

Highlights of the Three Years Ended August 31

	1988	1987	1986
Net Sales	\$80,005,000	\$70,879,000	\$69,384,000
Net Income	\$15,548,000	\$11,010,000	\$11,570,000
Earnings Per Share	\$2.06	\$1.46	\$1.54
Dividends Per Share	\$1.63	\$1.47	\$1.04
Average Number of Shares Outstanding	7,527,507	7,516,652	7,503,679
Shares Outstanding	7,544,368	7,522,868	7,504,051
Number of Shareholders	2,883	2,796	2,264
Number of Employees	79	61	56

Highlights Fiscal 1988:

- Current Ratio: 6.1 to 1
- Receivables to Net Sales: 17.9%
- Net Sales per Employee: \$1,012,000
- Debt: None
- Inventories to Net Sales: 4.4%
- Net Income to Average Net Worth: 44.9%

Letter to the Shareholders

October 12, 1988

To Our Shareholders:

I'm delighted to report that your Company celebrated it's thirty-fifth birthday with record sales and earnings. Sales for fiscal year 1988 were \$80,005,000, up 12.9% from the previous year. Net income reached \$15,548,000, up 41.0% from fiscal year 1987. On a per share basis earnings were \$2.06 versus \$1.46.

Cash dividends for the year were \$1.63 per share, up from \$1.47 the previous year. This is in line with the Company's policy of returning to the shareholders funds not needed for smooth operation of the Company.

The strengthening of the British pound and the Canadian dollar relative to the U.S. dollar during the year magnified this year's sales and earnings figures of the United Kingdom and Canadian subsidiaries relative to last year and carried through to the consolidated figures.

Most of the sales gain came from our foreign subsidiaries, however, the parent company provided the lion's share of the income increase. The parent company benefited from the recovery of \$950,000 from the California Insurance Guarantee Association, which was a loss of an equal amount the previous year resulting from the payment of a legal settlement for an insolvent insurance company. The effective tax rate of the U.S. corporation dropping from 51.0% to 39.2% also helped the bottom line.

We expect to spur sales in the United States by having better control over field sales activities through the establishment of our own direct sales force. Five regional offices will be staffed and fully operational November 1st. The cost of maintaining and supporting our own sales force will be offset by the elimination of commissions on sales.

The Company has capitalized on its unique marketing knowledge of WD-40 by establishing subsidiaries in England, Canada and Australia, and exporting this knowledge to assist them in developing their markets. The results have been most gratifying.

Operations of our United Kingdom subsidiary were right on plan. Basically this entity is responsible for developing business in three key areas: England, Europe and the Middle East. In England significant progress has and is being made in terms of broadening the distribution of WD-40. This will assist in opening the minds of both the trade and consumers as to the many uses of the product beyond automobiles and lead to solid sales growth.

Our European distributors now realize the potential of WD-40 and are professionally executing ambitious marketing programs under the guidance of our personnel. The sales increases reflect the results of this effort.

Sales to the Middle East made good advancements where WD-40 remains the unquestioned brand leader.

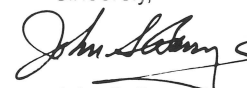
Canadian sales were also on plan and reflected improved penetration of the French speaking area of the country.

Our Australian subsidiary, with only eight months of operation, showed a modest profit for the year. In addition to marketing in Australia and New Zealand, this subsidiary is also responsible for developing business in Southeast Asia and the Far East.

Our search for a worthy companion product to world class WD-40 has not unearthed a strong candidate. We have shunned the temptation to take a product that might provide immediate excitement but really doesn't have the attributes of being a long term contributor to the Company.

Our objectives for Fiscal Year 1989 are once again to set new sales and earnings records.

Sincerely,



John S. Barry,
President

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 in foreign markets.

While domestic sales account for about three quarters of the total, 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 has spawned envy and has lured literally hundreds of imitators into the marketplace. WD-40's strong brand loyalty has resulted in our withstanding these attempted intrusions even when launched by billion-dollar com-

panies. In a real sense, 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, and Toronto, Canada. 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 and the Pacific Basin 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 three 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 a dozen different WD-40 labels.

Our Australian subsidiary, which became operational January 1, 1988, is responsible for marketing WD-40 in Australia, New Zealand, Southeast Asia and the Far East. Billings for sales outside of Australia and New Zealand are made by the parent company.

Report of Independent Accountants

Price Waterhouse



October 4, 1988

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, 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, 1988 and 1987, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 1988, 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.

Price Waterhouse

San Diego, California

WD-40 Company Consolidated Statement of Income

	Year ended August 31		
	1988	1987	1986
Net Sales	\$80,005,000	\$70,879,000	\$69,384,000
Interest, royalty and other income	1,235,000	988,000	1,259,000
	<u>81,240,000</u>	<u>71,867,000</u>	<u>70,643,000</u>
Cost and expenses:			
Cost of product sold	33,931,000	30,185,000	29,370,000
Selling, general and administrative	14,096,000	13,645,000	12,030,000
Advertising and sales promotion	7,795,000	7,364,000	6,590,000
	<u>55,822,000</u>	<u>51,194,000</u>	<u>47,990,000</u>
Income before income taxes	<u>25,418,000</u>	<u>20,673,000</u>	<u>22,653,000</u>
Provision for income taxes:			
Federal	6,430,000	7,252,000	8,838,000
State	1,400,000	1,286,000	1,510,000
Foreign	2,040,000	1,125,000	735,000
	<u>9,870,000</u>	<u>9,663,000</u>	<u>11,083,000</u>
Net income	<u>\$15,548,000</u>	<u>\$11,010,000</u>	<u>\$11,570,000</u>
Earnings per share	<u>\$2.06</u>	<u>\$1.46</u>	<u>\$1.54</u>
Average number of shares outstanding	<u>7,527,507</u>	<u>7,516,652</u>	<u>7,503,679</u>

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Balance Sheet

	August 31	
	1988	1987
Assets		
Current assets:		
Cash, including certificates of deposit of \$17,923,000 and \$15,009,000	\$21,641,000	\$18,042,000
Accounts receivable, less allowance for cash discounts and doubtful accounts of \$458,000 and \$314,000	14,281,000	14,592,000
Inventories:		
Finished goods	3,353,000	2,556,000
Raw materials	217,000	265,000
	3,570,000	2,821,000
Prepaid taxes and expenses	1,159,000	1,286,000
Total current assets	40,651,000	36,741,000
Property, plant and equipment at cost:		
Land	254,000	254,000
Buildings and improvements	1,395,000	1,395,000
Machinery and equipment	1,846,000	1,479,000
	3,495,000	3,128,000
Less: accumulated depreciation	(1,235,000)	(991,000)
	2,260,000	2,137,000
Other assets	401,000	271,000
	<u>\$43,312,000</u>	<u>\$39,149,000</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,450,000	\$ 3,717,000
Accrued payroll and related expenses	1,506,000	1,112,000
Income taxes payable	2,652,000	1,318,000
Total current liabilities	6,608,000	6,147,000
Deferred income taxes	214,000	225,000
Contingencies (Note 5)		
Shareholders' equity:		
Common stock, no par value, 9,000,000 shares authorized – shares issued and outstanding of 7,544,368 and 7,522,868	2,390,000	1,957,000
Paid-in capital	121,000	121,000
Retained earnings	34,104,000	30,826,000
Cumulative foreign currency translation adjustment	(125,000)	(127,000)
Total shareholders' equity	36,490,000	32,777,000
	<u>\$43,312,000</u>	<u>\$39,149,000</u>

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Shareholders' Equity

	Common stock		Paid-in Capital	Retained Earnings	Cumulative Translation Adjustment
	Shares	Amount			
Balance at August 31, 1985	7,500,721	\$1,714,000	\$121,000	\$27,103,000	(\$356,000)
Issuance of common stock	3,330	36,000			
Cash dividends				(7,804,000)	
Change in cumulative translation adjustment					87,000
Net income				11,570,000	
Balance at August 31, 1986	7,504,051	1,750,000	121,000	30,869,000	(269,000)
Issuance of common stock, net of 11,835 shares exchanged in stock option exercise	18,817	207,000			
Cash dividends				(11,053,000)	
Change in cumulative translation adjustment					142,000
Net income				11,010,000	
Balance at August 31, 1987	7,522,868	1,957,000	121,000	30,826,000	(127,000)
Issuance of common stock	21,500	433,000			
Cash dividends				(12,270,000)	
Change in cumulative translation adjustment					2,000
Net income				15,548,000	
Balance at August 31, 1988	<u>7,544,368</u>	<u>\$2,390,000</u>	<u>\$121,000</u>	<u>\$34,104,000</u>	<u>(\$125,000)</u>

See accompanying notes to consolidated financial statements.

WD-40 Company Consolidated Statement of Cash Flows

	Year ended August 31		
	1988	1987	1986
Cash flows from operating activities:			
Net income	\$15,548,000	\$11,010,000	\$11,570,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	198,000	244,000	200,000
Provisions for losses on accounts receivable and for cash discounts	144,000	31,000	114,000
Change in assets and liabilities:			
Decrease (increase) in accounts receivable	167,000	(1,057,000)	(1,279,000)
(Increase) decrease in inventory	(749,000)	(370,000)	104,000
Decrease (increase) in prepaids	127,000	124,000	(626,000)
(Increase) in other assets	(130,000)	(114,000)	(88,000)
(Increase) in current deferred tax asset	(15,000)		(8,000)
(Decrease) increase in accounts payable and accrued expenses	(873,000)	1,148,000	885,000
Increase (decrease) in income tax payable	1,334,000	(863,000)	721,000
(Decrease) increase in long-term deferred tax liability	(11,000)	52,000	140,000
Equity adjustment for foreign currency translation	2,000	142,000	87,000
Net cash provided by operating activities	<u>15,742,000</u>	<u>10,347,000</u>	<u>11,820,000</u>
Cash flows from investing activities:			
Proceeds from sale of equipment	65,000	82,000	8,000
Capital expenditures	(371,000)	(363,000)	(292,000)
Net cash used in investing activities	<u>(306,000)</u>	<u>(281,000)</u>	<u>(284,000)</u>
Cash flows from financing activities:			
Proceeds from issuance of common stock	433,000	207,000	36,000
Dividends paid	(12,270,000)	(11,053,000)	(7,804,000)
Net cash used by financing activities	<u>(11,837,000)</u>	<u>(10,846,000)</u>	<u>(7,768,000)</u>
Net increase (decrease) in cash and cash equivalents	3,599,000	(780,000)	3,768,000
Cash and cash equivalents at beginning of year	<u>18,042,000</u>	<u>18,822,000</u>	<u>15,054,000</u>
Cash and cash equivalents at end of year	<u>\$21,641,000</u>	<u>\$18,042,000</u>	<u>\$18,822,000</u>

See accompanying 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 Products (Canada) Limited, WD-40 Company Ltd. (UK) and WD-40 Company PTY, Ltd. (Australia). All significant intercompany transactions have been eliminated.

Inventories

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

Depreciation

Depreciation of plant and equipment has been computed using straight-line and accelerated methods, based upon estimated useful lives of thirty to forty years for the plant 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.

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 the dilutive effect is in excess of 3 percent of earnings per share, 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 the 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. The Company's provision for income taxes is accounted for in accordance with Statement of Financial Accounting Standards No. 96 (SFAS 96) in fiscal 1988 and in accordance with Accounting Principles Board Opinion No. 11 in fiscal 1987 and 1986. The Company's adoption of SFAS 96 in fiscal 1988 did not have a material effect on results of operations or financial position and is not expected to have a material effect on future results of operation or financial position (Note 3).

Statement of Cash Flows

The Company adopted the Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" and accordingly, has restated the 1987 and 1986 Statement of Changes in Financial Position to conform to the 1988 presentation.

Note 2 — Business Segment and Foreign Operations:

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

Information regarding the Company's operations is summarized below. WD-40 Company (U.S.) amounts include all domestic sales, as well as sales to South America and the Pacific Basin, except for Australia and New Zealand. WD-40 Company Ltd. (U.K.) amounts include sales to Europe, the Middle East and Africa. WD-40 Products (Canada) Ltd. and WD-40 Company PTY, Ltd. (Australia) are included in other foreign subsidiaries. Substantially all sales by these operations are to customers within Canada and Australia and New Zealand, respectively.

	Year ended August 31		
	1988	1987	1986
Net sales:			
WD-40 Company (U.S.)	\$60,228,000	\$56,346,000	\$57,894,000
WD-40 Company Ltd. (U.K.)	13,534,000	9,697,000	6,799,000
Other foreign subsidiaries	7,671,000	5,089,000	4,876,000
Eliminations	(1,428,000)	(253,000)	(185,000)
	<u>\$80,005,000</u>	<u>\$70,879,000</u>	<u>\$69,384,000</u>
Operating profit (loss):			
WD-40 Company (U.S.)	\$18,728,000	\$15,792,000	\$18,185,000
WD-40 Company Ltd. (U.K.)	4,062,000	2,972,000	2,084,000
Other foreign subsidiaries	1,393,000	922,000	1,125,000
Interest, royalty and other income	1,235,000	987,000	1,259,000
Income before income taxes	<u>\$25,418,000</u>	<u>\$20,673,000</u>	<u>\$22,653,000</u>
Identifiable assets:			
WD-40 Company (U.S.)	\$32,190,000	\$30,913,000	\$31,392,000
WD-40 Company Ltd. (U.K.)	7,896,000	6,439,000	4,424,000
Other foreign subsidiaries	3,226,000	1,797,000	2,690,000
	<u>\$43,312,000</u>	<u>\$39,149,000</u>	<u>\$38,506,000</u>

Note 3 — Income Taxes:

Effective August 31, 1988, the Company adopted, retroactive to September 1, 1987, the Financial Accounting Standards Board Statement No. 96 (SFAS 96), "Accounting for Income Taxes", thereby applying the liability method of accounting for income taxes. The Company's adoption of SFAS 96 did not have a material effect on results of operations or financial position and is not expected to have a material effect on future results of operation or financial position.

Provisions for income taxes on earnings are as follows:

	Year ended August 31		
	1988	1987	1986
Current Tax Provision:			
United States	\$ 6,552,000	\$ 7,159,000	\$ 8,831,000
Foreign	1,929,000	1,166,000	878,000
State	1,415,000	1,286,000	1,505,000
Total current	<u>9,896,000</u>	<u>9,611,000</u>	<u>11,214,000</u>
Deferred Tax Provision (Benefit):			
United States	(122,000)	93,000	7,000
Foreign	111,000	(41,000)	(143,000)
State	(15,000)		5,000
Total deferred	<u>(26,000)</u>	<u>52,000</u>	<u>(131,000)</u>
Total provision for income taxes	<u>\$ 9,870,000</u>	<u>\$ 9,663,000</u>	<u>\$11,083,000</u>

The major temporary differences that gave rise to deferred taxes are; the state tax provision, allowance for cash discounts and doubtful accounts and depreciation. The deferred tax assets (liabilities) are reflected in the consolidated balance sheet as follows:

	Year ended August 31		
	1988	1987	1986
Current assets	\$ 660,000	\$ 645,000	\$ 645,000
Non-current liabilities	(214,000)	(225,000)	(173,000)
	<u>\$ 446,000</u>	<u>\$ 420,000</u>	<u>\$ 472,000</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		
	1988	1987	1986
Amount computed at U.S. statutory federal rate	\$8,558,000	\$9,075,000	\$10,420,000
State income taxes, net of federal benefit	929,000	721,000	815,000
Net effect of foreign income taxes effective rates (lower) higher than U.S. statutory federal rate	353,000	(133,000)	(152,000)
Other	30,000		
	<u>\$9,870,000</u>	<u>\$9,663,000</u>	<u>\$11,083,000</u>

Note 4 — 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, 1988, options for 55,631 shares were exercisable and 75,102 shares were available for future grants.

A summary of the changes in options outstanding under the Plan during the three years ended August 31, 1988 is as follows:

	Number of shares	Option price per share
Outstanding at August 31, 1985	63,340	\$10.83-\$21.38
Options granted	33,390	\$19.50
Options exercised	(3,330)	\$10.83-\$19.50
Outstanding at August 31, 1986	93,400	\$10.83-\$21.38
Options granted	29,478	\$29.50
Options exercised	(30,652)	\$10.83-\$21.38
Options canceled	(4,695)	\$19.50-\$21.38
Outstanding at August 31, 1987	87,531	\$19.50-\$29.50
Options granted	31,200	\$34.25
Options exercised	(21,500)	\$19.50-\$21.38
Options canceled	(10,400)	\$19.50-\$34.25
Outstanding at August 31, 1988	<u>86,831</u>	<u>\$19.50-\$34.25</u>

Pursuant to provisions of the Plan, during the year ended August 31, 1987, 11,835 shares were exchanged at fair market value in lieu of cash in the exercise of stock options.

On December 8, 1986, the Board of Directors granted 1,722 non-qualified options (not granted under the Incentive Stock Option Plan) to two officers of the Company at an option price equal to the market price at the date of issuance of \$29.50.

Note 5 — Contingencies:

The Company is party to various 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 materially adverse effect on the Company's financial position.

During the second quarter of the year ended August 31, 1987, the Company recorded a charge of \$950,000, included in selling, general and administrative expense, resulting from a legal settlement. This matter was covered by insurance; however, the insurance carrier was in receivership and was unable to pay. The Company received full reimbursement of this amount from the California Insurance Guarantee Association during the first and second quarters of the current year, which is credited in selling, general and administrative expense.

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 1988, 1987 and 1986 approximated \$388,000, \$276,000 and \$185,000, respectively.

The Company has a Salary Deferral Employee Stock Ownership Plan whereby regular full-time employees who have completed three years 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. Employee and 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 1988, 1987 and 1986 was approximately \$14,000, \$16,000 and \$13,000, respectively.

Quarterly Financial Information (Unaudited)

The following table sets forth certain unaudited quarterly financial information for the two years ended August 31, 1988.

Quarter ended:	Net Sales	Gross Profit	Net Income	Earnings Per Share
November 30, 1986	\$16,497,000	\$ 9,426,000	\$ 2,536,000	\$.34
February 28, 1987	19,067,000	11,209,000	2,642,000	.35
May 31, 1987	17,163,000	9,973,000	2,315,000	.31
August 31, 1987	18,152,000	10,086,000	3,517,000	.46
	<u>\$70,879,000</u>	<u>\$40,694,000</u>	<u>\$11,010,000</u>	<u>\$1.46</u>
November 30, 1987	\$18,096,000	\$10,376,000	\$ 3,634,000	\$.48
February 29, 1988	21,258,000	12,324,000	4,131,000	.55
May 31, 1988	20,058,000	11,435,000	3,641,000	.49
August 31, 1988	20,593,000	11,939,000	4,142,000	.54
	<u>\$80,005,000</u>	<u>\$46,074,000</u>	<u>\$15,548,000</u>	<u>\$2.06</u>

Stock Information

Period:	Fiscal 1988			Fiscal 1987		
	High	Low	Dividend	High	Low	Dividend
First Quarter	\$36¾	\$23	\$.33	\$28¾	\$23¼	\$.28
Second Quarter	29½	23	.35	42¼	28	.53
Third Quarter	32¾	26¾	.60	46¼	29¼	.33
Fourth Quarter	32	28¾	.35	39	29½	.33

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

Results of Operations

The operations summarized in Note 2 to the consolidated financial statement are discussed below.

WD-40 Company (U.S.)

Sales and operating profit in 1988 increased 6.9% and 18.6%, respectively, compared with 1987. The operating profit increase was greater than the increase in sales chiefly as a result of the \$950,000 recovery from the California Insurance Guarantee Association, which was a loss of an equal amount of the previous year resulting from the payment of a legal settlement for an insolvent insurance company.

Sales and operating profit in 1987 decreased 2.7% and 13.2%, respectively, compared with 1986. The decrease in sales was primarily attributable to the disruption in the retail trade caused by mergers, liquidations, leveraged buy-outs, bankruptcies and changing distribution patterns. In addition to the effect of the decrease in sales, operating profit was seriously impacted by the \$950,000 charge explained in the previous paragraph.

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

Sales and operating profit in 1988 increased 39.5% and 36.6%, respectively, compared with 1987. The average exchange rate of the British pound versus the U.S. dollar for fiscal 1988 strengthened 14.7%, magnifying the increase.

Sales and operating income both rose 42.6% from 1986 to 1987 as the U.K. subsidiary broadened distribution in England and established new distribution in Europe. The Middle East also contributed to the growth. Once again, the pound advanced against the U.S. dollar.

Other Foreign Subsidiaries

Sales and operating income in 1988 rose 50.7% and 51.1%, respectively, compared with 1987. Canada experienced good sales and earnings growth and also benefited from a stronger currency against the U.S. dollar. In addition, our Australian subsidiary came on stream January 1, 1988.

Canadian sales went up slightly in 1987 over 1986 but operating income decreased as a result of increased expenses across the board in anticipation of sales that did not materialize.

Liquidity and Capital Resources

The Company's primary source of liquidity is net income provided by operations. Cash dividends have been increased over the past three years from \$7,804,000 in 1986, \$11,053,000 in 1987 to \$12,270,000 in 1988. The year end current ratio of six to one and the debt-free balance sheet reflects a healthy financial status. We anticipate investing approximately \$700,000 during fiscal 1989 for support equipment for our direct sales force, which will be staffed and fully operational by November 1, 1988.

Corporate Information

Board of Directors

John S. Barry
Sam Crivello
Eugene H. DeFalco
Daniel W. Derbes
Harlan F. Harmsen

Jack L. Heckel
Margaret L. Roulette
C. Fredrick Sehnert
Edward J. Walsh

President and Treasurer
Investor
Investor
President, Allied-Signal International Inc.
Secretary; Attorney, Harmsen, Carpenter, Sidell & Olson, A Professional Corporation
President and Chief Operating Officer, Gen Corp.
Investor
President and Chief Executive Officer, Wavetek Corp.
President, The Sparta Group Ltd.

Officers

John S. Barry
Gerald C. Schleif
Paul A. Thompson
Harlan F. Harmsen
Robert Gal

President and Treasurer
Executive Vice President
Vice President-Sales
Secretary
Assistant Secretary

General Counsel

Harmsen, Carpenter, Sidell & Olson, A Professional Corporation

Independent Accountants

Price Waterhouse
San Diego, California

Transfer Agent & Registrar

California First Bank
8155 Mercury Court
San Diego, California 92112

Corporate Office

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

Annual Meeting

2:00 PM, December 1, 1988
Mission Room
Mission Valley Inn
875 Hotel Circle South
San Diego, California 92108

Subsidiaries

WD-40 Products (Canada) Ltd.
WD-40 Company Ltd. (U.K.)
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 1988 by writing to the Secretary, WD-40 Company, 1061 Cudahy Place, San Diego, California 92110.

Ten Year Summary (1)

Fiscal Year Ended August 31

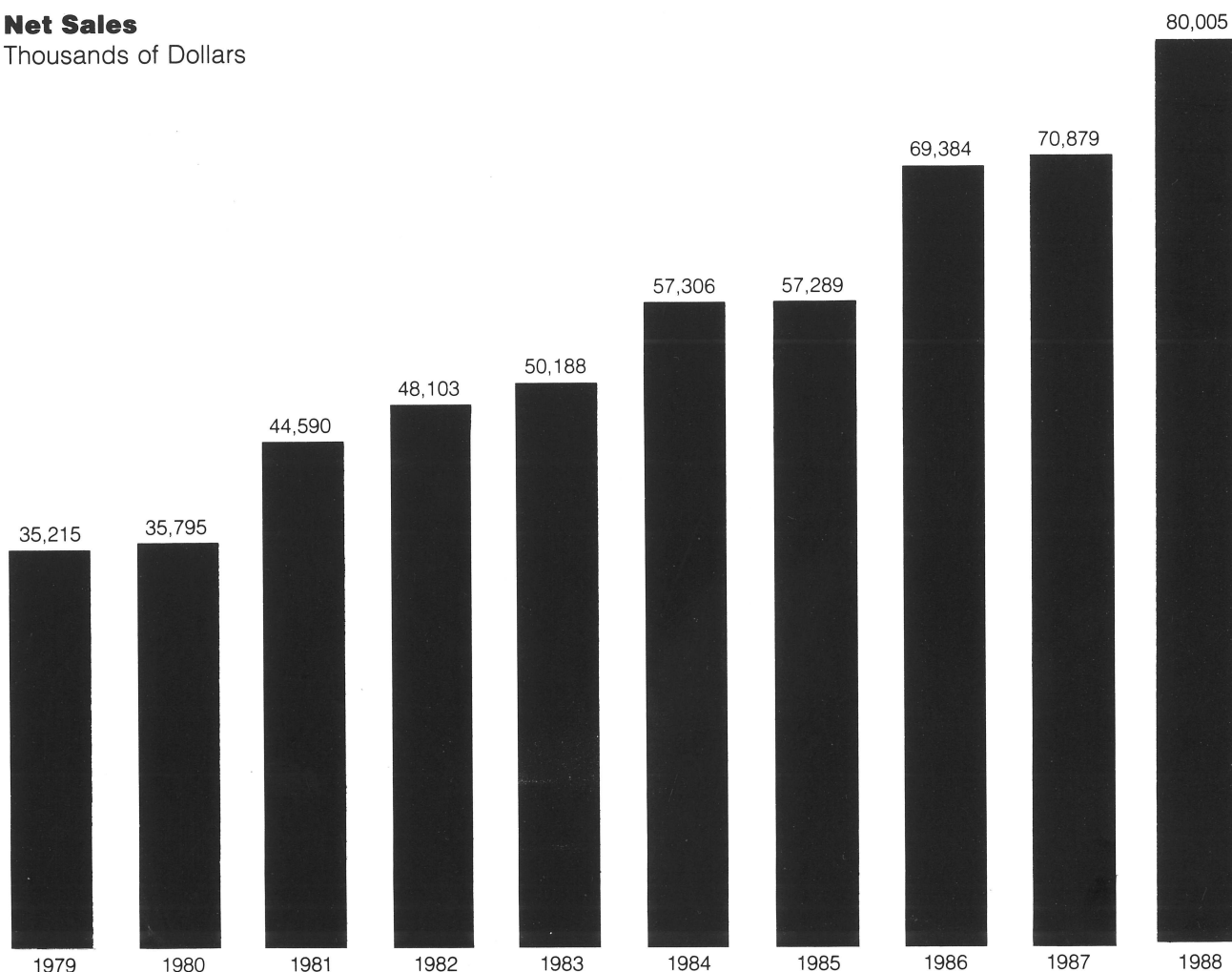
	1979	1980	1981
Net sales	\$35,215,000	\$35,795,000	\$44,590,000
Cost of products sold	15,503,000	16,106,000	19,715,000
Gross profit	19,712,000	19,689,000	24,875,000
Selling, advertising, general and administrative expenses	9,154,000	9,519,000	10,203,000
Interest, royalty and other income	706,000	942,000	1,212,000
Income before income taxes	11,264,000	11,112,000	15,884,000
Provision for income taxes	5,761,000	5,602,000	8,040,000
Net income	\$ 5,503,000	\$ 5,510,000	\$ 7,844,000
Earnings per share (2)	\$.74	\$.74	\$1.06
Average number of shares outstanding	7,434,270	7,434,270	7,434,270
Dividends per share (3)	\$.40	\$.52	\$.60
Total assets	\$13,352,000	\$13,296,000	\$20,284,000
Number of employees	35	36	36

(1) Includes the accounts of the Company and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated. See Management's Discussion and Analysis of the Last Three Fiscal Years of Operations on page 11.

(2) Earnings per 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 two for one stock split in October 1978 and the three for one stock split in April 1983.

Net Sales

Thousands of Dollars



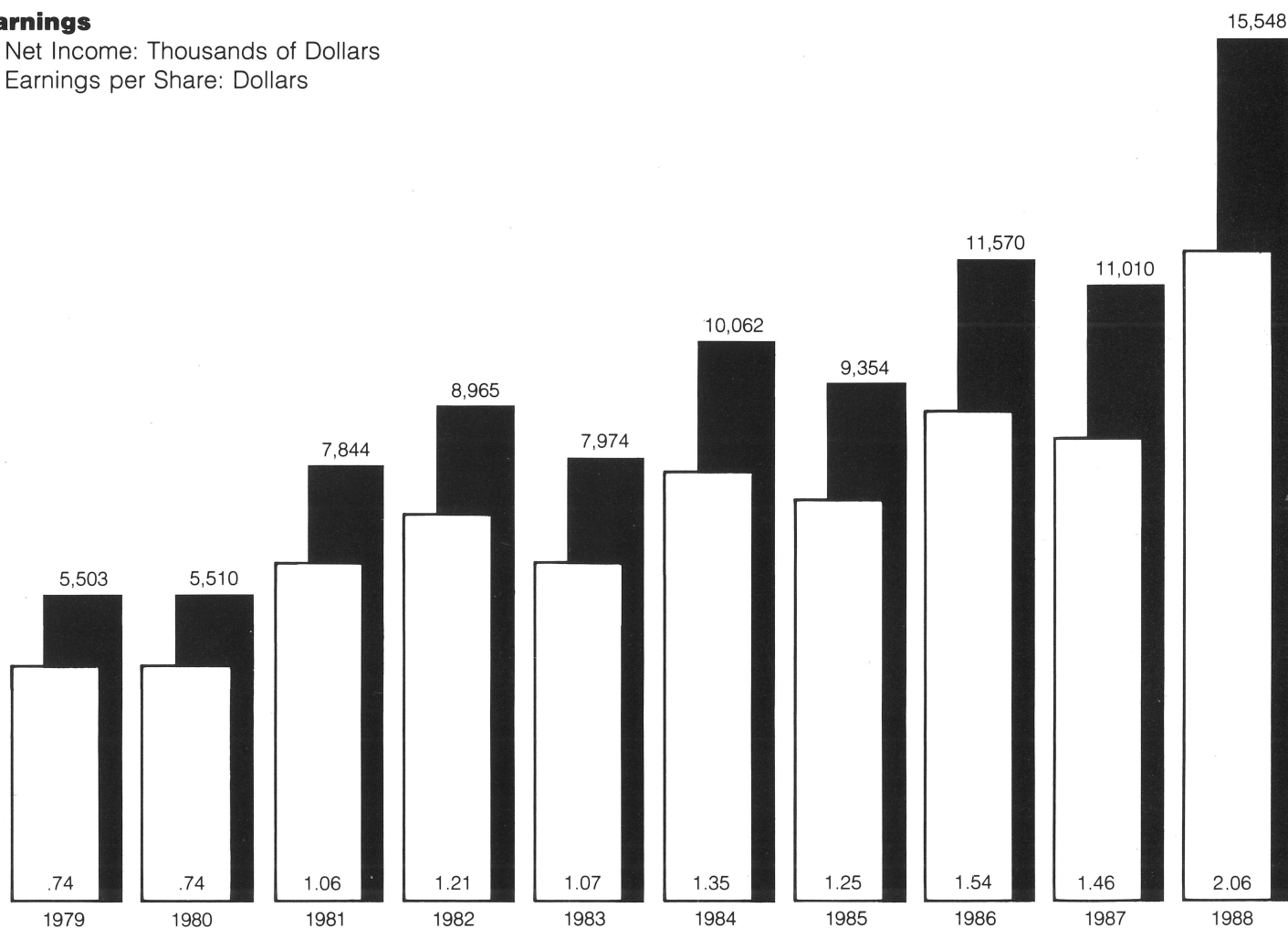
1982	1983	1984	1985	1986	1987	1988
\$48,103,000	\$50,188,000	\$57,306,000	\$57,289,000	\$69,384,000	\$70,879,000	\$80,005,000
20,467,000	21,781,000	24,060,000	24,403,000	29,370,000	30,185,000	33,931,000
27,636,000	28,407,000	33,246,000	32,886,000	40,014,000	40,694,000	46,074,000
11,253,000	13,647,000	14,318,000	15,053,000	18,620,000	21,009,000	21,891,000
1,712,000	1,333,000	1,515,000	1,505,000	1,259,000	988,000	1,235,000
18,095,000	16,093,000	20,443,000	19,338,000	22,653,000	20,673,000	25,418,000
9,130,000	8,119,000	10,381,000	9,984,000	11,083,000	9,663,000	9,870,000
\$ 8,965,000	\$ 7,974,000	\$10,062,000	\$ 9,354,000	\$11,570,000	11,010,000	15,548,000
\$1.21	\$1.07	\$1.35	\$1.25	\$1.54	\$1.46	\$2.06
7,434,834	7,453,598	7,476,546	7,498,024	7,503,679	7,516,652	7,527,507
\$.68	\$.75	\$.84	\$.90	\$1.04	\$1.47	\$1.63
\$22,916,000	\$24,698,000	\$30,290,000	\$32,871,000	\$38,506,000	\$39,149,000	\$43,312,000
37	38	39	49	56	61	79

(3) The cash dividends paid per share have been retroactively restated to give effect to the October 1978 and April 1983 stock splits.

Earnings

■ Net Income: Thousands of Dollars

□ Earnings per Share: Dollars





▲ Worldwide Corporate Headquarters

● U.S. Regional Offices

■ Subsidiary Headquarters

WD-40. Available in 110 countries around the world.