

OFFICE OF DOING

PROFIT CENTER

THE CORNER OFFICE

DEPARTMENT OF GETTING THINGS DONE

FOCUS GROUP

W

M

WELCOME

THE GREEN ROOM

MOVER

SHAKER

MOVER

SHAKER

MOVER

SHAKER

A black sign with rounded corners and a fine horizontal ribbed texture is mounted on a tall, thin, polished metal stand. The stand has a circular base. The sign is centered against a bright yellow wall. The floor is made of large, grey, square tiles with white grout. The overall scene is brightly lit, creating a clean and professional atmosphere.

WELCOME  
TO  
WD-40

WHEN YOU WALK THROUGH OUR CORRIDORS, YOU DISCOVER A VERY DIFFERENT KIND OF ORGANIZATION. THIS IS A COMPANY WHERE EMPLOYEES HAVE MISSIONS, NOT JOB DESCRIPTIONS – WHERE PEOPLE ACROSS ALL DEPARTMENTS WORK TOGETHER TO ACCOMPLISH SUPERHUMAN FEATS.

BEHIND THE SCENES AT WD-40 COMPANY YOU'LL FIND PASSIONATE INDIVIDUALS WHO ARE GUIDED BY A CORE SET OF BELIEFS THAT SAYS, MOST NOTABLY, THAT ANYTHING IS POSSIBLE.

[Enter here >](#)

## WD-40 DIRECTORY

THE CORNER OFFICE	02
NERVE CENTER	08
OFFICE OF DOING	12
WHERE STUFF HAPPENS	16
FOCUS GROUP	20
DEPARTMENT OF GETTING THINGS DONE	24
CENTER OF EXCELLENCE	28
PROFIT CENTER	32
MOVERS & SHAKERS	34
THE GREEN ROOM	36

## FROM THE CORNER OFFICE

G'day,

What a year! A lot of hard work and focus resulted in the most profitable year in the Company's history.

As a publicly traded company in the consumer products sector, our performance this year certainly indicates that, even in difficult economic times, people still have the same needs to lubricate, clean and deodorize. And our consumers are selecting those brands that deliver superior performance. That's where we come in. We are in the squeak, smell and dirt business and deliver superior performance through our brands.

Let's go straight to this year's financial highlights:

### Financial Performance in 2002

- Net worldwide sales of \$216.8 million, up 32 percent over last year's \$163.7 million.
- Net income for the year was \$24.7 million, up 55.2 percent compared to last year's \$15.9 million.
- Earnings per share were \$1.53 compared to \$1.02 in 2001.
- Sales in the Americas were up 42 percent: \$165.1 million compared to \$116.2 million last year.
- Sales in Europe increased 12 percent: \$38.9 million compared to \$34.6 million in 2001.
- Sales in Asia/Pacific were \$12.8 million compared to \$12.9 million in 2001.

Our business in the Americas looks very different than it did a year ago, thanks to the Global Household Brands acquisition. Sales were up mostly due to increased distribution of the household brands. Late in the year, we acquired the Spot Shot® carpet stain remover brand, adding sales to the last three months of fiscal 2002. We also launched our first line extension under the Carpet Fresh® brand, Carpet Fresh No Vacuum Auto.

Latin America results were affected by the Argentina turmoil; however, the Caribbean and Central America experienced steady growth.



*Ask President and CEO Garry Ridge (photographed here in front of the Wall of History) why the Company has had such a successful year, even in a down economy, and he will respond without hesitation: "It's our people who have made the difference."*

Sales in Canada increased by 35.2 percent. This was primarily due to the household brands business. We are hard at work building distribution for 7 of our 8 brands in the Canadian market.

You all know the WD-40® brand is an institution here in the U.S. With that kind of equity and mindshare, our annual goal is to continue defending the brand fortress. We do this through programs such as the WD-40 Fan Club and our association with NASCAR.

Asia/Pacific experienced mixed results this year. Australia grew the brands 9.2 percent over the previous year by establishing new channels of distribution for WD-40 and Solvol®, increasing 3-IN-ONE® sales and improving our presence in the hardware channel. At the same time, we experienced a decline in sales in Asia by 1.8 percent mainly due to the counterfeits in China. However, the Korea market experienced 29 percent growth. It seems we will always have some exposure to the fluctuations in our international markets. Even so, our people are never comfortable with the status quo and are always trying new ways to develop the brands and to make up for those markets that are undergoing economic turmoil. This is the advantage of a well-executed diversification strategy.

For several years, we have talked about our efforts to build the WD-40 brand in Europe – this is a top priority for the Company. Just as Rome was not built in a day, it takes many years to build a strong brand and create consumer loyalty. It took us at least four decades to grow WD-40 to what it is today in the U.S. We don't believe in accelerating

the growth of a brand for the benefit of short-term sales. We believe in building a brand fortress with strong roots so the fortress will bear fruit for years to come.

Based on the steady growth perspective, which remains our yardstick, we certainly have made great strides in Europe. I am very proud of the 38 percent growth we have achieved for the WD-40 brand since 1998. This year, WD-40 grew 10 percent across the region. Countries like Russia, Portugal, Spain and Italy experienced excellent growth, and Germany rebounded despite a poor economy.

Let's look at the business from a category perspective. Our three business segments (hand cleaners, lubricants and household products) have all grown this year. The hand cleaner business increased by 9 percent, due to an increase in Lava® advertising this year and increased distribution of Solvol.

The lubricant business increased by 1 percent over last year. This slight increase was due to growth in Europe.

The household business increased by 9.3 percent (excluding Spot Shot) compared to 2001. Most of our household products are sold primarily in the U.S. This increase was due to more widespread distribution of the household products.

Investors don't always react positively to acquisition announcements these days, and I can't really blame them, given that fewer companies are succeeding with their acquisition strategies. This year we demonstrated that we have not only successfully integrated our X-14®, 2000 Flushes® and Carpet Fresh® brands but have also grown them by 9.3 percent within the first year of owning them – an accomplishment even we had not anticipated.

As you know, there are two ways to grow brands: One is to advertise and the other is to distribute. It's easy to grow brands by throwing a lot of money into advertising, and while smart and effective advertising certainly is a powerful motivator in our business, real estate – or shelf space – is just as important. The more shelf space we have, the better the chance our consumers will interact with our brands. That is the reason we were able to grow these brands from prior years. We increased the shelf space for our household

brands (2000 Flushes, Carpet Fresh and X-14) by distributing them in the traditional brand (WD-40, 3-IN-ONE and Lava) distribution channels.

### **Acquisitions**

We could not pass up the great opportunity this year to acquire a brand that performs so remarkably. I'm referring to the Spot Shot carpet stain remover from Heartland Corporation. It's one of those WOW products that fits our primary criterion: It is a superior brand with excellent potential for growth in the U.S. and internationally. Spot Shot is an aerosol product that fits beautifully in our supply chain, sales force and distribution network. That is why we decided to acquire it one year ahead of schedule as disclosed in the "Plan on One Page" located on our website ([www.wd40.com](http://www.wd40.com)). In the three months we've owned it we've grown the brand's distribution. If you haven't tried the product, we invite you to go to your local store and pick up a can – we think it will WOW you too!

As shareholders, some of you may feel uncomfortable with the amount of debt we are carrying. Let me assure you, however, that we have a good capital structure plan in place and expect future profits. These two elements together will help reduce our debt within the next few years.

### **Shareholders and the market**

As I mentioned in my recent letter to each of you, we reduced our quarterly dividend this year from \$.27 to \$.20, and although I know some of you were not too happy with this dividend reduction, I assure you this was done in the best long-term interest of the shareholders and the Company. Dividends come from profits, and profits don't grow if sales do not grow.

I appreciate those of you who called or wrote me and allowed me to speak candidly with you about your concerns. Many of you have given me your vote of confidence and your support, and for that I thank you. I take my responsibility towards every shareholder and employee very seriously. Believe me when I say that I wouldn't make these changes if I didn't truly believe they would help the company's long-term performance.



As far as the future of the dividend is concerned, I have said in the past that our goal was to reduce the dividend payout ratio to 50 percent, and I believe we are very close to that goal. But I must also say that as the right opportunities come along, the Company will review very carefully our capital structure to ensure we are making the best decisions for the long-term future of the Company.

I wouldn't be a true Aussie if I didn't tell it like it is. And here it is: What's with these CEOs who have given a bad "rap" to those of us who are trying to do an honest day's work in building a business? A few bad apples with no sense of responsibility have created an environment where everyone is questioning the ethical standards in corporations. Perhaps there will be a silver lining in all this: a growing appreciation for those companies that grow their business the old-fashioned way, honestly and responsibly – companies with a clear direction, focused approach and clear-cut road map for the future. At WD-40 Company, our business model is simple, ethical and steadfast – and it will remain that way. We are a company that does good business with magnificent people and brands that continue to deliver above-expectation performance at great value.

We have a few new regulations this year, and I'll leave it up to our accounting people to explain these to you in this year's 10-K.

### **What lies ahead for the Company next year?**

We expect to focus on the growth of Spot Shot and Carpet Fresh in the U.S. while growing WD-40 internationally. These will be our top priorities during the next fiscal year. We also plan to launch line extensions for several of our brands in the U.S. We will look for brand introduction into international markets. We are also focused on innovating our current brands to improve their quality and packaging. We are not expecting to make another acquisition unless, of course, something comes along that offers amazing opportunities that are too good to pass up. We expect earnings per share of \$1.65 to \$1.70 in 2003 and to have a 15 percent increase in sales.

We want to make sure that whenever we have an important announcement about the Company, you have up-to-date information. I urge you to visit our website

(www.wd40.com). The Investor Relations section of the site contains the most up-to-date news. If you sign up for E-mail Alert, you will be notified of the Company's most recent developments through an e-mail message. This is the best tool we have to make sure you get information in a timely fashion. Please take advantage of it.

**We want to thank many people.**

We are devoting this year's Annual Report to celebrating the efforts of the people at WD-40 Company in appreciation for all their behind-the-scenes contributions. We want you to see our business for what it really is: a team of hard-working and passionate people with a clear direction, having a lot of fun building our future. So many people have put in long hours to make this past year so successful. We have attempted to mention as many as possible in the following pages. However, due to lack of space, we cannot possibly include everyone. So I want to offer my personal thanks to everyone on our great team. I want to thank our stakeholders, too, for consistently helping us raise the bar.

Finally, to our shareholders, I want to express my sincere appreciation for your support and ongoing feedback. I hope you are as pleased with this year's results as I am.



GARRY RIDGE

President and CEO

Note that facts listed under the "Financial Performance 2002" section are reflective of the application of EITF 01-09 ("EITF 01-09" is the consensus reached by the Emerging Issues Task Force of the FASB in Issue EITF 01-09: "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products"). All other discussion of sales, other than those included in the "Financial Performance 2002" section, are described in terms of "Invoiced Sales" ("Invoiced Sales" are sales as invoiced to the customer, and exclude the impact of term discounts, and the application of EITF 01-09). Note that the Company's annual report on Form 10-K filed for the year ended August 31, 2002, all discussions of results are reflective of the application of EITF 01-09.

# NERVE CENTER

*You could call strategic development at WD-40 Company our nerve center because it's the backbone of our company and the lifeblood of the organization. Still and all, we try to keep things simple and focused. To quote our CEO, "It's not rocket science. We're in the squeak, smell and dirt business."*

# HERE, STRATEGY IS EVERYONE'S BUSINESS

## **Our Fortress of Brands Strategy.**

"Assemble a competitive portfolio of carefully selected brands to position us globally as a company, a true fortress of brands." This is what we refer to, affectionately, as our "Fortress of Brands" strategy. It is a strategy that is based on the realization that positioning the company as a diversified fortress is ultimately the best way to reduce concentration risk and ensure the continued increase in revenues and earnings.

This strategy is being successfully implemented on all fronts (including marketing, distribution, finance, research & development and acquisitions) to position WD-40 Company as a value growth company for the long term. As a result, over the past several years, the Company has transitioned itself from a brand fortress (a one-product company with WD-40 being the single brand) to a fortress of leading brands. Today, we are a global consumer products company in every sense of the term – an organization dedicated to building brand equities that are not only quality brands but also consumers' first or second choice in their respective categories.

## **A fortress built – and fortified – by acquisition.**

Acquisition has been key to the implementation of the Fortress of Brands strategy, and, over the past three years, the Company has delivered one new acquisition per year. In 1999, we added Lava. In the following year, we entered the heavy-duty hand cleaner category in Australia, New Zealand and the Pacific Islands, with the acquisition of the Solvol brand. And in 2001, we made our largest acquisition ever, with the purchase of Global Household Brands and its well-known 2000 Flushes, Carpet Fresh and X-14.

## **Our brands not only lead in their categories, they created them.**

WD-40, our flagship brand, virtually created the spray lubricant market and can now be found in 8 out of 10 U.S. homes. So did 3-IN-ONE, the best-known product in the drip oil category. Lava, the original heavy-duty hand cleaner, is a leading choice in the U.S. when it comes to cleaning even the dirtiest of hands. Its Australian counterpart, Solvol, created the heavy-duty hand cleaner category on that continent.

The WD-40 brands acquired in 2001 are also leaders in their respective categories. Carpet Fresh created the rug and room deodorizer market. X-14 originated the mildew stain remover market and 2000 Flushes, the long-duration ATBC (automatic toilet bowl cleaner) market.

### **Distinctive brands with distinct similarities.**

Quality and trailblazing are not the only qualities that the brands in the WD-40 fortress have in common. They are all leading performers in their respective categories, demonstrating consistent sales growth, attractive long-term profit potential and healthy margins. They also are sold in multiple channels and have potential for global distribution.

Target acquisitions are branded products where we can identify a “value gap” between the brand's performance and the Company's core competencies. A value gap might exist geographically, such that we can enhance the acquired brand with our global presence and infrastructure. Or there might be a gap in distribution, whereby a potential acquisition brand could benefit from our strength and presence in multiple distribution channels.

Once a successful brand has been identified, there is a strategic determination of how the brand will integrate into the supply chain, the countries and trade channels where it should be introduced first, the line extension opportunities and how best to promote the brand based on its qualities and market potential – considerations that will all be important in the integration process.



*Carpet Fresh, 2000 Flushes and X-14, our household products that we acquired in 2001, already have widespread distribution in the grocery channel and are being introduced in other channels where our traditional brands are distributed.*



**Strategy is nothing without execution.**

Our Fortress of Brands strategy has become a reality thanks to the tireless dedication – and outstanding abilities – of people like [Nancy Vukovich, Deduction Services Manager](#).

Taking personal responsibility for solving problems is her trademark. Joining the organization while we were acquiring Global Household Brands, Nancy was pivotal in rebuilding the deductions services team in our San Diego headquarters. A skilled teacher, Nancy helped develop our people in other areas as well, including sales and customer service. Her enthusiastic “no nonsense” approach and positive outlook are reflected in a saying that has become her motto: “Don’t even think about not getting it done.”

*Visit our Center of Excellence on page 28.*



*Here in our acquisition center we decide whether or not a brand meets our clearly delineated acquisition criteria and explore the consequences of integrating that brand into our fortress. A popular saying here, "Don't get caught in the thick of thin things," is a constant reminder never to lose sight of the big picture.*

# WE KEEP OUR EYES OPEN

## **Our newest acquisition, Spot Shot.**

We delivered early on our commitment to acquire in 2003 by adding Spot Shot carpet stain remover in 2002. While we do not have any plans for further acquisitions in 2003, our eyes are always open to stellar opportunities like the one Spot Shot presented to us. It is an ideal fit for our platform and offers exciting growth opportunities both in the U.S. and internationally.

The originators of the Spot Shot brand, Heartland Corporation, developed a proprietary cleaning formula that quickly and easily removes even the toughest carpet stains – including both oil- and water-based stains – regardless of the age of the stain. Spot Shot requires no rubbing, scrubbing or vacuuming and leaves no ring or residue. Number one in its category – and the most effective carpet stain remover on the market today – Spot Shot currently boasts a 14 percent share of the overall carpet cleaner category and 54 percent of the aerosol spot stain removal segment.

Spot Shot also has important similarities to other brands in the WD-40 fortress, allowing us to leverage our existing outsourced manufacturing and multitrade distribution channel models, not to mention our extensive experience and supply chain in aerosol products marketing.

## **Our acquisition strategy is clearly defined.**

The WD-40 Fortress of Brands strategy is guided by a set of acquisition criteria which insures a portfolio of brands that build on each other's strengths.

Besides being quality brands that are number one or two in their respective markets, they must have demonstrable benefits (e.g., remove stains, eliminate squeaks, etc.) and deliver above-expectation performance at extremely good value to end users (what we like to refer to as "consumer glue").

## **Reduced concentration risk, and increased diversification.**

Today, thanks to our ongoing acquisitions, no brand or distribution channel amounts to more than 60 percent of our total revenues. Not depending on any single brand or



channel for the majority of our revenues remains the surest way for us to achieve sustainability and vigorous long-term growth.

In addition to reducing our concentration risk, acquisition has led to true diversification. The Company now serves three distinct product categories: household products (2000 Flushes, X-14, Carpet Fresh and Spot Shot); heavy-duty hand cleaners (Lava and Solvol); and multipurpose lubricants (WD-40 and 3-IN-ONE). We live under the sinks, in the garages and in the toolboxes of the world.

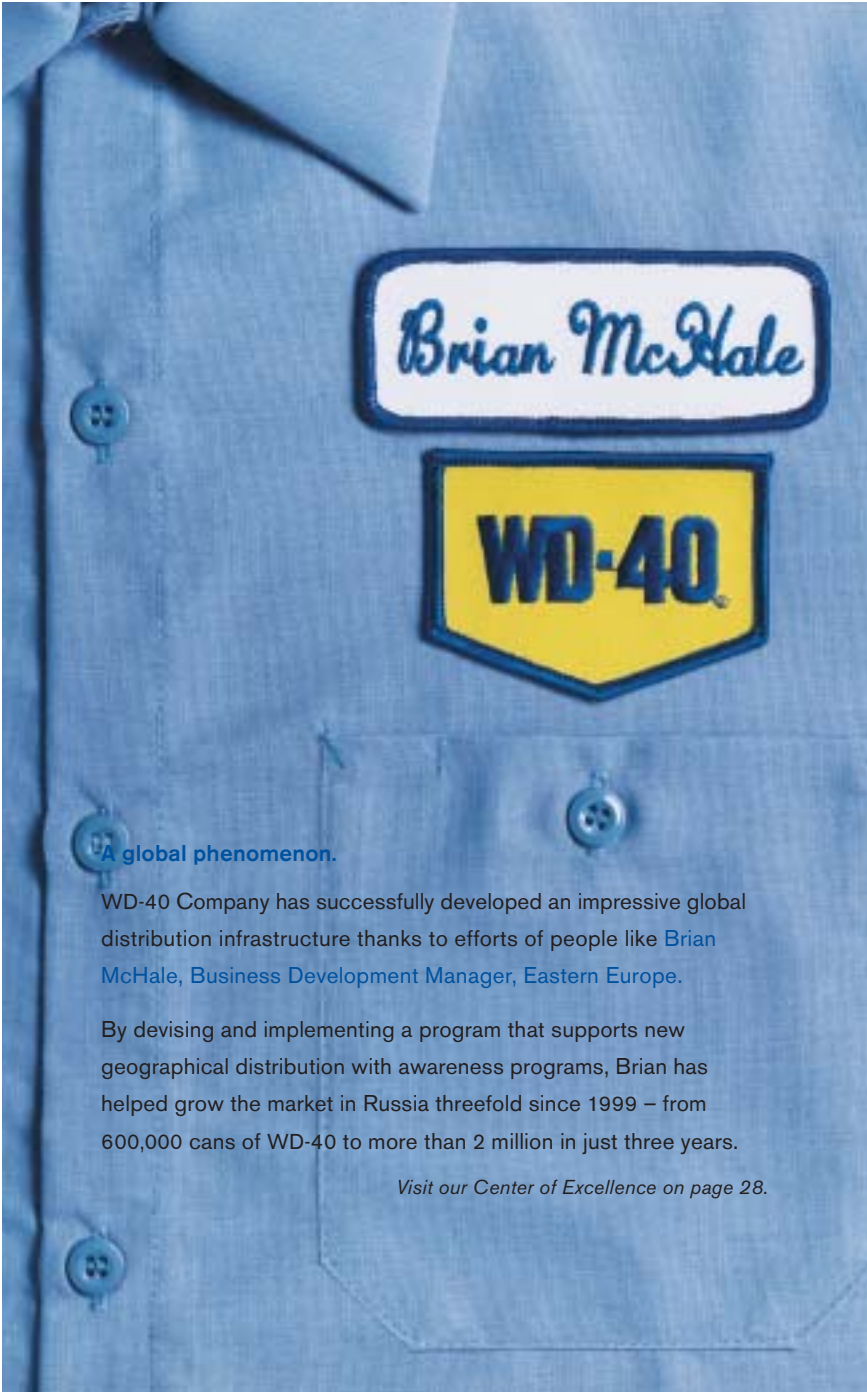
### **The successful integration of acquired brands.**

The acquisition of 2000 Flushes, Carpet Fresh and X-14 in 2001, our largest and most comprehensive to date, has already been reaping benefits in 2002. We have begun to extend the brands into traditional WD-40 distribution channels. In July 2002, we also introduced a new line extension for Carpet Fresh, a product for the automotive market. Carpet Fresh No Vacuum Auto has a unique floral scent and what we believe to be excellent long-term potential.

These efforts underscore just how successful we have become at mastering the art of integration. More than ever before, we have the people and infrastructure in place to absorb newly acquired products into our fortress quickly and efficiently. Most important, everyone is on the same page in terms of the goals and values that guide every aspect of the acquisition and integration processes.



*Besides being a highly successful product in its own right, Spot Shot, our new acquisition, offers synergies with other products in our brand fortress – allowing us to leverage our existing supply chain, sales force and distribution network.*

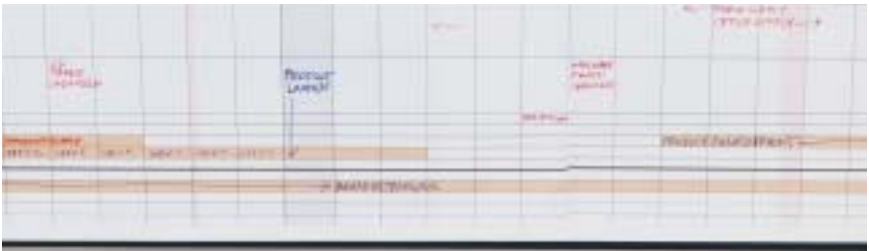


**A global phenomenon.**

WD-40 Company has successfully developed an impressive global distribution infrastructure thanks to efforts of people like [Brian McHale](#), Business Development Manager, Eastern Europe.

By devising and implementing a program that supports new geographical distribution with awareness programs, Brian has helped grow the market in Russia threefold since 1999 – from 600,000 cans of WD-40 to more than 2 million in just three years.

*Visit our Center of Excellence on page 28.*



*Distribution means getting the right product to the right place at the right time. It means accepting unreasonable challenges and meeting impossible deadlines. We are proud of our successful multiple distribution channel infrastructure and the leveraging power it continues to afford us as we diversify.*

## MAKING IT EASY FOR OUR CONSUMERS

The WD-40 Company mindset is not limited to one or two distribution channels – it never has been. In the course of more than 49 years, the Company has learned how to compete in multiple distribution channels, and we now have demonstrated competency in 62 trade channels in more than 160 countries throughout the world.

### **A multiple distribution strategy.**

The ubiquity of WD-40 brands is a logical extension of the products themselves. Their wide variety of applications is universal – they transcend national boundaries. Precisely because of their versatility, WD-40 brands are by no means restricted to a few trade or distribution channels like most other products.

Unlike competitors who have opted for a “one trade channel/one brand” strategy, WD-40 Company provides a variety of ways for customers to interact with our products by making them available in a broad range of shopping environments. These include hardware/home improvement, automotive, mass merchant, farm supply, sporting goods, industrial and janitorial supply, grocery, discount, office supply, military and others.

Each distribution channel presents its own unique set of challenges. We have learned from experience, for example, that the grocery channel is an extremely dynamic and volatile one. To compete successfully in this environment, ongoing product development is essential, since products need to change constantly in order to maintain their consumer appeal. “New” and “improved” features must be added all the time, and there is a constant challenge to invigorate sales so as not to lose shelf space.

### **Our learning makes us stronger.**

Today WD-40 Company is a stronger organization than ever because we are a smarter organization than ever. We continue to build on the knowledge we have gained from years of experience in the various distribution channels. We are applying this knowledge in a variety of ways, most notably in our cross channel distribution efforts, which remain pivotal for sustaining long-term growth.

Efforts are currently underway to expand X-14, 2000 Flushes and Carpet Fresh (already very successful in the grocery channel) into channels where sales of WD-40 and 3-IN-ONE are strong, such as hardware, clubs and home centers. We never lose sight of the fact that adding new channels creates new prospects, increasing the likelihood that more consumers will be exposed to – and interact with – our brands.

### **The new product pipeline.**

Utilizing our Company's ever-expanding R&D capabilities, we continue to add to the product pipeline and grow our fortress through product development.

Take our Lava brand, for example. When we first acquired the brand in 1999, it was available in bar soap form and in an underdeveloped liquid form. The Company subsequently developed the Lava liquid hand soap into larger sizes for introduction into the hardware channel. Later on, we introduced the liquid brand extension for Solvol, Lava's counterpart in Australia and New Zealand.

Our most recent product extension, which we introduced in July 2002, is Carpet Fresh No Vacuum Auto, an innovative new entry in the car air freshener category, which we are selling in the automotive, mass merchant and grocery channels.

Efforts are currently underway to launch additional line extensions for several of our other brands in the U.S. and to introduce existing brands into new international markets.

The logo for the brand "Lava" is displayed in a bold, red, sans-serif font. The letters are thick and blocky, with a registered trademark symbol (®) positioned to the upper right of the final letter.The logo for the brand "Solvol" is displayed in a bold, yellow, sans-serif font. The letters are thick and blocky, with a registered trademark symbol (®) positioned to the upper right of the final letter.

*Lava and Solvol, our heavy-duty hand cleaners, are brands that have been strengthened through product extensions. Originating as bar soaps, the products are also available as liquid hand soap.*



### **The difference between doing and outdoing.**

What happens when you combine resourcefulness, passion, consistency and just plain hard work? You get people who set extremely high expectations and then surpass them – people like [Diana Burman, National Account Manager](#).

Diana has worked tirelessly in managing key accounts and hardware distribution in Australia. By skillfully utilizing in-store displays and cataloguing, not to mention stellar people skills, Diana and her team have seen sales double with our largest hardware retailer in Australia and have made 2002 a stellar year for us on that continent.

*Visit our Center of Excellence on page 28.*



*Marketing is the magic that brings our products to life – on store shelves and in the customers' minds. It's what makes people want to try a brand for the first time and helps keep them coming back for more. As we continue to grow our Fortress of Brands, marketing will take on an ever-increasing role.*

## MARKETING MATTERS

As WD-40 Company continues to grow and evolve into a diversified consumer brands company, we are increasing our investment in advertising, retail promotions and sampling to support our multiple brands in their various channels. In the U.S., for example, we ran more than 13,000 television commercial spots in 2002, promoting our brands. And in Australia, where we experienced a 10 percent growth in sales over the past year, extensive advertising efforts have been underway to promote WD-40 and Solvol.

Among our most successful and visible promotional efforts to date is the WD-40 Fan Club, which started as an online venue for WD-40 users and has since grown in popularity and scope with 54,000 fans. Over the past year, we have partnered with NASCAR and Daytona 500 winner, Ward Burton, to support our retail promotion program.

### **Capitalizing on market opportunities.**

We continue our efforts to create new product extensions and distribution channels for our existing brands and to research new market opportunities globally. People at every level of the organization have become increasingly open to new ways of thinking about our products and the markets where we compete and display a willingness to seize opportunities and capitalize on them.

In a Fortress of Brands, each product has its own unique market parameters, and there is no one right way to get something accomplished. With this in mind, we continue to foster a true learning environment where every person feels empowered to assess what is working and what is not – and to change course if necessary. We don't make mistakes at WD-40 Company, we have "learning moments" that help us make better decisions in the future.

Creating an environment where people feel empowered to take chances demands that everyone in the organization communicate proactively and openly to learn from one another. To further this goal, the Company has developed a "Maniac Pledge," which has become a popular motto for employees. It states, "I am responsible for taking action, asking questions, getting answers and making decisions. I do not wait for someone to tell me. If I need to know, I am responsible for asking. I have no right to be



offended I did not get the information sooner. If I am doing something others should know about, I am responsible for telling them.”

This no-nonsense approach to communication and teamwork is paying off in a working environment where there is ongoing evaluation and improvement of process. A program known as Double Vision actually ties profit goals to incentive compensation for every employee to reward individual and group achievement.

In short, the Company is doing everything possible to ensure that our Fortress of Brands becomes a fortress of strength – for our employees, our customers and ultimately our shareholders.

#### **In search of the perfect transaction.**

Every person at every level of the company aspires to the same goal: the perfect transaction. Simply defined, this is what happens when two or more parties identify, define and embrace a particular set of expectations, agree on how those expectations will be met, and then proceed to accomplish or in many cases exceed them.

The perfect transaction is doing something once – the right way – saving time and money in the process and strengthening working relationships. It means anticipating, and being prepared for, every eventuality to ensure the desired outcome. As a result, our customers receive service and value that exceeds their expectations – and we increase market share, brand penetration and profits.



*WD-40 and 3-IN-ONE, the longest-standing brands in our fortress, have fierce brand loyalty and widespread penetration. Traditionally sold in hardware, automotive and other channels frequented by the “do-it-yourselfer,” they provide the leverage to extend other brands into these channels.*



### **A championship year.**

Over the past year, we have seen some remarkable achievements: a pivotal acquisition in Spot Shot, successful integration of the three brands we acquired in 2001, and impressive global sales growth. To top it all off, in October, WD-40 Company was selected as one of the Forbes 200 Best Small Companies in America for 2002, based on stringent criteria such as return on equity, sales and earnings-per-share growth. This honor is further proof that we have a successful strategy in place and the infrastructure to execute it. But what differentiates us most is our incredible people: a team of talented and passionate individuals with a common set of goals and values, who take on immense challenges and emerge victorious.

*Visit our Center of Excellence on page 28.*

## DEPARTMENT OF GETTING THINGS DONE

From here, we can see the world – and the world of opportunities that lie ahead for us as we continue to grow our Fortress of Brands. WD-40 Company is organized around three distinct trading blocs that span the globe – affording us the depth of resources and the specific market knowledge to think globally and act locally.

<b>The Americas</b>		
COUNTRIES/LANGUAGES <b>36/11</b>	REGIONAL POPULATION <b>808 million</b>	
BRANDS SOLD <b>WD-40, 3-IN-ONE, Lava, X-14, 2000 Flushes, Carpet Fresh, Spot Shot</b>	% OF SALES <b>80%</b>	

<b>Europe</b>		
COUNTRIES/LANGUAGES <b>123/52</b>	REGIONAL POPULATION <b>1.6 billion</b>	
BRANDS SOLD <b>WD-40, 3-IN-ONE, Lava, Spot Shot</b>	% OF SALES <b>15%</b>	

<b>Asia/Pacific</b>		
COUNTRIES/LANGUAGES <b>28/51</b>	REGIONAL POPULATION <b>3.6 billion</b>	
BRANDS SOLD <b>WD-40, 3-IN-ONE, Solvol, Lava, Spot Shot</b>	% OF SALES <b>5%</b>	

Note that all discussions of sales included within the "Department of Getting Things Done" section are described in terms of "Invoiced Sales" ("Invoiced Sales" are sales as invoiced to the customer, and exclude the impact of term discounts, and the application of EITF 01-09). "EITF 01-09" is the consensus reached by the Emerging Issues Task Force of the FASB in Issue EITF 01-09: "Accounting for Consideration Given by a Vendor to a Customer or Reseller of the Vendor's Products." Note that in the Company's annual report on Form 10-K filed for the year ended August 31, 2002, all discussions of results are reflective of the application of EITF 01-09.

## The Americas

Overall, 2002 was a particularly strong year for us in the Americas. We saw the transformation of our business model from a dependence on a few core brands to a position where we were competing with a truly diversified brand portfolio.

In the United States and Canada, it was a year dominated by our recent acquisitions, which are really paying off for us – our business has increased more than 50 percent compared to a year ago. The successful integration of 2000 Flushes, Carpet Fresh and X-14 has been a major accomplishment – and a true team effort – and we are extremely pleased with the results we have achieved from these brands so far. This has led to a substantial reduction in our overall concentration risk. As a result, we are no longer dependent on any single brand in North America, and our business is considerably stronger because of it.

We expect our most recent acquisition, Spot Shot, to be a strong performer as well, given its already dominant position in the carpet stain remover category. We are also very excited about the prospects presented by the launch of Carpet Fresh No Vacuum Auto, a revolutionary new entry in the car air freshener arena.

Our performance was mixed in Latin America. Argentina's financial and political woes cast a long shadow over results in South America. The picture was very different in the Caribbean and Central America. In both regions, we achieved record sales for the year.

One thing was consistent throughout the Americas, however. We saw a strong coordinated effort on the part of our entire team in every region. The tireless dedication of our people has truly made a difference in 2002, and we look forward to great things in 2003 and beyond.

## Europe

WD-40 again reached record levels, growing by more than 10 percent across the region. The most significant growth came from France (13 percent), Italy (42 percent), Portugal (59 percent) and Spain (19 percent). Even Germany rebounded strongly with 21 percent growth despite a poor economy. Overall, we added nearly 800 new accounts this year.

Distributor markets experienced moderate growth, except in Russia, which saw vigorous growth (27 percent), mainly through strong promotional activity and development of distribution. The key Middle East markets of the UAE and Saudi Arabia have returned to their general sales levels.

Lava distribution has been extended into the leading retail chains in the hardware, auto and grocery sectors. However, off-the-shelf sales have not yet met our expectations, and we will continue our efforts to raise awareness and trial of the brand. We have also launched a line extension of 3-IN-ONE in aerosol format containing PTFE, with positive initial results.

Looking ahead, we have agreed to increase our investment in advertising and promotion to drive the growth of WD-40's usage in each of our direct markets.

We will continue to develop 3-IN-ONE with PTFE and other line extensions in the UK and will also launch this product in France and Spain where the brand already has considerable equity. We are also evaluating opportunities for the Spot Shot brand throughout Europe. The brand currently has limited distribution in the UK and Germany.

Profit growth remains foremost in our minds. We continue to focus on improving sales development, our cost of sales position, warehousing and distribution operations. The rising costs of raw materials remains a challenge, however.

Our European team is more experienced and more focused than ever, and we look forward to continued vigorous growth.

## Asia/Pacific

In Asia, we recorded overall invoiced sales of \$9.7 million, down 1.8 percent from last year. One of the reasons for this is that in China we continue to feel the adverse effects of counterfeit products.

There were some particular bright spots in the Asian region, however. Korea, for example, had a record year in 2002 – with 29 percent growth. Indonesia and India also experienced strong increases in sales. In Indonesia, our hardware channel continues to be a source of strength for us.

Another highlight of the year was the launch of the Lava brand in both Hong Kong and Singapore. We also added a new marketing distributor in Singapore.

Australia fared considerably better than Asia in 2002. Overall sales grew by 9 percent over the previous year. Specifically, WD-40 sales increased by 4.8 percent; 3-IN-ONE by approximately 192 percent (though the customer base is still small); and Solvol by about 15 percent. Advertising in key markets was one of the primary factors driving the growth of these brands. In the case of Solvol, for example, a print campaign in leading women's magazines led to a significant increase in awareness for the liquid form of the product.

Other highlights of the year in Australia include the establishment of new channels of distribution for WD-40 and Solvol, most notably the dollar stores, and the successful introduction of the 3-IN-ONE Telespout and WD-40 notch cap. We also dramatically improved our presence in the hardware channel with the hiring of a new merchandiser. As a result, business with our largest hardware retailer doubled in the past 12 months.

Overall, we continue to improve our processes in Asia/Pacific – and, of course, our people remain our key asset.

## CENTER OF EXCELLENCE

While it would be impossible to cite all the incredible people and achievements that have fueled this Company's amazing growth, we certainly could never do justice to the WD-40 success story without highlighting some of the individual success stories that are so much a part of it.

Here is just a small sampling of the great people whose passion, commitment and accomplishments have made 2002 such a fantastic year for all of us. Our fortress is stronger today because of their efforts.

### **Amy Berguson, Senior Financial Reporting Analyst / San Diego**

Amy has truly earned her nickname "Queen of Q" as the primary writer of our SEC filings, including 10-Q's. Since joining the company in November 2001, she has helped improve our internal and external financial reporting significantly.

### **John Callery, Regional Manager, Global Household Brands Broker / U.S.**

John demonstrates superior broker management skills and is key to the success we have already achieved in the Americas with these newly integrated brands.

### **Craig Campbell, Key Account Manager, UK and Ireland / Europe**

Craig had a stellar sales year in his first full year as key account manager. He not only far exceeded his sales target but also implemented a very successful restructuring of our Irish business operations.

### **Marcus Chen, Regional Manager, Asia / Malaysia**

A key force in helping to build the WD-40 brand fortress throughout Southeast Asia, Marcus still managed to finish his M.B.A. studies through correspondence courses.

**Orlando Coelho, Regional Sales Manager / Portugal**

Warmly referred to as “Alf” by his colleagues, Orlando had another outstanding sales year in 2002. He grew our Portuguese business by almost 50 percent, making a very substantial contribution to our overall performance in the Iberian region.

**June Dennis, Branch Accountant, UK / Europe**

June has done a phenomenal job of streamlining our accounting processes in Italy, Spain and France, making order processing more efficient and improving financial controls.

**Enrique Diaz, Regional Director, Latin America / Miami**

Enrique has become the bicultural and bilingual link to our Latin American customers and partners.

**Karen Herbert, Enterprise System Manager / San Diego**

Affectionately referred to as “the Empress of ERP,” Karen has been the driving force behind the successful implementation of our North American Innatrack ERP business system to fuel the Company’s impressive growth.

**Bob Isard, Regional Sales Manager, Canada / Toronto**

Known as “Mr. WD-40 Canada,” Bob has been instrumental in building customer relationships there, not to mention a super solid “Team Maple Leaf.”

**Emma Studdert Kennedy, Senior Brand Manager, UK / Europe**

Emma has successfully managed three major brands in Europe’s biggest market, helped strengthen WD-40’s market position with innovative packaging and promotional ideas and integrated many new faces into the sales team.



**Rob Kienle, Territory Manager, Atlantic Region / U.S.**

Combining WD-40 passion and an amazing work ethic, Rob achieves consistently winning results in his territory.

**Dan Malone, Territory Manager, Pacific Region / U.S.**

Dan has rightfully earned the distinction of being known as the “new spirit of WD-40 regional sales” for his exemplary attitude and outstanding performance.

**Jonathan McCoy, IT Manager, UK / Europe**

Jonathan has played a major role in developing and strengthening our IT network across Europe, creating a platform for efficient electronic trading to service customers and the supply chain more effectively.

**Joy Puterbaugh, Information Systems Administrator / San Diego**

“Web Mistress Extraordinaire,” Joy has single-handedly designed and implemented a company-wide intranet website to centralize the myriad HR forms we use daily – and save the Company time, money and error.

**Vera Schupmel, Office Manager, Germany / Europe**

Vera has driven a substantial project this past year: the benchmarking of warehouse costs across Europe. She also undertook a review of our administration processes, which resulted in substantial cost savings and significant time-saving improvements.

**Fe Sinlao, General Accounting Manager / San Diego**

Fe spearheaded the implementation of our new computer system – never an easy task – addressing the daunting challenges of training, troubleshooting and streamlining business processes with amazing patience and grace under fire.

**Greg Smith, Sales Manager, Strategic Accounts / U.S.**

Using his analytical skills and straightforward approach, Greg builds lasting relationships with customers and teammates alike.

**Geoff Stokes, Regional Manager, Retail Services / U.S.**

Geoff has been tireless in his efforts to build the Americas team and solidify relationships with key customers. His enthusiasm and tireless efforts continue to be a source of inspiration to his colleagues.

**Damien Tillet, Senior Brand Manager, France / Europe**

Establishing a focused and well-constructed business plan, Damien identified the cycling market as a new business opportunity and helped reach profit goals with creative tactical execution.

**Abby Tennant, Customer Services Rep, Direct Markets, UK / Europe**

Abby has been responsible for processing and shipping orders to more than 40 countries with a 97 percent OTIF (on time/in full) record. In addition, she led negotiations to reduce our freight costs by 15 percent.

**Commander Pat Wade, Director of Logistics-Distribution,  
U.S. Navy Reserves / San Diego**

Pat has been instrumental in helping us develop a more complex – and flexible – supply chain to accommodate the phenomenal growth created by two major acquisitions (worth \$100 million).

**Helen Way, Brand Manager, WD-40, Americas / San Diego**

Tenacious in her efforts, Helen has helped fortify the position of our flagship brand in our biggest markets.

## PROFIT CENTER

WD-40 Company achieved total worldwide sales of \$216.8 million in 2002. The net income for the year was \$24.7 million, up 55.2 percent from 2001. These higher earnings were the result of several factors: the successful cross distribution of the 2000 Flushes, X-14 and Carpet Fresh Brands (9.3 percent organic growth); three months of Spot Shot sales in June, July and August; and increased sales of our lubricant brands (1 percent organic growth).

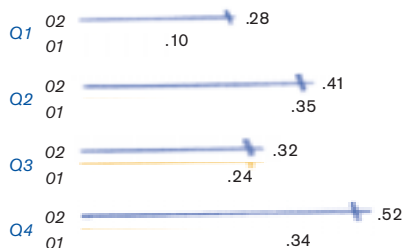
### PROFITABILITY RATIOS

(2002)

Return on Equity	Return on Assets	Return on Sales* (after tax)
30%	11.5%	11.4%

### EARNINGS PER SHARE BY QUARTER

(in dollars)

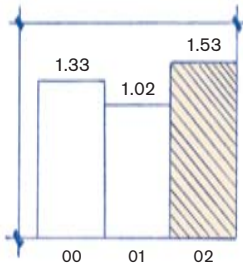


### FIVE-YEAR SUMMARY\*

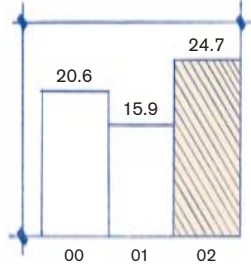
(in thousands, except per share amounts)

	1998	1999	2000	2001	2002
Net Sales	\$138,203	\$140,353	\$146,469	\$163,748	\$216,764
Cost of Product Sold	62,984	64,558	69,414	79,547	108,153
Gross Profit	75,219	75,795	77,055	84,201	108,611
Operating Expenses	41,059	41,851	45,432	56,112	66,245
Interest & Other Income, Net	96	256	(495)	(2,508)	(5,523)
Income Before Income Taxes	34,256	34,200	31,128	25,581	36,843
Provision for Income Taxes	12,368	12,135	10,570	8,698	11,475
Net Income	21,888	22,065	20,558	16,883	25,368
Cumulative effect of accounting change				(980)	
Extraordinary item on extinguishment of debt					(692)
Earnings per Share (diluted)	1.40	1.41	1.33	1.02**	1.53**
Dividends per Share	1.28	1.28	1.28	1.18	0.94
Total Assets	70,945	91,957	84,950	166,712	214,914
Number of Employees	167	177	184	227	211

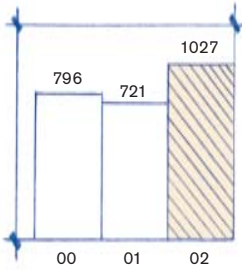
**EARNINGS PER SHARE\*\***  
(in dollars)



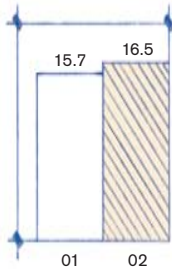
**YEAR EARNINGS\*\***  
(in millions)



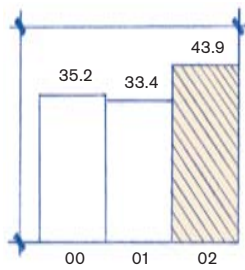
**SALES PER EMPLOYEE\***  
(in thousands)



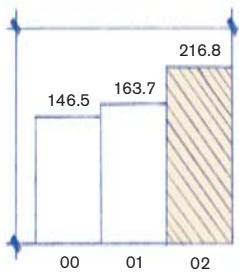
**SHARES OUTSTANDING**  
(in millions)



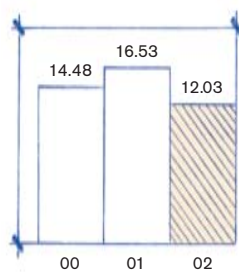
**EBITDA**  
(in millions)



**SALES\***  
(in millions)



**PRICE TO CASH FLOW RATIO**  
(in percentage)



\* Sales and operating expenses were adjusted to reflect the application of the consensus reached by the Emerging Issue Task Force of the FASB in Issue EITF 01-09 (EITF 01-09): "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products."

\*\* These amounts are after the cumulative effect of a change in accounting for revenue recognition for FY 2001, and the extraordinary item on early extinguishment of debt for FY 2002.

# MOVERS & SHAKERS

## Board of Directors

John C. Adams Jr.  
Investor  
Former Chairman & CEO  
AutoZone, Inc.

Mario Crivello  
Investor

Daniel W. Derbes  
Chairman of the Board  
WD-40 Company  
President  
Signal Ventures

Jack Heckel  
Retired; Former President  
& Chief Operating Officer  
GenCorp

Gary L. Luick  
Consultant

Kenneth E. Olson  
Investor  
Former Chairman & CEO  
Proxima Corp.

Garry O. Ridge  
President  
Chief Executive Officer  
WD-40 Company

Gerald C. Schleif  
Retired; Former President  
& Chief Executive Officer  
WD-40 Company

Neal E. Schmale  
Executive Vice President & CFO  
Semptra Energy

Edward J. Walsh  
President  
The Sparta Group, Ltd.

## Executive Officers

Michael L. Freeman  
Division President  
The Americas

Geoffrey J. Holdsworth  
Managing Director, Asia/Pacific  
WD-40 Company (Australia) Pty. Ltd.

Michael J. Irwin  
Executive Vice President  
Chief Financial Officer

Graham P. Milner  
Executive Vice President,  
Global Development  
Chief Branding Officer

William B. Noble  
Managing Director, Europe  
WD-40 Company (UK) Ltd.

Garry O. Ridge  
President  
Chief Executive Officer

## Officers

Ernest Bernarducci  
Vice President, Research & Development

Diane L. Gazzola  
President, Canada

Fredrick Goldsmith  
Vice President, Marketing

Scott Martin  
Vice President, Sales

Rick Morrow  
Vice President, Sales

Jay Rembolt  
Vice President, Finance/Controller  
Principal Accounting Officer

Steven E. Schwab  
Vice President, Sales

Arnold Spector  
Vice President, Strategic Innovation

### **General Counsel**

Gordon & Rees, LLP  
A Law Corporation  
101 W. Broadway, Suite 1600  
San Diego, California 92101

### **Independent Accountants**

PricewaterhouseCoopers LLP  
750 B Street, Suite 2900  
San Diego, California 92101

### **Transfer Agent & Registrar**

Computershare Investor Services, LLC  
2 North LaSalle Street  
Chicago, Illinois 60602  
Phone: 312-588-4180

### **Annual Meeting**

2:00 PM, December 17, 2002  
Mission Valley Hilton  
901 Camino Del Rio South  
San Diego, California 92108  
Phone: 619-543-9000

### **Corporate Brand Support Centre**

WD-40 Company  
1061 Cudahy Place  
San Diego, California 92110  
Phone: 619-275-1400

### **Operating Subsidiaries**

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

### **Americas Brand Support Centre**

WD-40 Company  
1061 Cudahy Place  
San Diego, California 92110

### **European Brand Support Centre**

WD-40 Company (UK) Ltd.  
Brick Close  
Kiln Farm, Keynes MK11 3LJ  
United Kingdom

### **Asia/Pacific Brand Support Centre**

WD-40 Company (Australia) Pty. Ltd.  
Suite 23, 2nd Floor  
41 Rawson Street  
Epping, N.S.W. 2121  
Australia

### **Listed**

Nasdaq National Market System  
Symbol: WDFC  
Industry Sector: Consumer Goods



### **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 (SEC) for 2002 by writing to the Corporate Secretary, WD-40 Company, P.O. Box 80607, San Diego, CA 92138-0607.

# THE GREEN ROOM

WD-40 Company has long been committed to protecting the environment. Through the use of our lubricant products to extend the life of tools and equipment, we help to save natural resources and reduce the accumulation of solid waste.

All of our products are responsibly manufactured, with recycled materials used in many packaging components. As technology allows, we will continue to explore additional processes that reflect our long-standing commitment to the environment.

WD-40 Company is also a socially responsible corporation. For more than twenty years, we have maintained a Community Involvement Program to benefit the San Diego community and have recently expanded the program to global subsidiary communities. This past year, the Company supported the relief efforts following the horrific events of September 11.

We take our environmental and social responsibilities very seriously. We consider the environment and the society in which we live to be two of our stakeholders, and increasing the value we return to our stakeholders has always been WD-40 Company's primary corporate mission.

This annual report contains forward-looking statements concerning WD-40 Company's outlook for sales, earnings, dividends and other financial results. These statements are based on an assessment of a variety of factors, contingencies and uncertainties considered relevant by WD-40 Company. Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from the forward-looking statements, including sales of specific brands, impact of advertising expenditures, the acquisition of brands, impacts of foreign currency, changing accounting principles and uncertain global economic conditions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation management's examination of historical operating trends, data contained in the Company's records, and other data available from fourth parties, but there can be no assurance that the Company's expectations, beliefs or projections will be achieved or accomplished. The risks and uncertainties are detailed from time to time in reports filed by WD-40 Company with the SEC, including Forms 8-K and 10-K, and readers are urged to carefully review these and other documents.

Copyrighted © 2002 WD-40 Company. All rights reserved. WD-40, 3-IN-ONE, Solvol, Lava, X-14, 2000 Flushes, Carpet Fresh and Spot Shot are registered trademarks of WD-40 Company.







WD-40 Company, 1061 Cudahy Place, San Diego, California 92110  
[www.wd40.com](http://www.wd40.com)

