918,000 or 10.7% in spite of a strengthening U.S. Dollar by 7.8% and 9.3% compared to the Canadian and Australian dollar respectively. In unit sales, Canada increased over 26% due to the success of the "Twin Pac" (Two cans banded together) and the 40th Anniversary "Bonus Ounce" can. Meanwhile, Australia was hampered by their ongoing recessionary economy and posted a marginal gain in unit sales.

Cost of product sold decreased as a percentage of net sales to 43.2% versus 51.6% last year. The decrease was due primarily to the renegotiation of the contract aerosol packager contracts in Canada and the lower inventory carrying costs as WD-40 is now being packaged by a contract packager in Australia versus being shipped to Australia in its final form.

Operating income before taxes increased \$2,246,000, well over a 400% gain. The gain reflects the strong increase in sales in Canada along with reduced costs of product sold and selling, general and administrative. We would expect operating income to remain at these levels during 1994.

In Australia, selling, general and administrative expenses were significantly reduced due to the fact that beginning with this fiscal year the parent company began recording the proportional selling, general and administrative and advertising costs related to the Pacific Rim sales where the respective sales have historically been recorded.

1992 vs. 1991 Net sales declined \$473,000 or 5.2%. While Australia posted a sales gain, Canada's decline pulled overall foreign sales down. The Company has developed a plan to reverse this negative trend in 1993.

Cost of product sold as a percentage of net sales increased to 51.6% versus 45.1% last year. This increase was due to increased costs of products purchased by the subsidiaries from the U.S. parent corporation. Operating income decreased \$1,055,000 or 66% compared to 1991. The negative impact of the transfer pricing adjustments accounted for the majority of this decline. The Australian subsidiary's advertising and sales promotion expenses also increased in support of higher sales levels into Southeast Asia.

On a comparative basis, currency exchanges had a minimal impact on results of operations.

Cash and Cash Equivalents

Cash and cash equivalents increased \$3,789,000 during 1993 versus a decrease of \$2,092,000 for the same period of last year. This increase was due to increases in cash from operating activities of \$21,861,000 (which included the non-recurring \$2,500,000 settlement expense discussed above) partially offset by a slight decrease of \$141,000 from investing activities, cash used in financing activities of \$17,057,000, and a \$874,000 decrease attributable to exchange rate fluctuations.

Interest and Other Income

1993 vs. 1992 Interest income, net decreased \$351,000 due to lower interest rates and reduced short term investments.

Other income, net decreased \$2,218,000 because of the \$2.5 million legal settlement discussed in Note 9 and was partially offset with an increase of \$248,000 in foreign exchange gains.

1992 vs. 1991 Interest and other income decreased \$143,000 or 10.2%. Interest income decreased due to lower interest rates, despite the fact that the average cash invested increased during 1992. Foreign exchange losses in the U.K. also contributed to the decrease.

Liquidity and Capital Resources

The Company has not experienced significant change in liquidity since August 31, 1992. The current ratio of 4.4 to one on August 31, 1993 was lower than the current ratio of 5.1 to one on August 31, 1992, due primarily to the timing of income tax payments and increased purchase of property, plant and equipment. The Company's primary source of liquidity is funds provided by operations. The Company had a note outstanding on August 31, 1993 for \$3,000,000, which was used to purchase partnership units in a Low Income Housing Tax Credit Fund (see Note 8). The Company's cash flows from operations are expected to provide sufficient funds to meet both short and long-term operating needs, as well as future dividends. Capital expenditures for fiscal year 1994 are expected to total approximately \$1,000,000, principally for replacement of aged vehicles, updating of computer equipment and some building improvements.

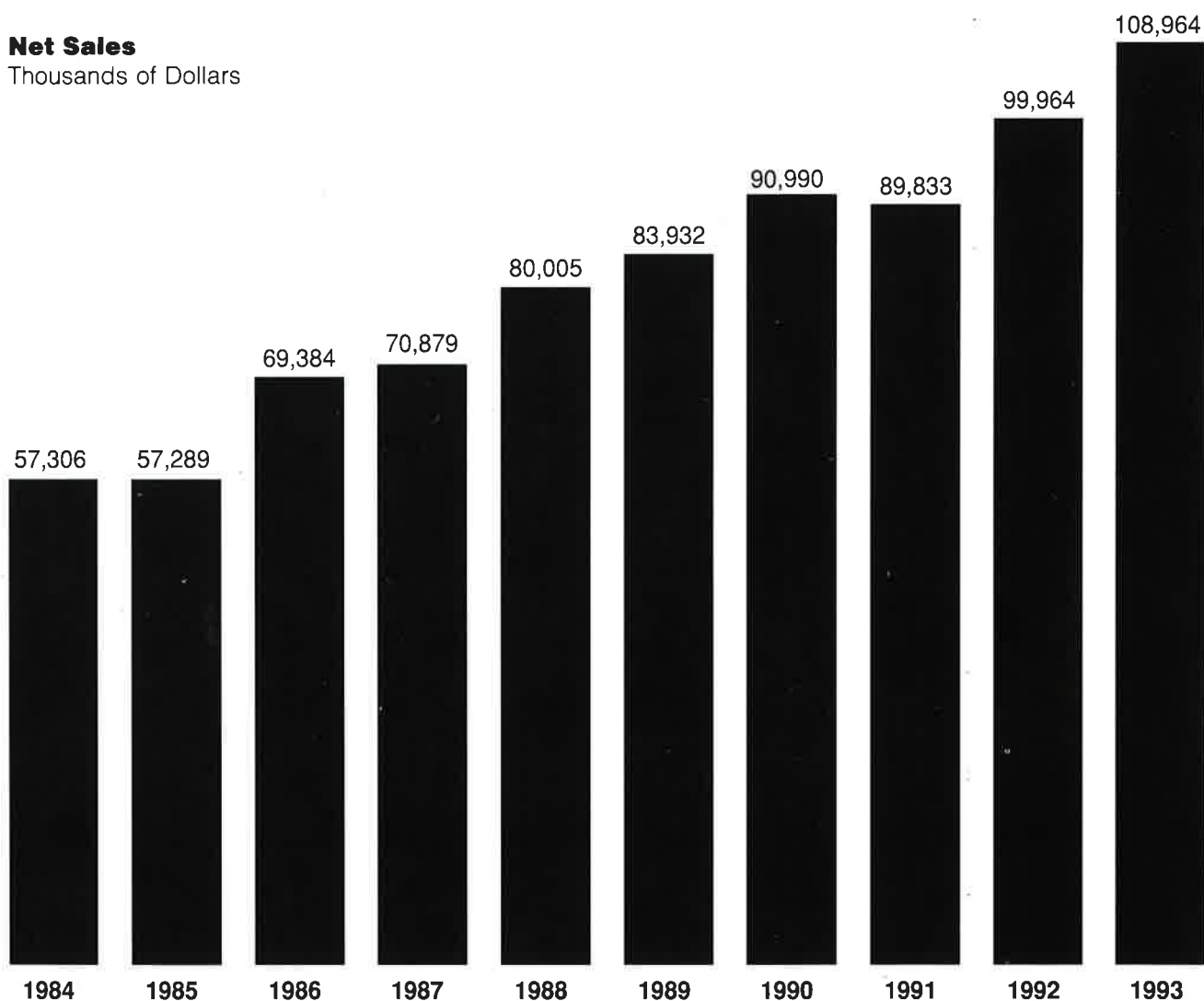
Ten Year Summary

Fiscal Year Ended August 31

	1984	1985	1986
Net sales	\$57,306,000	\$57,289,000	\$69,384,000
Cost of product sold	24,060,000	24,403,000	29,370,000
Gross profit	33,246,000	32,886,000	40,014,000
Selling, general and administrative, and advertising and sales promotion expenses	14,318,000	15,053,000	18,620,000
Interest income and other (net)	1,515,000	1,505,000	1,259,000
Income before income taxes	20,443,000	19,338,000	22,653,000
Provision for income taxes	10,381,000	9,984,000	11,083,000
Net income	\$10,062,000	\$ 9,354,000	\$11,570,000
Earnings per share	\$1.35	\$1.25	\$1.54
Average number of shares outstanding	7,476,546	7,498,024	7,503,679
Dividends per share	\$.84	\$.90	\$1.04
Total assets	\$30,290,000	\$32,871,000	\$38,506,000
Number of employees	39	49	56

Net Sales

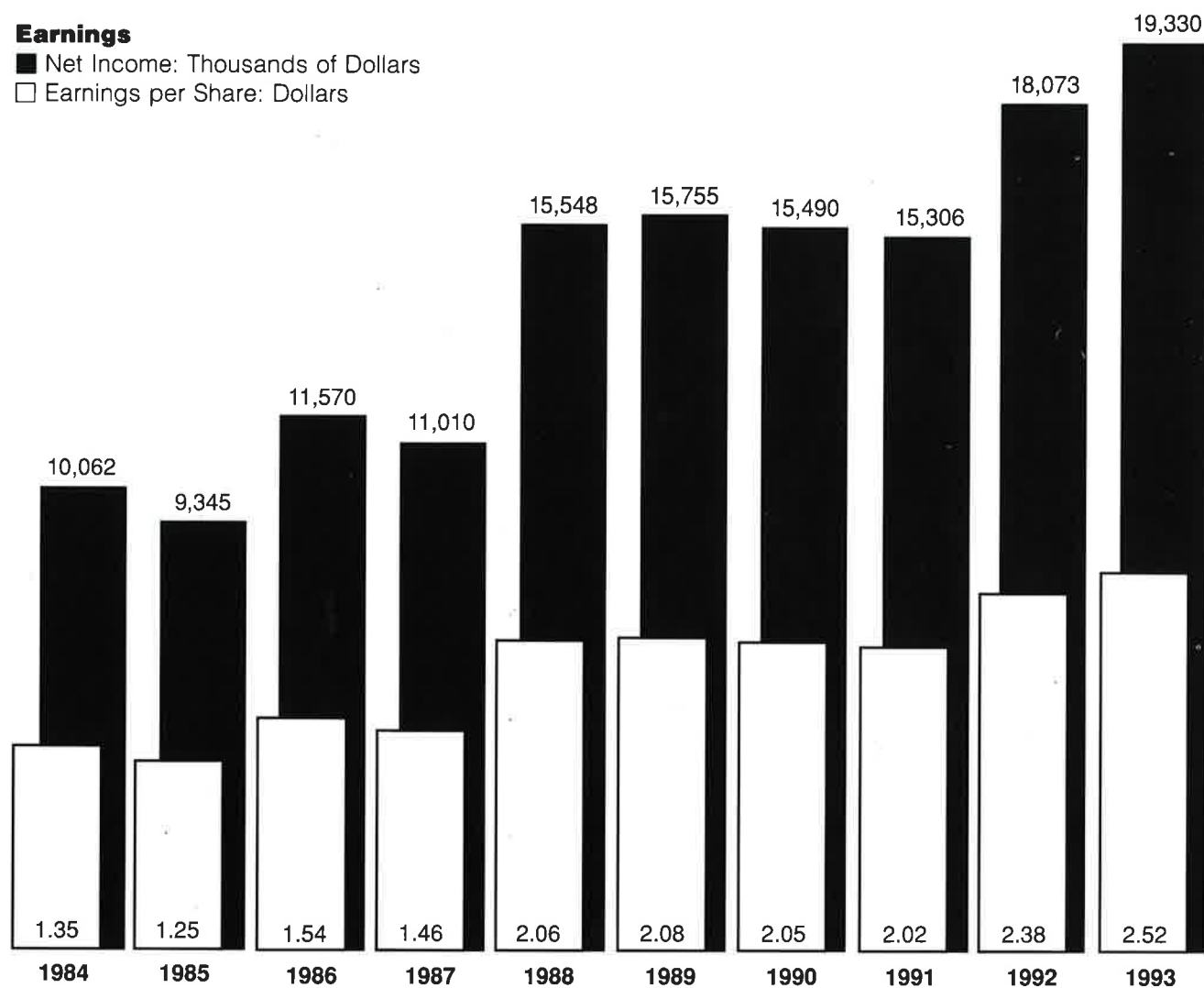
Thousands of Dollars



1987	1988	1989	1990	1991	1992	1993
\$70,879,000	\$80,005,000	\$83,932,000	\$90,990,000	\$89,833,000	\$99,964,000	\$108,964,000
30,185,000	33,931,000	36,347,000	40,446,000	39,828,000	42,217,000	44,686,000
40,694,000	46,074,000	47,585,000	50,544,000	50,005,000	57,747,000	64,278,000
21,009,000	21,891,000	23,744,000	27,274,000	26,305,000	29,537,000	31,242,000
988,000	1,235,000	2,084,000	1,910,000	1,406,000	1,263,000	(1,306,000)
20,673,000	25,418,000	25,925,000	25,180,000	25,106,000	29,473,000	31,730,000
9,663,000	9,870,000	10,170,000	9,690,000	9,800,000	11,400,000	12,400,000
\$11,010,000	\$15,548,000	\$15,755,000	\$15,490,000	\$15,306,000	\$18,073,000	\$19,330,000
\$1.46	\$2.06	\$2.08	\$2.05	\$2.02	\$2.38	\$2.52
7,516,652	7,527,507	7,552,114	7,554,154	7,555,948	7,594,243	7,660,462
\$1.47	\$1.63	\$1.90	\$2.02	\$1.72	\$2.16	\$2.30
\$39,149,000	\$43,312,000	\$44,640,000	\$46,785,000	\$47,752,000	\$53,596,000	\$58,784,000
61	79	133	136	134	136	143

Earnings

■ Net Income: Thousands of Dollars
□ Earnings per Share: Dollars



Corporate Information

Board of Directors

John S. Barry

Sam Crivello

Daniel W. Derbes

Harlan F. Harmsen

Jack L. Heckel

Margaret L. Roulette •

Gerald C. Schleif

C. Fredrick Sehnert

Edward J. Walsh

Chairman of the Board, WD-40 Company

Investor

President, Signal Ventures

Retired Attorney, Secretary, WD-40 Company

President and Chief Operating Officer, Gen Corp.

Investor

President, Chief Executive Officer and Treasurer,
WD-40 Company

Chairman and Chief Executive Officer, Laser Precision Corp.

President, The Sparta Group Ltd.

Officers

Gerald C. Schleif

Paul A. Thompson

Harlan F. Harmsen

Robert D. Gal

President, Chief Executive Officer and Treasurer

Vice President-Sales and Marketing, North America

Secretary

Assistant Secretary

General Counsel

Harmsen, Carpenter, Sidell & Olson
A Law Corporation

Independent Accountants

Price Waterhouse
San Diego, California

Transfer Agent & Registrar

Harris Trust Company of California
707 Wilshire Blvd., Suite 4840
Los Angeles, California 90017

Annual Meeting

2:00 P.M., November 30, 1993
Mission Room
Mission Valley Inn
875 Hotel Circle South
San Diego, California 92108

Corporate Office

1061 Cudahy Place
San Diego, California 92110
619/275-1400

Subsidiaries

WD-40 Company Ltd. (U.K.)
WD-40 Products (Canada) Ltd.
WD-40 Company (Australia) Pty. Ltd.

Listed

Over the Counter
NASDAQ National Market System
Symbol WDFC

Copy of Form 10-K

Beneficial owners may obtain without charge a copy of WD-40 Company's annual report on Form 10-K filed with the Securities and Exchange Commission for 1993 by writing to the Secretary, WD-40 Company, P.O. Box 80607, San Diego, California 92138-0607.

AROUND THE WORLD IN 40 YEARS.

1953: WD-40 is developed by Rocket Chemical Company for Convair, a division of General Dynamics. It is used to protect missiles from rust and corrosion.

1962: Rocket Chemical Company signs an international license agreement with Sun Electric for Europe and other areas.

1969: Rocket Chemical Company is renamed after its only product, WD-40.

1971: WD-40 Company opens a Canadian subsidiary.

1973: WD-40 Company goes public on the NASDAQ exchange.

1978: WD-40 Company celebrates its 25th Anniversary by breaking the \$25 million sales mark.

1984: The new WD-40 European headquarters at Milton Keynes, England is officially opened and dedicated.

1988: An Australian subsidiary begins operations for Australia and the Pacific Rim.

1993: WD-40 Company celebrates its 40th Anniversary with sales over \$108 million. WD-40 is distributed in over 115 foreign countries.

