WD-40 Company
2005 Form 10-K and Proxy

Powerful

Smart

Clean

WD-40 Company

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November 15, 2005

G'day,

This year we have changed the way we present our annual report to you.

Instead of the more extensive annual report formats we have used in the past, we decided to use the 10-K report, the "official" SEC filing, to provide you with a detailed look at our financial performance in 2005.

Let me summarize a few of the highlights here:

- We had record year sales in Europe, Australia and the U.S.
- We developed and launched two new innovations for the WD-40® brand in our larger markets: the WD-40 No-Mess Pen™ and the WD-40 Smart Straw™.
- We grew our lubricant business by 10 percent.
- We even increased our dividend by 10 percent.

We also had our share of hurdles to overcome in 2005, as the industry was affected by several external factors:

- Rising raw material costs had a big impact on our margins.
- Higher fuel costs increased our costs of doing business.
- Growing regulatory costs continued to raise the cost of being a public company.
- The continued evolution in the grocery channel away from traditional stores to mass retail and dollar stores makes multiple channel distribution even more vital.

Details of our significant accomplishments and challenges are in the 10-K and I hope you take the time to read it. Doing so will heighten your level of knowledge about your company.

We also continued to evaluate potential acquisitions but did not find one that met our criteria.

In closing, I'd like to thank our employees for their support over the past year. We also thank our shareholders for their many letters of support and for helping us spread the word on our new WD-40 No-Mess Pen.

Next year, we will continue to work on building, defending and acquiring our fortress of brands. We look forward to a productive year ahead.

Sincerely,

Garry Ridge
President and Chief Executive Officer

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SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended August 31, 2005

Commission File No. 000-06936

WD-40 COMPANY

(Exact Name of Registrant as specified in Charter)

Delaware	**95-1797918**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
1061 Cudahy Place, San Diego, California	**92110**
(Address of principal executive offices)	*(Zip Code)*

Registrant's telephone number, including area code (619) 275-1400

Securities registered pursuant to Section 12(b) of the Act:

Title of Class: None

Securities registered pursuant to Section 12(g) of the Act:

Title of Class: Common Stock, $.001 par value

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☒ No ☐.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K: ☒.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☒ No ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒

The aggregate market value (closing price) of the voting stock held by non-affiliates of the Registrant as of February 28, 2005 was $510,700,000.

As of October 17, 2005 the Registrant had 16,688,362 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The Proxy Statement for the annual meeting of stockholders on December 13, 2005 is incorporated by reference into PART III, Items 10, 11, 12 and 14.

PART I

ITEM 1 — Business

(a) General Development of Business.

For more than four decades, WD-40 Company (the Company) sold only one petroleum-based product, known as WD-40®. WD-40 is a multi-purpose product which acts as a lubricant, rust preventative, penetrant, cleaner and moisture displacer. In December 1995, the Company acquired the 3-IN-ONE® Oil brand from affiliates of Reckitt & Colman, P.L.C. 3-IN-ONE Oil is a lower cost general-purpose lubricant that is useful when precise applications of a lubricant are needed. In April 1999, the Company acquired the Lava® brand heavy-duty hand cleaner from Block Drug Company, and in October 2000, acquired the Solvol® brand heavy-duty hand cleaner from Unilever Australia, Ltd. The four brands complement each other, providing the Company with a line of both lubricant and heavy-duty hand cleaning products aimed at the Do-It-Yourself ("DIY"), hardware, automotive and other retail and industrial markets. In April 2001, the Company acquired three additional brands of household cleaning products, 2000 Flushes®, X-14® and Carpet Fresh®. The Company added to its fortress of brands through the acquisition in May 2002 of the Spot Shot® brand, an aerosol and liquid carpet stain remover and a leading brand in the carpet stain remover category. The Spot Shot brand fits well within the Company's brand portfolio, alongside the other household product brands. In April 2004, the Company again added to its brands with its purchase of the 1001® line of carpet and household cleaners from PZ Cussons P.L.C. The 1001 brand provides the Company an opportunity to expand its household products market in the U.K. with a recognized U.K. brand name.

The acquisition of the 3-IN-ONE Oil brand provided the Company with an existing network of distribution in 17 countries, including several markets in which the WD-40 brand had not been sold. The Company has been using this distribution network to introduce the WD-40 brand to these markets and to add distribution channels to markets that have been previously established. This trend has caused a reduction in 3-IN-ONE sales in certain markets as sales of those products are replaced by sales of WD-40.

The Lava brand is more than 100 years old and is well recognized by U.S. consumers. When the Lava brand was acquired, the Company identified that the Lava and the WD-40 consumer shared similar characteristics and believed the distribution network developed through the WD-40 brand could effectively promote growth in the U.S. With the Lava acquisition, the Company concluded that it would benefit by an increased position in the U.S. grocery channel. This was a catalyst for the Global Household Brands acquisition.

In fiscal 2001, the Company acquired the business, brand trademarks, patents and other tangible and intangible assets known as Global Household Brands, which included the three principal brand trademarks 2000 Flushes and X-14 automatic toilet bowl cleaners, X-14 hard surface cleaners and Carpet Fresh rug and room deodorizers. The acquisition was made to move the Company forward in its fortress of brands strategy, while also providing economies of scale in sales, manufacturing, and administration, and to strengthen the Company's position in the grocery trade channel. The Global Household Brands' broker network and grocery business, combined with the WD-40 Company's DIY distribution, gives the Company growth potential for all brands across new trade channels.

In fiscal 2001, the Company also acquired the Solvol brand of heavy-duty hand cleaners in Australia from Unilever Australia, Ltd. and subsequently extended that brand into a liquid product, a benefit from the technology of the acquisition of Lava, which has resulted in the growth of the Solvol brand.

In fiscal 2002, the Company completed the acquisition of the business, worldwide brand trademarks and other intangible assets of Heartland Corporation. The principal brand acquired by the Company was the Spot Shot brand, an aerosol carpet stain remover. The acquisition of this brand expands the Company's product offerings and offers potential for expanded product distribution. The acquisition also included related Spot Shot products and a group of developing brands, which were subsequently sold to former employees of Heartland.

In fiscal 2004, the Company purchased the 1001 line of carpet and household cleaners. The Company acquired this line of products to gain a presence in the U.K. market and to facilitate an introduction of the Company's Spot Shot and Carpet Fresh brands through the use of an existing brand currently recognized by market consumers.

(b) Financial Information About Industry Segments.

The Company's operating segments are determined consistent with the way management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company is organized on the basis of geographical area into the following segments: the Americas, Europe and Asia-Pacific. In addition, management reviews product performance on the basis of revenue. The financial information required by this item is included in Note 13 — Business Segments and Foreign Operations of the Company's consolidated financial statements, which have been included in ITEM 15, Exhibits and Financial Statement Schedule.

The Company's revenue comes from three product categories — multi-purpose lubricants, heavy-duty hand cleaners, and household products. The first two are marketed primarily through retail chain stores, hardware stores, automotive parts outlets, mass retail and industrial distributors and suppliers, while the household products are mainly sold in grocery and mass retail.

(c) Narrative Description of Business.

Products

The Company, based in San Diego, California, markets two lubricant brands known as WD-40 and 3-IN-ONE Oil, two heavy-duty hand cleaner brands known as Lava and Solvol, and six household product brands known as X-14 hard surface cleaners and automatic toilet bowl cleaners, 2000 Flushes automatic toilet bowl cleaner, Carpet Fresh and No Vac® rug and room deodorizers, Spot Shot aerosol and liquid carpet stain remover and 1001 carpet and household cleaners and rug and room deodorizers.

The Company's brands are sold in various locations around the world. Lubricant brands are sold worldwide in markets such as North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Household cleaner brands are currently sold primarily in North America, the U.K., Australia and the Pacific Rim. Heavy-duty hand cleaner brands are sold primarily in the U.S. and Australia.

WD-40 is the market leader among multi-purpose lubricants and is sold in aerosol cans and in liquid form through retail chain stores, hardware stores, warehouse club stores, automotive parts outlets and industrial distributors and suppliers. It has a wide variety of consumer uses in, for example, household, marine, automotive, construction, repair, sporting goods and gardening applications. The product also has numerous industrial applications. In fiscal 2005, the Company launched two innovative products in the WD-40 line, the WD-40 Smart Straw and the WD-40 No-Mess Pen. These products are expected to contribute to the growth of the WD-40 brand in the future.

3-IN-ONE Oil is a drip oil lubricant, sold primarily through the same distribution channels as the WD-40 brand. It is a low-cost, entry-level lubricant. The unique drip tip allows precise application for small mechanisms and assemblies, tool maintenance and threads on screws and bolts. 3-IN-ONE Oil is the market share leader among drip oils for household consumers. It also has wide industrial applications in such areas as locksmithing, HVAC, marine, farming, construction and jewelry manufacturing. The product's high quality and the established distribution network that was acquired with the brand have enabled the product to gain international acceptance. In fiscal 2000, the Company introduced a patented new telescoping spout for 3-IN-ONE that allows precise delivery of oil in tight, hard-to-reach places. In fiscal 2003, the Company introduced the 3-IN-ONE Oil Professional line of products, which include a spray and drip penetrant, a white lithium grease spray, a silicone spray, a PTFE spray, a heavy duty cleaner and degreaser spray and an engine starter spray. This line was introduced into the U.S. market and into several countries in the Asia-Pacific and European markets.

The Company purchased the Lava brand of heavy-duty hand cleaner from Block Drug Company in fiscal 1999. The Lava brand is more than 100 years old and has exceptional awareness among American consumers. At the time of the acquisition, the brand consisted of two sizes of bar soap and one size of liquid cleaner. Prior to the Company's acquisition, the brand had been sold in a limited number of domestic trade channels, notably supermarkets and drug stores. Because of its heavy-duty characteristics, the Lava brand appeals to consumers who shop in other channels such as hardware, automotive and club stores. The Company acquired the Solvol brand in Australia during the first quarter of fiscal year 2001. Solvol, Australia's leading brand of heavy duty hand cleaner,

was sold as a bar soap at the time of acquisition. In December of 2000, the Company increased the product offering of the brand by adding a liquid cleaner.

The Company acquired the X-14, 2000 Flushes and Carpet Fresh brands with the fiscal 2001 stock purchase of HPD Holdings, Corp. and its wholly-owned subsidiary, HPD Laboratories, Inc., doing business as Global Household Brands. X-14 is sold as a liquid mildew stain remover, a liquid bathroom soap scum remover, a liquid daily shower cleaner, an automatic toilet bowl cleaner and an aerosol and liquid all-purpose bathroom cleaner. 2000 Flushes is a pioneering line of long-duration automatic toilet bowl cleaners. Carpet Fresh initiated the rug and room deodorizer category upon its introduction in 1978. The Carpet Fresh powder is sprinkled on carpets and vacuumed. Carpet Fresh is also sold as an aerosol foam, which does not require vacuuming. At the time of the acquisition, the brands were sold primarily through grocery, drug and mass retail channels. The Company is expanding the distribution of these items into new channels.

The Company acquired the Spot Shot brand with the fiscal 2002 stock purchase of Heartland Corporation. The Spot Shot brand is currently an aerosol and liquid carpet stain remover. At the time of the acquisition, the brand was sold as an aerosol product primarily through food and mass retail, club stores, hardware and home center stores. The Company sees growth potential for the brand through increased brand awareness, consumer usage and household penetration, along with the expansion of the brand into new trade channels. In fiscal 2005, the Company introduced a new carpet stain remover liquid product with a trigger delivery format.

In April 2004, the Company acquired the 1001 business from PZ Cussons P.L.C. The 1001 business includes the 1001 brand of carpet and household cleaners and was acquired with the expectation that the Company would be able to successfully introduce its other household product formulations under the 1001 brand in order to expand the Company's household products business into the U.K. market. During the fourth quarter of fiscal year 2004, the Carpet Fresh and Spot Shot brands were introduced under the 1001 brand in the U.K. The Carpet Fresh No Vac formula is one of the first aerosol rug and room deodorizers in the U.K. market.

Financial information about segment operations and product lines appears in Note 13 — Business Segments and Foreign Operations of the Company's consolidated financial statements, which have been included in ITEM 15, Exhibits and Financial Statement Schedule.

Sources and Availability of Raw Materials

The Company relies on multiple suppliers for the primary components for its WD-40 brands and other products. The Company's primary components include aerosol cans and petroleum-based products, which are manufactured from commodities that are subject to volatile price changes. The availability of these components is affected by a variety of supply and demand factors, including global market trends, plant capacity decisions and natural disasters. The Company expects these components to continue to be readily available in the future, although the Company is exposed to volatile commodities prices.

Research and Development

The Company is focused on and committed to innovation. Due to the dynamic nature of the product categories that the Company competes in, the ability to understand consumer preferences and innovate is key to the Company's success. The Company has a new-product development team known as Team Tomorrow. This team engages in consumer research, product development, current product improvement and testing activities, and also leverages its development capabilities by partnering with a network of outside resources including the Company's current and prospective outsource suppliers. The Company incurred research and development expenses of $2.5 million, $1.9 million and $2.4 million in fiscal years 2005, 2004 and 2003, respectively. None of this research activity was customer-sponsored.

Seasonality

Historically, the Company has achieved its highest quarterly sales levels during its fourth fiscal quarter. These patterns are largely reflective of the customers' seasonal purchasing patterns, as well as the timing of the Company's promotional activities.

Manufacturing

The Company has relationships with various suppliers (contract manufacturers) who manufacture the Company's products. Although the Company does not have any definitive minimum purchase obligations included in the contract terms with contract manufacturers, supply needs are communicated, and the Company is committed to purchase the products produced based on orders and short-term projections provided to the contract manufacturers.

Significant Customer

Wal-Mart Stores, Inc. is a significant U.S. mass retail customer and offers a variety of the Company's products. Sales to U.S. Wal-Mart stores accounted for approximately 9 percent of the Company's consolidated net sales during each of fiscal years 2005 and 2004, and 10 percent in fiscal year 2003. Excluding sales to U.S. Wal-Mart stores, sales to affiliates of Wal-Mart worldwide accounted for approximately 4 percent during fiscal year 2005 and approximately 5 percent during each of fiscal years 2004 and 2003.

Order Backlog

Order backlog is not a significant factor in the Company's business.

Competition

The market for the Company's products, especially its household products, is highly competitive and is expected to be increasingly competitive in the future. The Company's products compete both within their own product classes as well as within product distribution channels, competing with many other products for store placement and shelf space. Competition in international markets varies by country. The Company is aware of many competing products, some of which sell for lower prices; however, the Company relies on the awareness of its brands among consumers, the value offered by those brands as perceived by consumers and its multiple channel distribution as its primary strategies.

Trademarks and Patents

The Company owns numerous patents, but relies primarily upon its established trademarks, brand names and marketing efforts, including advertising and sales promotion, to compete effectively. The WD-40, 3-IN-ONE, Lava, Solvol, X-14, 2000 Flushes, Carpet Fresh and No Vac, Spot Shot and 1001 trademarks are registered in various countries throughout the world.

Employees

At August 31, 2005, the Company employed 233 people worldwide: 127 by the United States parent corporation, 6 of which are based in the Malaysian regional office; 10 by the Company's Canadian subsidiary; 81 by the United Kingdom subsidiary, including 14 in Germany, 13 in France, 9 in Spain and 6 in Italy; 12 by the Australian subsidiary; and 3 by WD-40 Manufacturing Company, the Company's manufacturing subsidiary. The majority of the Company's employees are engaged in sales and/or marketing activities.

(d) Financial Information About Foreign and Domestic Operations and Export Sales.

The information required by this item is included in Note 13 — Business Segments and Foreign Operations, of the Company's consolidated financial statements, which have been included in ITEM 15, Exhibits and Financial Statement Schedule. The Company is subject to a variety of risks due to its foreign operations, including currency risk and credit risk. The Company attempts to minimize its exposure to foreign currency exchange fluctuations by the use of forward contracts on non-functional currency cash balances. With the continuing expansion of the Company's business in Asia, Latin America, Eastern Europe, the Middle East and various states in the former Soviet Union, the Company is subject to increased credit risk for products sold to customers in these areas.

(e) Access to SEC Filings

Interested readers can access the Company's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, through the Investor Relations section of the Company's website at www.wd40.com. These reports can be accessed free of charge from the Company's website as soon as reasonably practicable after the Company electronically files such materials with, or furnishes them to, the Commission. Note that nothing on the Company's website has been incorporated into this document.

Interested readers may also read and copy any materials that the Company files at the SEC Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Readers may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an internet site (www.sec.gov) that contains the Company's reports.

ITEM 2 — Properties

The Americas

The Company owns and occupies an office and plant facility at 1061 Cudahy Place, San Diego, California 92110. The building consists of approximately 11,000 square feet of office space and 4,000 square feet of plant and storage area. The Company leases an additional 7,200 square feet of office and storage space in San Diego. The Company leases approximately 6,100 square feet of office space in total for sales offices in each of the following cities: Springfield, New Jersey; Atlanta, Georgia; Miami, Florida; and Northbrook, Illinois. The Company leases approximately 2,000 square feet of office space in Toronto, Ontario, Canada.

Europe

The Company owns and occupies an office and plant facility at Kiln Farm, Milton Keynes, England. The building consists of approximately 8,600 square feet of office space and 4,100 square feet of plant and storage area. In addition, the Company leases space for the branch offices in Germany, France, Spain and Italy.

Asia-Pacific

The Company leases approximately 3,500 square feet of office space in Epping, New South Wales, Australia. The Company leases approximately 1,750 square feet of office space for a sales office in Kuala Lumpur, Malaysia.

With minor adjustments, the Company believes that these properties should be sufficient to meet its needs for office and plant facilities for the near future. Increased growth resulting from the recently acquired brands may cause the Company to acquire and/or modify its space in future years.

ITEM 3 — Legal Proceedings

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business.

Two separate but substantially identical legal actions were filed in September 2003 against the Company in the San Diego County, California and the Alameda County, California Superior Courts by Patricia Brown on behalf of the general public seeking a remedy for alleged violation of California Business and Professions Code sections 17200, et seq., and 17500 (the Brown Actions). The complaints alleged that the Company misrepresented that its 2000 Flushes Bleach, 2000 Flushes Blue Plus Bleach and X-14 Anti-Bacterial automatic toilet bowl cleaners (ATBCs) are safe for plumbing systems and unlawfully omitted to advise consumers regarding the allegedly damaging effect the use of the ATBCs has on toilet parts made of plastic and rubber. The complaints sought to remedy such allegedly wrongful conduct: (i) by enjoining the Company from making the allegedly untrue representations and to require the Company to engage in a corrective advertising campaign and to order the return, replacement and/or refund of all monies paid for such ATBCs; (ii) by requiring the Company to identify all consumers who have purchased the ATBCs and to return money as may be ordered by the court; and (iii) by the granting of other equitable relief, interest, attorneys' fees and costs. On September 18, 2003, Patricia Brown voluntarily dismissed

the Alameda County action and elected to pursue the claims in San Diego Superior Court. On June 14, 2004, the complaint was amended to reallege violations of the same statutes based on a theory that the ATBCs were negligently designed; the amended complaint seeks remedies similar to those originally pleaded.

Another complaint was filed against the Company on September 4, 2003, in the San Diego County, California Superior Court by Genevieve Valentine. This complaint, filed by the same law firms that filed the Brown Actions, was brought as a nationwide consumer class action on the same or similar grounds as alleged in the Brown Actions and sought substantially similar relief on behalf of the purported class of similarly situated plaintiffs. An amended complaint was filed by the plaintiff on June 14, 2004 alleging putative causes of action for unjust enrichment, breach of warranty, negligent design, and negligent inspection or testing of the ATBCs. This action was later consolidated with the pending San Diego County Brown Action (the San Diego Actions).

On March 25, 2005, the court granted the Company's motion for summary judgment as to both of the San Diego Actions and entered judgment in the Company's favor dismissing the two lawsuits. On September 27, 2005, the California Court of Appeal dismissed, as untimely, an appeal filed by the plaintiffs. As of the filing of this report, the deadline for filing an appeal to the California Supreme Court has passed. The judgment dismissing both of the San Diego Actions is now final.

On May 28, 2004, separate but substantially identical legal actions were filed by Sally S. Hilkene against the Company and Scott H. Hilkene in the United States District Court for the District of Kansas and in the District Court of Johnson County, Kansas. The state court action has been stayed pending resolution of the federal action. The plaintiff asserts claims for damages for alleged fraud in connection with the acquisition of Heartland Corporation by the Company from Scott H. Hilkene on May 31, 2002. The plaintiff was formerly married to Scott H. Hilkene and, as a result of her contractual interest in Heartland Corporation, the plaintiff was a party to the Purchase Agreement dated May 3, 2002 and consented to the sale of Heartland Corporation as required by the agreement. The plaintiff alleges federal and state securities fraud and common law fraud claims against the Company. All of the allegations relate to actions of the Company, Heartland Corporation and Scott H. Hilkene during the negotiations for the acquisition and following the closing. The plaintiff alleges that the Company, in breach of an alleged duty of disclosure, failed to inform her of certain actions that were allegedly undertaken by the parties and that the Company allegedly misrepresented that certain alleged acts would or would not be undertaken by the parties. The plaintiff also asserts related fraud claims against Scott H. Hilkene. On February 10, 2005, the Company's motion to dismiss the federal action was granted with leave to amend the complaint. The plaintiff has filed an amended complaint limiting her claims against the Company to certain alleged non-disclosures prior to execution of the Purchase Agreement as to allegedly material facts relating to the acquisition transaction. In addition to damages, the amended complaint seeks to rescind the Purchase Agreement.

The Company believes the actions filed by Sally S. Hilkene are without merit and the Company intends to vigorously defend against each of the claims asserted in the actions.

ITEM 4 — Submission of Matters to a Vote of Security Holders

Not applicable.

Executive Officers of the Registrant

The following table sets forth the names and ages of, and the positions and offices held by, all executive officers within the Company:

Name	Age	Position
Garry O. Ridge	49	President and Chief Executive Officer. Mr. Ridge joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1987 as Managing Director and has held several senior management positions prior to his election as CEO in 1997.

Name	Age	Position
Michael J. Irwin	42	Executive Vice President, Chief Financial Officer, and Treasurer. Mr. Irwin joined the Company in May 1995 as Director of U.S. Marketing, and later served as Director of Marketing for The Americas. In April 1998 he was promoted to Vice President, Marketing for The Americas, was named Senior Vice President, Chief Financial Officer and Treasurer in May 2001, and in September 2002 was named Executive Vice President.
Graham P. Milner	51	Executive Vice President, Global Development and Chief Branding Officer. Mr. Milner joined the Company in 1992 as International Director, was appointed Vice President, Sales and Marketing, The Americas, in March 1997, became Senior Vice President, The Americas, in April 1998, and was named Executive Vice President, Global Development and Chief Branding Officer in September of 2002.
Michael L. Freeman	52	Division President, The Americas. Mr. Freeman joined the Company in 1990 as Director of Marketing and was named Director of Operations in 1994. He became Vice President, Administration and Chief Information Officer in December 1996, was promoted to Senior Vice President, Operations in September 2001, and was named Division President, The Americas, in September 2002.
Geoffrey J. Holdsworth..	43	Managing Director, WD-40 Company (Australia) Pty. Limited. Mr. Holdsworth joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1996 as General Manager. Prior to joining WD-40 Company, Mr. Holdsworth held sales management positions at Columbia Pelikan Pty. Ltd., Australia.
William B. Noble	47	Managing Director, WD-40 Company Ltd. (U.K.). Mr. Noble joined the Company's Australian subsidiary, WD-40 Company (Australia) Pty. Limited, in 1993 as International Marketing Manager for the Asia Region. He was appointed Managing Director, Europe in December 1996.

All executive officers hold office at the pleasure of the Board of Directors. In addition, the Company has entered into employment agreements with Mr. Ridge, Mr. Irwin, Mr. Milner, Mr. Freeman, Mr. Holdsworth and Mr. Noble for three-year terms. Subject to renewal, Mr. Ridge's current contract term expires on August 1, 2008 and the other officers' contracts expire on July 8, 2007.

PART II

ITEM 5 — Market For Registrant's Common Equity and Related Stockholder Matters

The Company's common stock is traded on The Nasdaq Stock Market (National Market System). As of August 31, 2005, the approximate number of holders of record of the Company's common stock was 1,430. The following table sets forth the range of high and low sales prices on The Nasdaq Stock Market of the Company's common stock for the periods indicated, as reported by Nasdaq.

SELECTED STOCK INFORMATION

	FISCAL 2005			FISCAL 2004		
	HIGH	LOW	DIVIDEND	HIGH	LOW	DIVIDEND
First Quarter	$30.05	$27.25	$0.20	$35.98	$27.21	$0.20
Second Quarter	$34.18	$27.61	$0.20	$36.88	$29.13	$0.20
Third Quarter	$33.76	$27.56	$0.22	$35.72	$29.29	$0.20
Fourth Quarter	$30.00	$25.02	$0.22	$31.25	$24.55	$0.20

The Company has historically paid regular quarterly cash dividends on its common stock. The Board of Directors of the Company presently intends to continue the payment of regular quarterly cash dividends on the common stock. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

Issuance of Unregistered Securities

On March 1, 2005, the Company issued a total of 4,054 shares of its common stock to seven of its non-employee directors pursuant to the Company's Amended and Restated WD-40 Company 1999 Non-Employee Director Restricted Stock Plan (the Plan). On August 1, 2005, the Company issued an additional 774 shares of its common stock to a newly elected non-employee director. The shares were issued in lieu of cash compensation for all or part of each electing director's annual fee for services as a director. The number of shares issued was determined according to a formula set forth in the Plan equal to the total compensation to be paid in shares divided by 90% of the closing price of the Company's shares on the first business day of March 2005 or August 2005. On March 1, 2005, the Company issued shares to directors under the Plan with an aggregate market value of $136,000 in lieu of cash compensation in the amount of $122,000. On August 1, 2005, the Company issued shares to a director under the Plan with an aggregate market value of $22,000 in lieu of cash compensation in the amount of $20,000. The issuance of the shares of the Company's common stock to the directors was exempt from registration under the Securities Act of 1933 (the "Act") pursuant to Section 4(2) of the Act as a transaction by an issuer not involving a public offering. The shares issued to directors are subject to certain restrictions upon transfer.

ITEM 6 — Selected Financial Data

The following data has been derived from the Company's audited consolidated financial statements. The consolidated balance sheets at August 31, 2005 and 2004 and the related consolidated statements of income, of cash flows and of shareholders' equity and comprehensive income of the Company for the three years ended August 31, 2005 and notes thereto are included with this report under Item 15. The data should be read in conjunction with such consolidated financial statements and other financial information appearing elsewhere herein.

	Year ended August 31,				
(in thousands, except per share amounts)	**2005**	**2004**	**2003**	**2002**	**2001**
Net sales[1]	$263,227	$242,467	$238,140	$216,764	$163,748
Cost of products sold	133,833	116,944	115,928	108,153	79,547
Gross profit	129,394	125,523	122,212	108,611	84,201
Operating expenses[2]	81,974	80,074	72,460	66,245	56,112
Income from operations	47,420	45,449	49,752	42,366	28,089
Interest and other income (expense), net	(4,555)	(6,596)	(6,357)	(5,523)	(2,508)
Loss on early extinguishment of debt	—	—	—	(1,032)[3]	—
Income before income taxes and cumulative effect of accounting change	42,865	38,853	43,395	35,811	25,581
Provision for income taxes	15,067	13,210	14,754	11,135	8,698
Income before cumulative effect of accounting change	27,798	25,643	28,641	24,676	16,883
Cumulative effect of accounting change	—	—	—	—	(980)[4]
Net income	$ 27,798	$ 25,643	$ 28,641	$ 24,676	$ 15,903
Earnings per common share					
Basic:					
Income before cumulative effect of accounting change	$ 1.67	$ 1.52	$ 1.73	$ 1.54	$ 1.08
Cumulative effect of accounting change	—	—	—	—	(0.06)[4]
	$ 1.67	$ 1.52	$ 1.73	$ 1.54	$ 1.02
Diluted:					
Income before cumulative effect of accounting change	$ 1.65	$ 1.50	$ 1.71	$ 1.53	$ 1.08
Cumulative effect of accounting change	—	—	—	—	(0.06)[4]
	$ 1.65	$ 1.50	$ 1.71	$ 1.53	$ 1.02
Dividends per share	$ 0.84	$ 0.80	$ 0.80	$ 0.94	$ 1.18
Total assets	$254,253	$236,775	$236,658	$215,045	$166,712
Long-term obligations[5]	$ 77,487	$ 81,822	$ 86,781	$ 96,605	$ 76,653

1 The Company completed acquisitions of the 1001 business (1001), Heartland Corporation (Heartland) and HPD Holdings Corp. (HPD) during fiscal 2004, 2002 and 2001, respectively. Sales of the 1001 brand added $8.9 million and $3.2 million in household products sales in fiscal 2005 and 2004, respectively. Sales of the Spot Shot brand acquired in the Heartland acquisition added $25.4 million, $28.4 million, $28.2 million and $7.3 million in household products sales during fiscal 2005, 2004, 2003 and 2002, respectively. Sales of brands acquired in the HPD acquisition added $47.9 million, $46.4 million, $57.4 million, $64.9 million and $22.1 million in household products sales during fiscal 2005, 2004, 2003, 2002 and 2001, respectively.

2 At the beginning of fiscal 2002, the Company adopted Statement of Financial Accounting Standards No. 142 (SFAS 142), which governs the amortization of acquisition-related goodwill and intangibles. As a result, beginning with the first quarter of 2002, the Company is no longer amortizing acquisition-related goodwill and intangible assets that have been determined to have indefinite lives. In fiscal 2001 and 2000, the Company incurred amortization costs related to goodwill and intangible assets of $3.7 million and $2.3 million, respectively.

[3] The Company adopted the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards (SFAS) No. 145, Rescission of SFAS Nos. 4, 44 and 64, Amendment of SFAS No. 13, and Technical Corrections, in fiscal year 2003. As a result, the loss on early extinguishment of debt recorded as an extraordinary item during the year ended August 31, 2002 has been reclassified for comparative presentation and reported in income before income taxes.

[4] The first quarter of fiscal year 2001 was affected by a cumulative effect of accounting change which reduced net income by $980,000, net of tax, or $0.06 per share, related to the change in the Company's revenue recognition policy.

[5] Long-term obligations include long-term debt, deferred employee benefits and other long-term liabilities and long-term deferred tax liabilities, net.

ITEM 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand the WD-40 Company. MD&A is presented in eleven sections: Overview, Summary Statement of Operations, Highlights, Results of Operations, Liquidity and Capital Resources, Critical Accounting Policies, Recent Accounting Pronouncements, Transactions with Related Parties, Quantitative and Qualitative Disclosures about Market Risk, Other Risk Factors and Forward-Looking Statements. MD&A is provided as a supplement to, and should be read in conjunction with, the Company's consolidated financial statements and the accompanying notes contained elsewhere in the Company's Annual Report.

In MD&A, "we," "our," "us" and "the Company" refer to WD-40 Company and its wholly-owned subsidiaries, unless the context requires otherwise. Amounts and percents in tables and discussions may not total due to rounding.

OVERVIEW

The Company markets two lubricant brands known as WD-40 and 3-IN-ONE Oil, two heavy-duty hand cleaner brands known as Lava and Solvol, and six household product brands known as X-14 hard surface cleaners and automatic toilet bowl cleaners, 2000 Flushes automatic toilet bowl cleaner, Carpet Fresh and NoVac rug and room deodorizers, Spot Shot aerosol and liquid carpet stain remover and 1001 carpet and household cleaners and rug and room deodorizers. These brands are sold in various locations around the world. Lubricant brands are sold worldwide in markets such as North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Household cleaner brands are currently sold primarily in North America, the U.K., Australia and the Pacific Rim. Heavy-duty hand cleaner brands are sold primarily in the U.S. and Australia.

SUMMARY STATEMENT OF OPERATIONS

(dollars in thousands, except per share amounts)

	Fiscal Year Ended August 31,		
	2005	2004	% Change
Net sales	$263,227	$242,467	9%
Gross profit	$129,394	$125,523	3%
Income from operations	$ 47,420	$ 45,449	4%
Net income	$ 27,798	$ 25,643	8%
Earnings per common share *(diluted)*	$ 1.65	$ 1.50	10%

HIGHLIGHTS

- *In fiscal year 2005, sales in the Americas increased 6% as compared to the prior fiscal year, combined with sales increases of 18% and 1% in Europe and Asia-Pacific, respectively. Without the 1001 product line, which was acquired in April 2004, sales in Europe in fiscal year 2005 were up 9%.*

- *In fiscal year 2005, lubricant sales were up 10%, hand cleaner sales were up 4% and household product sales were up 6%.*

- *Changes in foreign currency exchange rates compared to the prior fiscal year contributed to the growth of our sales as well as growth in expenses. Fiscal year 2005 results translated at last fiscal year's exchange rates would have produced sales of $259.9 million, and net income of $27.4 million. The impact of the change in foreign currency exchange rates year over year positively affected sales in fiscal year 2005 by $3.4 million and net income by $0.4 million.*

- *The U.S. household products business showed mixed results in fiscal year 2005. The Company experienced sales declines with Spot Shot and Carpet Fresh. These declines were partially offset by increased sales of X-14 hard surface cleaners and 2000 Flushes. The increase in X-14 hard surface cleaners was due to new product introductions that were not available in the prior fiscal year. The increase in 2000 Flushes was due to the increased sales of the new clip-on product, which was introduced during last fiscal year's second quarter.*

- *We continue to be focused and committed to innovation. In the U.S., new product introductions continued throughout fiscal year 2005. Direct results of this commitment were the launches of X-14 Oxy Citrus, the 3-IN-ONE Pro Dry Lube, Spot Shot Pro, Spot Shot Trigger, the WD-40 Smart Straw and the WD-40 No-Mess Pen. Spot Shot Pro is targeted to frequent and commercial users and provides innovation through its odor neutralizing formula, while Spot Shot Trigger is a liquid carpet stain remover with a trigger delivery format. The WD-40 Smart Straw features a permanently attached straw, which allows for precision stream or regular spray action. The WD-40 No-Mess Pen provides innovation through its pen-shaped applicator, which allows for precise application. Fiscal year 2005 also saw the launch of new products into the European and Australian markets. In Australia, the 3-IN-ONE Professional Degreaser, the 3-IN-ONE Pro Quickstart, the Solvol Citrus Bar and the Solvol Citrus Liquid Soap were launched. The Degreaser and Quickstart are marketed into various trade channels including automotive, hardware and industrial, while the Citrus Bar and Liquid Soap are grocery-based products, although they have the potential to gain distribution in additional markets. In Europe, a laminate floor cleaner was added to the 1001 household product line, while the launch of items in the 3-IN-ONE Pro line continued. We are pleased with our recent introductions of innovative products, and we continue to be encouraged by the Company's accelerated pace of innovation, including potential new products currently in development. We see innovation as an important factor to the success of our brands, and we intend to continue our commitment to work on future product, packaging and promotional innovations.*

- *The rising costs of products sold negatively affected gross margins during fiscal year 2005 as compared to the prior fiscal year. We continue to be concerned about rising costs of components and raw materials, particularly aerosol cans and petroleum-based products. We began to incur increased costs during the fourth quarter of fiscal year 2004 and have continued to see further cost increases. We are also concerned about the possibility of further increases into fiscal year 2006. To combat these cost increases, the Company implemented price increases on certain products during the third quarter of fiscal year 2005. In addition, we have been focused on cost saving initiatives throughout the supply chain.*

- *The 1001 line of products in the U.K., acquired during the third quarter of fiscal year 2004, gave us a presence in the carpet and household cleaner market in the U.K. that enabled us to introduce the Spot Shot and Carpet Fresh No Vac brands under the 1001 brand name. These products are gaining distribution within the U.K. marketplace and contributed 25% of the total sales from the 1001 line in fiscal year 2005.*

- *Selling, general and administrative expenses were up 9% for the fiscal year ended August 31, 2005 versus the prior fiscal year primarily due to sales growth, increased freight costs, along with increased foreign currency exchange rates, increased research and development costs, increased employee-related costs and an expense related to a customer bankruptcy.*

- *Investment in advertising and promotional activity was down 17% in fiscal year 2005 compared to fiscal year 2004 due primarily to reduced consumer broadcast spending and print media in the U.S., partially offset by increased TV advertising in Europe. Advertising and sales promotion expenses were 6.8% of net sales in fiscal year 2005. This was reflective of the reduced effectiveness of traditional marketing programs.*

- *Weighted average shares outstanding, including the effects of dilution, have decreased to 16.8 million for fiscal year 2005 compared to 17.1 million for fiscal year 2004, due to purchases of treasury stock in accordance with the share buy-back plan during the third and fourth quarters of fiscal year 2004.*

RESULTS OF OPERATIONS

Year Ended August 31, 2005 Compared with the Year Ended August 31, 2004

Net Sales

Net Sales by Segment

(in thousands)

	Fiscal Year Ended August 31,			
	2005	2004	$ Change	% Change
Americas	$176,106	$166,142	$ 9,964	6%
Europe	68,353	57,703	10,650	18%
Asia-Pacific	18,768	18,622	146	1%
Total net sales	$263,227	$242,467	$20,760	9%

Please refer to the discussion under "Segment Results" included later in this section for further detailed results by segment. Changes in foreign currency exchange rates compared to the prior fiscal year contributed to the growth of the Company's sales. The current fiscal year results translated at last fiscal year's exchange rates would have produced sales of $259.9 million, thus, the impact of the change in foreign currency exchange rates year over year positively affected fiscal year 2005 sales by $3.4 million, or 1%.

Net Sales by Product Line

(in thousands)

	Fiscal Year Ended August 31,			
	2005	2004	$ Change	% Change
Lubricants	$174,084	$157,911	$16,173	10%
Hand cleaners	6,906	6,643	263	4%
Household products	82,237	77,913	4,324	6%
Total net sales	$263,227	$242,467	$20,760	9%

By product line, sales of lubricants include WD-40 and 3-IN-ONE; hand cleaner sales include Lava and Solvol; and sales of household products include Carpet Fresh, No Vac, X-14, 2000 Flushes, Spot Shot and 1001. Sales of 1001 contributed $8.9 million during the fiscal year ended August 31, 2005. The 1001 brand was acquired in April 2004 and contributed $3.2 million to sales in fiscal year 2004.

Gross Profit

Gross profit was $129.4 million, or 49.2% of sales in fiscal year 2005, compared to $125.5 million, or 51.8% of sales in fiscal year 2004. The 2.6% decrease in the gross margin percentage for the fiscal year ended August 31, 2005 versus the prior fiscal year was attributable to the increase in cost of products sold. The increase in cost of products negatively affected gross margins in all of the Company's regions. This increase was primarily due to the significant rise in costs for components and raw materials, including aerosol cans and petroleum-based products. As a result of the general upward trend of costs in the market, we are concerned about the possibility of continued rising costs of components, raw materials and finished goods.

To reduce the impact of these rising costs, the Company implemented a plan to increase prices for some of its products; the majority of such price increases were implemented in the third quarter of this fiscal year. The increase in pricing of certain products worldwide added approximately 0.8% to gross margin percentage in fiscal year 2005 compared to fiscal year 2004.

The price increases are intended to reduce the effect of rising costs on gross margin percentage; however, further rises in the cost of products could offset the benefits of the price increases. The Company is also examining supply chain cost savings initiatives in an effort to further reduce the impact of increased costs on gross margin percentage. In addition, shifts in product mix as well as the timing of certain promotional activities could also cause fluctuations in gross margin from period to period.

Note that the Company's gross margins may not be comparable to those of other reporting entities, since some entities include all costs related to distribution of their products in cost of products sold, whereas we exclude the

portion associated with amounts paid to third parties for distribution to our customers from our contract packagers, and include these costs in selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for fiscal year 2005 increased to $63.5 million from $58.3 million for the prior fiscal year. The increase in SG&A was attributable to a number of items including: $0.8 million related to increased foreign currency exchange rates; $1.7 million of increased freight due to fuel surcharges, a change in customer purchase patterns which increased the frequency of shipments, but in smaller quantities, and sales growth; $2.0 million of increased employee-related costs which include salaries, profit sharing and other fringe benefits; $0.7 million of increased miscellaneous expenses such as travel, office expenses and amortization and depreciation; $0.6 million of increased research and development costs related to increased new product development activity; $0.3 million of increased expenses primarily due to a preference claim associated with the bankruptcy of a customer; and $0.4 million of increased professional services. Costs incurred for Sarbanes-Oxley compliance have also continued to rise over the high costs incurred during the prior fiscal year in areas such as employee-related costs, miscellaneous expenses and professional services. These increases were partially offset by $1.3 million of decreased sales commissions, insurance costs, investor relations costs and meeting and other expenses.

The Company continued its research and development investment in support of its focus on innovation. Research and development costs in fiscal year 2005 were $2.5 million compared to $1.9 million in fiscal year 2004. The Company's new-product development team, known as Team Tomorrow, engages in consumer research, product development, current product improvement and testing activities. This team leverages its development capabilities by partnering with a network of outside resources including the Company's current and prospective outsource suppliers.

As a percentage of sales, SG&A was 24.1% in fiscal year 2005 and 24.0% in fiscal year 2004.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses decreased to $17.9 million in fiscal year 2005, down from $21.5 million in fiscal year 2004, and as a percentage of sales, decreased to 6.8% in fiscal year 2005 from 8.9% in the prior fiscal year. The decrease is mainly related to reduced spending for print media and television media in the U.S., partially offset by increased television media spending in Europe. Advertising spending in the U.S. was reduced after the first quarter of the current fiscal year due to declines in consumer response to certain traditional advertising programs. Throughout the remainder of fiscal year 2005, the Company performed testing of new marketing programs and reevaluated the market dynamics and its strategies to determine which programs will be the most effective. In fiscal year 2006, the Company expects to invest more in advertising and sales promotion expenses to support sales growth and new products.

As a percentage of sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities employed by the Company, as the costs of certain promotional activities are required to be recorded as reductions to sales, and others remain in advertising and sales promotion expenses. In fiscal year 2005, the total promotional costs recorded as reductions to sales were $18.8 million versus $20.2 million in fiscal year 2004. Therefore, the Company's total advertising and sales promotion expenses totaled $36.7 million in fiscal year 2005 versus $41.7 million in fiscal year 2004.

Amortization of Intangible Assets Expense

Amortization of intangible assets expense was $552,000 in fiscal year 2005, compared to $224,000 in fiscal year 2004. The amortization relates to the non-contractual customer relationships intangible asset acquired in the 1001 acquisition, which was completed in April 2004. This intangible asset is being amortized over its eight-year life.

Income from Operations

Income from operations was $47.4 million, or 18.0% of sales in fiscal year 2005, compared to $45.4 million, or 18.7% of sales in fiscal year 2004. The decrease in income from operations as a percentage of sales was due to the items discussed above.

Interest Expense, net

Interest expense, net was $5.1 million and $6.4 million for the fiscal years ended August 31, 2005 and 2004, respectively. The change in interest expense, net was primarily due to reduced principal balance on long-term borrowings resulting from two $10 million principal payments, which were made in May 2004 and 2005, respectively. Interest income related to refunds from amended federal tax returns also contributed to the reduction in interest expense, net.

Other Income/Expense, net

Other income, net was $0.6 million in fiscal 2005, compared to other expense, net of $0.2 million in the prior fiscal year, an increase of $0.8 million, which was due to increased foreign currency exchange gains.

Provision for Income Taxes

The provision for income taxes was 35.15% of taxable income in fiscal 2005, an increase from 34.00% in fiscal year 2004. The increase in tax rate was due to the impact of reduced low income housing credits, the growth of worldwide income and the reduction of Extraterritorial Income (ETI) benefits.

Net Income

Net income was $27.8 million, or $1.65 per common share on a fully diluted basis for fiscal year ended August 31, 2005, compared to $25.6 million, or $1.50 per common share for the prior fiscal year. The change in foreign currency exchange rates year over year had a positive impact of $0.4 million on fiscal year 2005 net income.

Segment Results

Following is a discussion of sales by region for the fiscal years ended August 31, 2005 and 2004.

Americas

Net Sales	Fiscal Year Ended August 31,			
(in thousands)	2005	2004	$ Change	% Change
Americas				
Lubricants	$ 99,259	$ 86,983	$12,276	14 %
Hand cleaners	5,571	5,402	169	3 %
Household products	71,276	73,757	(2,481)	(3)%
Sub-total	$176,106	$166,142	$ 9,964	6 %
% of consolidated	**67%**	**69%**		

The increase in lubricant sales in the Americas in fiscal year 2005 compared to the prior fiscal year relates to the growth in WD-40 sales across the U.S., Canada and Latin America, where sales increased by 17%, 9% and 13%, respectively. Price increases implemented during the fiscal year 2005 third quarter on certain products also contributed to the sales growth. In the U.S., WD-40 sales were up due to improved display and distribution through home centers, the success of the WD-40 Big Blast and the launch of the WD-40 Smart Straw and the WD-40 No-Mess Pen. The WD-40 Big Blast was introduced in the second quarter of fiscal 2004, and the WD-40 Smart Straw and the WD-40 No-Mess Pen were introduced in the third and fourth quarters of fiscal year 2005, respectively. Growth in Latin America was primarily due to strong results in Mexico, Puerto Rico, the Caribbean and Central America, associated with increased promotional activity and new distribution. The Latin America region also benefited from a more stable political and economic environment versus previous years. Canadian sales benefited from strong sales in all trade channels, as well as strong promotional execution during the current fiscal year, partially offset by decreased sales as a result of reduced promotional activities by a key customer. The increases in WD-40 sales were partially offset by a 10% decline in 3-IN-ONE sales in the U.S. as compared to the prior fiscal year. This decline was also the result of reduced promotional activities by a key home center customer.

Household product sales in fiscal year 2005 were down by $2.5 million, or 3%, compared to the prior fiscal year due to declines in the U.S. Sales in the U.S. decreased by $2.4 million, or 3%, due to decreased sales of Spot

Shot and Carpet Fresh. These declines are the result of several factors, including competitor activity, changes to customer-specific programs, lost or decreased distribution compared to the prior fiscal year and the effects of other competitive factors within and among their product categories that are further described below. The Company's household brands continue to experience significant competition within their categories and in related categories.

Spot Shot sales declined in fiscal year 2005 as compared to the prior fiscal year due to heightened competitive activity and customer sales testing, partially offset by sales from new products, Spot Shot Pro and Spot Shot Trigger, during the current fiscal year fourth quarter. During fiscal year 2005, certain customers continued to perform on-going head-to-head sales testing versus competitor products. Although Spot Shot was successful versus the competitor products and has maintained distribution, this sales testing process caused sales to be lower than the prior fiscal year. Overall, Spot Shot continues to outperform new entrants as well as established products on the shelf. The Company has committed research and development resources to create meaningful innovation for the Spot Shot brand, including Spot Shot Pro and Spot Shot Trigger. Spot Shot Pro is targeted to frequent and commercial users and provides innovation through its odor neutralizing formula. Spot Shot Trigger is a liquid carpet stain remover with a trigger delivery format.

Within the past two years, retailers have reduced shelf space for traditional rug and room deodorizers for reallocation to other air care products. As a result, the rug and room deodorizer category as a whole has declined in the mass retail and grocery trade channels. Sales of Carpet Fresh in the U.S. declined $1.9 million, or 15%, due to lost distribution with a key customer, competitive activity within and around the category and the effects from reallocation of shelf space. In an effort to offset some of these losses, the Company has responded with a more competitive product offer in size and value. New powder fragrance introductions have also helped grow powder sales versus the prior fiscal year. Despite these general trends in the rug and room deodorizer and air care categories, the Carpet Fresh brand has gained market share within the rug and room deodorizer category in the grocery trade channel. In addition, the Company recently expanded distribution through new channels, which resulted in sales growth in the fourth quarter of fiscal year 2005. The Company continues to refine its marketing, promotions and pricing strategies, and has committed research and development resources to create innovation for the Carpet Fresh brand.

Despite the significant competition within the household brands category, the Company was still able to achieve sales growth for two of its brands. U.S. sales of 2000 Flushes/X-14 automatic toilet bowl cleaners were up 3% in fiscal year 2005 compared to the prior fiscal year due to the sales of the 2000 Flushes clip-on product which was introduced during the second quarter of fiscal year 2004.

Sales of the automatic toilet bowl cleaning category are being pressured overall due to competition from the manual bowl cleaning category. The clip-on product continues to maintain distribution, although that category has declined due to a reduction in consumer marketing support by manufacturers and competition from the manual bowl cleaning category.

U.S. sales of the X-14 hard surface cleaners increased 31% in fiscal year 2005 versus the prior fiscal year due primarily to the introduction of two new innovative products and the re-launch and repositioning of the X-14 Mildew Stain Remover. During the fourth quarter of fiscal year 2004 and first quarter of fiscal year 2005, the Company introduced two new products, X-14 Orange Aerosol and X-14 Oxy Citrus. The X-14 Orange Aerosol is differentiated by its highly effective formulation and wide area spray delivery system, while X-14 Oxy Citrus utilizes a unique dual cleaning formula. Also contributing to the increase in sales was the Company's repositioning of the X-14 Mildew Stain Remover product to respond to the competition by introducing a larger size and a long-lasting mildew prevention claim. This repositioning, which occurred in the third quarter of fiscal 2004, highlights a proven claim that X-14 produces more effective results compared to the leading products in the category.

To address the challenges and opportunities that exist within the competitive environments of the household products categories, the Company continues to focus on product, packaging and promotional innovation.

Sales of heavy-duty hand cleaners for the Americas increased by $0.2 million, or 3%, in fiscal year 2005, up from $5.4 million in the prior fiscal year. Distribution of hand cleaners remains consistent through the grocery trade and other classes of trade. Additionally, the Company began distribution of its new Lava Pro line of solvent-based heavy-duty hand cleaners early in the second quarter of fiscal year 2005.

For this region, 88% of the sales came from the U.S., and 12% came from Canada and Latin America in both fiscal year 2005 and 2004.

Europe

Net Sales	**Fiscal Year Ended August 31,**			
(in thousands)	**2005**	**2004**	**$ Change**	**% Change**
Europe				
Lubricants	$59,427	$54,455	$ 4,972	9 %
Hand cleaners	18	48	(30)	(63)%
Household products	8,908	3,200	5,708	178 %
Sub-total	$68,353	$57,703	$10,650	18 %
% of consolidated	**26%**	**24%**		

For the fiscal year ended August 31, 2005, sales in Europe grew to $68.4 million, up $10.6 million, or 18%, over sales in the prior fiscal year. Changes in foreign currency exchange rates compared to the prior fiscal year contributed to the growth of sales. Fiscal year 2005 results translated at last fiscal year's exchange rates would have produced sales of $66.2 million in this region. Thus, the impact of the change in foreign currency exchange rates year over year positively affected the region's sales for fiscal year 2005 by approximately $2.2 million, or 3%. Sales of the 1001 brand contributed $8.9 million during the fiscal year ended August 31, 2005. The 1001 brand was acquired in April 2004 and contributed $3.2 million to sales in the prior fiscal year.

In the countries where the Company sells through a direct sales force, sales increased 20% in fiscal year 2005 versus last fiscal year. The principal continental European countries where the Company sells through a direct sales force, the U.K., Spain, Italy, France and Germany, together accounted for 71% of the region's sales in the current fiscal year, up from 70% in the prior fiscal year. Percentage increases in sales in U.S. dollars across the various parts of the region over the prior fiscal year are as follows: the U.K., 26%; France, 6%; Germany, 18%; Spain, 17%; and Italy, 27%. In the long term, these direct sales markets are expected to continue to be important contributors to the region's growth.

The U.K. market benefited from the impact of the 1001 acquisition, which contributed $8.9 million to sales for the region in fiscal year 2005 versus $3.2 million in fiscal year 2004. During the fourth quarter of fiscal year 2004, the Carpet Fresh and Spot Shot brands were introduced under the 1001 brand in the U.K. These products are doing well in the market, due to their efficacy, the strength of the 1001 brand and the innovation they bring. The Carpet Fresh No Vac formula is one of the first aerosol rug and room deodorizers in the U.K. market. For the fiscal year ended August 31, 2005, Carpet Fresh No Vac and Spot Shot contributed 25% to the overall 1001 sales. However, WD-40 sales in the U.K. market were down versus the prior fiscal year primarily due to reduced promotional activity with a key customer. The sales growth in Spain for fiscal year 2005 as compared to the prior fiscal year was largely due to 3-IN-ONE Pro, which was launched during the first quarter of the current fiscal year. In local currency, sales in France were flat. WD-40 sales were down due to a change in the purchasing patterns of a key customer. This decline was offset by the continued launch of 3-IN-ONE Pro during the fiscal year. The sales growth in Italy was the result of increased awareness and penetration of the WD-40 brand, as well as the benefit of additional sales staff as compared to the prior fiscal year. The sales growth in the Germanics market, which includes Germany, the Netherlands, Austria and Switzerland, was also the result of increased awareness and penetration of the WD-40 brand, in addition to the further development of direct sales into the Netherlands.

In the countries in which the Company sells through local distributors, sales increased 14% in fiscal year 2005 versus the prior fiscal year. The distributor market increased sales by $2.5 million as a result of growth in the Middle East and Eastern Europe. The distributor market accounted for approximately 29% of the total Europe segment sales in fiscal year 2005 compared to 30% in fiscal year 2004 as a result of the 1001 acquisition in the third quarter of fiscal year 2004, which increased the total sales of the European direct markets. These markets continue to experience growth in distribution and usage resulting from increased market penetration and brand awareness.

Asia-Pacific

Net Sales (in thousands)	Fiscal Year Ended August 31,			
	2005	2004	$ Change	% Change
Asia-Pacific				
Lubricants	$15,398	$16,473	$(1,075)	(7)%
Hand cleaners	1,317	1,191	126	11 %
Household products	2,053	958	1,095	114 %
Sub-total	$18,768	$18,622	$ 146	1 %
% of consolidated	**7%**	**8%**		

In the Asia-Pacific region, which includes Australia and Asia, total sales for fiscal year 2005 were $18.8 million, up $0.1 million, or 1%, compared to last fiscal year. Changes in foreign currency exchange rates compared to the prior fiscal year contributed $0.3 million to fiscal year 2005 sales. The fiscal year 2005 results translated at last fiscal year's exchange rates would have produced sales of $18.4 million in this region. Asia-Pacific sales benefited from the increased market penetration of No Vac rug and room deodorizers, which were launched in Australia and parts of Asia during the third quarter of fiscal year 2004. Also contributing to Asia-Pacific sales was the launch of the Solvol Citrus Bar in Australia during the first quarter of fiscal year 2005. WD-40 sales also increased in Australia; however, these sales increases were largely offset by a decline in WD-40 sales in Asia.

Sales in Asia were down 10% in fiscal year 2005 as compared to fiscal year 2004 due to decreased WD-40 sales resulting from slower sales caused by increased prices in primary markets including China, Taiwan and Malaysia. The decrease in lubricant sales was slightly offset by the growth of No Vac. Distribution of No Vac rug and room deodorizers has grown in several countries with the introduction of local language variants, particularly in Hong Kong and Malaysia through the automotive trade channel.

Sales in Australia were up 27% primarily due to increased sales of No Vac rug and room deodorizers, as distribution and market share continues to grow. No Vac sales represented approximately 26% of total fiscal year 2005 sales in Australia. Sales of lubricants in Australia also increased in fiscal year 2005 as compared to the prior fiscal year. Lubricant sales benefited from promotions with a large home center retailer. Sales of hand cleaners increased over fiscal year 2004 as a result of the launch of the Solvol Citrus Bar during the first quarter of fiscal year 2005.

The Company continues to combat counterfeit products, which remain an issue within the Asian market, particularly in China. In fiscal year 2004, the Company released a uniquely shaped WD-40 can into the market in China and has begun to introduce this style of packaging across all of Asia. Although there have been attempts to counterfeit the uniquely shaped can, this packaging reduces the ability of counterfeiters to imitate the Company's products.

Year Ended August 31, 2004 Compared with the Year Ended August 31, 2003

Net Sales

Net Sales by Segment (in thousands)	Fiscal Year Ended August 31,			
	2004	2003	$ Change	% Change
Americas	$166,142	$178,500	$(12,358)	(7)%
Europe	57,703	45,231	12,472	28 %
Asia-Pacific	18,622	14,409	4,213	29 %
Total net sales	$242,467	$238,140	$ 4,327	2 %

Please refer to the discussion under "Segment Results" included later in this section for further detailed results by segment. Changes in foreign currency exchange rates compared to fiscal year 2003 contributed to the growth of sales. The fiscal year 2004 results translated at fiscal year 2003 exchange rates would have produced sales of $234.1 million. Therefore, the impact of the change in foreign currency exchange rates year over year positively affected sales by $8.4 million, or 3.6%.

Net Sales by Product Line

(in thousands)	Fiscal Year Ended August 31,			
	2004	2003	$ Change	% Change
Lubricants	$157,911	$145,037	$12,874	9 %
Hand cleaners	6,643	7,538	(895)	(12)%
Household products	77,913	85,565	(7,652)	(9)%
Total net sales	$242,467	$238,140	$ 4,327	2 %

By product line, sales of lubricants include WD-40 and 3-IN-ONE; hand cleaner sales include Lava and Solvol; and sales of household products include Carpet Fresh, No Vac, X-14, 2000 Flushes, Spot Shot and 1001. The 1001 brand was acquired in April 2004 and contributed $3.2 million to sales in the fiscal year 2004.

Gross Profit

Gross profit was $125.5 million, or 51.8% of sales in fiscal year 2004, compared to $122.2 million, or 51.3% of sales in fiscal year 2003. The 0.5% increase in gross margin percentage was due to the effect of the U.S. price increase and other supply chain savings, offset by increased advertising and promotional discounts, the mix of products sold and increased cost of components, raw materials and finished goods. The increase in pricing of certain products in the U.S. added 1.2% to gross margin percentage in fiscal year 2004 compared to fiscal year 2003. The overall impact of advertising and promotional discounts on the gross margin percentage, which include coupon redemptions, consideration and allowances given to retailers for space in their stores, consideration and allowances given to obtain favorable display positions in retailers' stores, co-operative advertising and other promotional activity, was 3.7% in fiscal 2004 compared to 3.6% in fiscal year 2003. Therefore, the increase in advertising and promotional discounts had a negative effect of 0.1% on the gross profit margin percentage. Net changes in product mix and other supply chain costs resulted in a 0.6% decrease in gross margin percentage. The timing of certain promotional activities and shifts in product mix may continue to cause significant fluctuations in gross margin from period to period. Although the Company experienced savings of certain supply chain costs in the first half of fiscal year 2004, our product costs were adversely affected by the increased cost of components, raw materials and finished goods.

Note that the Company's gross margins may not be comparable to those of other entities, since some entities include all costs related to distribution of their products in cost of products sold, whereas we exclude the portion associated with amounts paid to third parties for distribution to our customers from our contract packagers, and include these costs in selling, general and administrative expenses.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for fiscal year 2004 increased to $58.3 million from $54.1 million for fiscal year 2003. The increase in SG&A was attributable to a number of items including: $2.1 million increase related to changes in exchange rates; $1.0 million increase in professional fees, primarily due to additional legal and accounting related to regulatory compliance; $0.2 million related to increased insurance costs; $0.3 million related to expenses associated with the 50th anniversary of the Company; $1.0 million net increase in employee costs, including salary increases and additional staffing in Europe compared to fiscal year 2003; $0.9 million increase in freight costs; $0.3 million increase in investor relations activities; and $0.3 million increase in other items including office overhead expenses; offset by a $1.7 million decrease in bonus costs and a $0.2 million decrease in commissions associated with the decline in sales to the grocery trade channel. As a percentage of sales, SG&A increased to 24.0% in fiscal year 2004 as compared to 22.7% in fiscal year 2003, primarily attributable to those items listed above.

During fiscal year 2004, the Company increased focus and commitment to innovation. However, research and development expenses decreased from $2.4 million in fiscal year 2003 to $1.9 million in fiscal year 2004 as a result of certain events occurring in the last quarter of fiscal year 2004. In light of high customer demand, as well as the Company's own confidence in two new products, further planned research was bypassed, resulting in the early launch of these products. Research and developments costs were also down due to decisions made in the fourth quarter of fiscal year 2004 to terminate the development of certain ideas late in their cycle and to replace them with projects in an earlier, less costly, development stage. These events reflect the normal cycles of product research and development.

Advertising and Sales Promotion Expenses

Advertising and sales promotion expenses increased to $21.5 million in fiscal year 2004, up from $17.4 million in fiscal year 2003 and, as a percentage of sales, increased to 8.9% in fiscal year 2004, from 7.3% in fiscal year 2003. The increase is mainly related to additional television advertising with increased product demos, coupon space and print media. As a percentage of sales, advertising and sales promotion expenses may fluctuate period to period based upon the type of marketing activities employed by the Company, as the costs of certain promotional activities are required to be recorded as reductions to sales, and others remain in advertising and sales promotion expenses.

Loss on Write Off of Non-compete Agreement

The $0.9 million loss on the write off of a non-compete agreement in fiscal year 2003 related to an agreement with a former independent sales representative. Due to the death of the party to the agreement in the second quarter of fiscal year 2003, the business to which the agreement related was not likely to continue. Accordingly, the remaining $0.9 million book value of this asset was determined to be impaired and was written off during the second quarter of fiscal year 2003.

Amortization Expense

Amortization expense was $224,000 in fiscal year 2004 compared to $71,000 in fiscal year 2003. The fiscal year 2004 expense related to five months of amortization of a definite-lived intangible asset over its eight-year life. The asset relates to non-contractual customer relationships acquired in the 1001 acquisition, which was completed in April 2004. The fiscal year 2003 expense related to the amortization of the non-compete agreement prior to being written off, as mentioned above.

Income from Operations

Income from operations was $45.4 million, or 18.7% of sales in fiscal year 2004, compared to $49.8 million, or 20.9% of sales in fiscal year 2003. The decrease in both income from operations, and income from operations as a percentage of sales, was due to the items discussed above.

Interest Expense, net

Interest expense, net was $6.4 million and $6.7 million for the fiscal years ended August 31, 2004 and 2003, respectively. The change in interest expense, net was due to increased interest income as a result of the increase in the Company's average cash balance during fiscal year 2004 and to reduced principal balance on long-term borrowings resulting from a $10 million principal payment made in May 2004.

Other Expense/Income, net

Other expense, net was $0.2 million in fiscal year 2004, compared to other income, net of $0.4 million in fiscal year 2003, due to the effects of foreign currency exchange losses in fiscal year 2004, compared to gains in fiscal year 2003, due to transaction gains/losses in our European business.

Provision for Income Taxes

The provision for income taxes was 34.0% of taxable income for the fiscal years ended August 31, 2004 and 2003.

Net Income

Net income was $25.6 million, or $1.50 per share on a fully diluted basis for the fiscal year ended August 31, 2004, compared to $28.6 million, or $1.71 per share for fiscal year ended August 31, 2003. Fiscal year 2004 results translated at fiscal year 2003 exchange rates would have produced net income of $24.5 million, thus, the change in foreign currency exchange rates year over year positively affected results by $1.1 million, or 4.5%.

Segment Results

Following is a discussion of sales by region for the fiscal years ended August 31, 2004 and 2003.

Americas

Net Sales *(in thousands)*	**Fiscal Year Ended August 31,** 2004	2003	$ Change	% Change
Americas				
Lubricants	$ 86,983	$ 87,091	$ (108)	(0)%
Hand cleaners	5,402	5,972	(570)	(10)%
Household products	73,757	85,437	(11,680)	(14)%
Sub-total	$166,142	$178,500	$(12,358)	(7)%
% of consolidated	**69%**	**75%**		

In the Americas region, sales for fiscal year 2004 were down overall by 7% versus fiscal year 2003. Lubricant sales were slightly down; hand cleaner sales decreased $0.6 million, or 10%; and household products decreased $11.7 million, or 14%.

The Company had an increase in pricing in the U.S. of certain lubricants and household products in the first quarter of fiscal year 2004. The increase was implemented to help offset increased insurance costs, legal and regulatory costs, freight, cost of goods and the cost of special packaging and logistics required in order to meet the needs of customers. This price increase added 3.5% to sales in the U.S. during the fiscal year ended August 31, 2004.

The sales of lubricants were essentially flat in fiscal year 2004 compared to fiscal year 2003 due to reduced promotional activity by several large customers, which was related to the price increase instituted by the Company in the first quarter of fiscal year 2004. The impact of the price increase on promotional activity subsided during the second half of fiscal year 2004.

Household product sales in fiscal year 2004 were down compared to fiscal year 2003 due to declines in the U.S., partially offset by growth in Canada. Sales in the U.S. decreased by $12.8 million, or 15.6%, with growth in Canada of $1.1 million, or 30.5%. The decrease in the U.S. was due to decreased sales of all brands for several reasons. These reasons included a variety of competitive factors within and among their product categories, including increased advertising and promotional discounts for automatic toilet bowl cleaners and reduced promotional activity by our customers compared to fiscal year 2003.

Carpet Fresh and X-14 experienced declining sales in fiscal year 2004 compared to fiscal year 2003 due to a variety of competitive factors. Although sales of the Carpet Fresh brand declined due to losses in distribution, the brand increased dollar share of the grocery segment. Competitive product introductions affected the sales and market share of X-14. The Company repositioned the X-14 product, highlighting a proven claim that X-14 produces more effective results compared to the leading products in the category. The 2000 Flushes/X-14 automatic toilet bowl cleaners were down in fiscal year 2004 compared to fiscal year 2003 due to intensified new product introductions from competitors into the manual bowl-cleaning segment. Fees paid to secure new distribution, which are recorded as offsets to sales, were associated with the launch of the new 2000 Flushes clip-on products. Spot Shot sales in the U.S. were down, as the fiscal year 2003 third quarter included a customer promotion that was not repeated in fiscal year 2004, as well as increased advertising and promotional activity, and new product introductions by competitors within the category.

The Company continues to address the challenges and opportunities that exist within the highly competitive U.S. environment for the household products categories through product and promotional innovation. Innovations during fiscal year 2004 included: two new 2000 Flushes clip-on and 2000 Flushes bleach clip-on, new X-14 mildew stain remover with long-lasting claim, new X-14 Orange aerosol all-purpose bathroom cleaner with wide area sprayer, and new Carpet Fresh fragrances and spray-through cap.

Growth in sales of household products in Canada during fiscal year 2004 was due to increased promotional activity for Spot Shot, the impact of translation to U.S. dollars and new distribution in the year of 2000 Flushes in the grocery trade channel.

Sales of heavy-duty hand cleaners for the Americas decreased to $5.4 million in fiscal year 2004, down from $6.0 million in fiscal year 2003. Distribution of hand cleaners suffered minor losses in several classes of trade compared to fiscal year 2003. These classes included grocery, hardware and mass merchant.

For this region, 88% of the sales in fiscal year 2004 came from the U.S., and 12% came from Canada and Latin America, compared to the distribution in fiscal year 2003, when 90% of sales came from the U.S., and 10% came from Canada and Latin America. The change was reflective of the decline of the U.S. household products sales compared to fiscal year 2003.

Europe

Net Sales *(in thousands)*	Fiscal Year Ended August 31, 2004	2003	$ Change	% Change
Europe				
Lubricants	$54,455	$44,830	$ 9,625	21 %
Hand cleaners	48	372	(324)	(87)%
Household products	3,200	29	3,171	10,934 %
Sub-total	$57,703	$45,231	$12,472	28 %
% of consolidated	**24%**	**19%**		

European sales for the fiscal year ended August 31, 2004 were $57.7 million, up $12.5 million or 28%, over sales in fiscal year 2003. Changes in foreign currency exchange rates compared to fiscal year 2003 contributed to the growth of sales. Fiscal year 2004 results translated at fiscal year 2003 exchange rates would have produced sales of $51.3 million in this region. Therefore, the change in foreign currency exchange rates year over year positively affected sales for fiscal year 2004 in this region by $6.4 million, or 12%. Sales of the 1001 brand contributed $3.2 million to the U.K. region during fiscal year 2004. Increases in sales in U.S. dollars across the various parts of the region over fiscal year 2003 were as follows: the U.K., 53%; France, 11%; Germany, 32%; Spain, 20%; Italy, 13%; and in the countries in which the Company sells through local distributors, 15%. The principal continental European countries where the Company sells through a direct sales force, the U.K., Spain, Italy, France and Germany, together accounted for 70% of the region's sales for fiscal year 2004, compared to 67% in fiscal year 2003. In the long term, the direct sales markets are expected to continue to be important contributors to the region's growth.

The distributor market results reflected solid growth in the eastern European markets in fiscal year 2004. These markets continued to experience growth in distribution and usage resulting from increased market penetration and consumer awareness. All of our direct markets, with the exception of France and Italy, showed growth in fiscal year 2004. In France, fiscal year 2004 sales were flat in local currency due to declining automotive shelf space at key grocery retailers. In Italy, fiscal year 2004 sales were down in local currency due to the transition of staff in the sales team during the second quarter of fiscal year 2004. The U.K. market benefited from improved relationships with key customers, the result of the past reorganization of the sales team. In the first quarter of fiscal year 2004, the Company established the legal grounds to go direct in the Netherlands, where sales were formerly carried through a local distributor. Direct sales to the Netherlands began in the second quarter of fiscal year 2004. During the fourth quarter of fiscal year 2004, the Carpet Fresh and Spot Shot brands were introduced under the 1001 brand in the U.K. These products performed well in the market, due to their efficacy, the strength of the 1001 brand and the innovation they bring. The Carpet Fresh No Vac formula is one of the first of that type in the U.K. market.

Asia-Pacific

Net Sales *(in thousands)*	Fiscal Year Ended August 31, 2004	2003	$ Change	% Change
Asia-Pacific				
Lubricants	$16,473	$13,115	$3,358	26 %
Hand cleaners	1,191	1,193	(2)	(0)%
Household products	958	101	857	849 %
Sub-total	$18,622	$14,409	$4,213	29 %
% of consolidated	**8%**	**6%**		

In the Asia-Pacific region, which includes sales in Australia and across Asia, total sales for fiscal year 2004 were $18.6 million, up $4.2 million, or 29%, compared to fiscal year 2003. Changes in foreign currency exchange

rates compared to fiscal year 2003 contributed to the growth of sales. The fiscal year 2004 results translated at fiscal year 2003 exchange rates would have produced sales of $17.7 million in this region. Therefore, the change in foreign currency exchange rates year over year positively affected sales for the fiscal year ended August 31, 2004 in this region by $0.9 million, or 5%. Australian lubricant sales increased in fiscal year 2004 compared to fiscal year 2003 due to the success of 50th anniversary promotional programs and advertising. In Asia, sales in the region increased slightly in fiscal year 2004 over fiscal year 2003, as declines experienced in the first quarter were made up in the second, third and fourth quarters. New distributors in Malaysia, Thailand, Taiwan and Singapore have been successfully transitioned. The launch of No Vac rug and room deodorizers in Australia and parts of Asia also contributed to growth in sales, as this product continues to build distribution.

To combat counterfeit products, the Company released a newly shaped WD-40 can into the market in China in the first quarter of fiscal year 2004.

LIQUIDITY AND CAPITAL RESOURCES

As of August 31, 2005, the Company has a $75 million, 7.28% fixed-rate term loan, along with a $10 million revolving line of credit. The $75 million loan matures in 2011, with the first principal payment of $10.7 million having been made after the close of the fiscal year on October 18, 2005, and subsequent payments in similar amounts due each October 18th for six years thereafter. In May 2005, the Company made a second and final $10 million payment on the remaining balance of an original $20 million, 6.29% fixed-rate term loan. The first installment of $10 million was paid in May 2004. The $10 million revolving line of credit had no outstanding balance as of August 31, 2005 and matured in October 2005. In consideration of the balance of cash on hand, and in an effort to reduce fees associated with maintaining an available line of credit, the Company did not renew the line of credit.

Under the remaining fixed-rate term loan, the Company is required to maintain minimum consolidated net worth greater than the sum of $57 million plus 25% of consolidated net income for each fiscal quarter beginning with the first fiscal quarter of 2002, plus proceeds of all equity securities other than those issued under the employee stock option plan.

A consolidated fixed charge coverage ratio greater than 1.20:1.00 on the last day of any fiscal quarter must be maintained. The Company is also limited to a maximum ratio of funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA) of 2.25 to 1.00.

This facility also limits the Company's ability, without prior approval from the Company's lenders, to incur additional unsecured indebtedness, sell, lease or transfer assets, place liens on properties, complete certain acquisitions, mergers or consolidations, enter into guarantee obligations, enter into related party transactions and make certain loan advances and investments.

The events of default under the credit facility, including the remaining fixed-rate term loan and the $10 million variable rate revolving line of credit, include the following:

- Failure to pay principal or interest when due;
- Failure to comply with covenants, representations or warranties, terms or conditions under the credit agreements;
- Commencing any proceeding for bankruptcy, insolvency, reorganization, dissolution or liquidation; and
- The sale, transfer, abandonment, forfeiture or disposal of the WD-40 trademark or any other trademark used in a material product line.

The Company is in compliance with all debt covenants as required by the credit facilities.

The Company's cash balance has not been used to prepay the term loan due to certain prepayment penalties under the loan agreements.

The Company's primary source of funds is cash flow from operations, which is expected to provide sufficient funds to meet both short and long-term operating needs, as well as future dividends, which are determined on a quarterly basis.

For the fiscal year ended August 31, 2005, cash and cash equivalents increased by $7.7 million, from $29.4 million at the end of fiscal year 2004 to $37.1 million at August 31, 2005. Operating cash flow of $31.6 million was offset by cash used in investing activities of $2.9 million and cash used in financing activities of $21.1 million.

Current assets increased by $17.0 million to $101.2 million at August 31, 2005, up from $84.2 million at August 31, 2004. Accounts receivable increased to $44.5 million, up $3.8 million from $40.6 million at August 31, 2004, as a result of increased sales in the fourth quarter of fiscal year 2005 compared to the fourth quarter of fiscal year 2004. Inventory increased to $8.0 million, up by $1.7 million from $6.3 million at August 31, 2004, due to inventory-in-transit, increased costs of inventory, the purchase of selected inventory from packagers in the fourth quarter and inventory acquired to support new product introductions and promotions. Product held at contract packagers decreased to $1.8 million, down from $2.0 million at August 31, 2004 due to the timing of shipments of product versus payments received. Other current assets increased to $6.8 million from $3.0 million at August 31, 2004 due to taxes receivable resulting from tax refunds primarily in the U.S. The U.S. tax refunds resulted from amending Federal tax returns to accelerate the use of the Company's net operating loss (NOL) acquired with the purchase of HPD Holdings in 2001. As a result, the deferred tax asset associated with the NOL has been classified as taxes receivable at August 31, 2005.

Current liabilities increased by $4.2 million to $46.7 million at August 31, 2005 from $42.5 million at August 31, 2004. The current portion of long term debt increased by $0.7 million due to a $10.7 million principal payment becoming due in October of 2005 related to the Company's $75 million term loan, offset by a $10 million repayment of debt in May 2005. Accounts payable and accrued liabilities increased by $3.7 million due to increased sales in the fourth quarter of fiscal year 2005 versus the fourth quarter of fiscal year 2004, increased advertising accruals, the timing of payments and an accrual related to a preference claim associated with the bankruptcy of a customer. Income taxes payable decreased by $0.1 million due to the timing of tax payments.

At August 31, 2005, working capital increased to $54.5 million, up $12.8 million from $41.7 million at the end of fiscal year 2004. The current ratio at August 31, 2005 was 2.2, up from 2.0 at August 31, 2004.

Net cash provided by operating activities for the fiscal year ended August 31, 2005 was $31.6 million. This amount consisted of $27.8 million from net income with an additional $6.7 million of adjustments for non-cash items, including depreciation and amortization, deferred income tax expense, tax benefits from exercises of stock options, equity earnings from VML Company L.L.C. (VML) in excess of distributions received, stock-based compensation and gains on sales of equipment, offset by $2.9 million related to changes in the working capital as described above and changes in other long-term liabilities.

Net cash used in investing activities for fiscal year 2005 was $2.9 million. Capital expenditures of $3.1 million were primarily in the area of machinery and equipment for new product manufacturing, computer hardware and software, buildings and improvements, furniture and fixtures and vehicle replacements. For fiscal year 2006, the Company expects to spend approximately $4.4 million for new capital assets, largely driven by new product development.

For fiscal year 2005, net cash used in financing activities included $14.0 million of dividend payments and a $10.0 million repayment of debt, partially offset by $2.9 million in proceeds from the exercise of common stock options.

Management believes the Company has access to sufficient capital through the combination of available cash balances and internally generated funds. Management considers various factors when reviewing liquidity needs and plans for available cash on hand including: future debt principal and interest payments, early debt repayment penalties, future capital expenditure requirements, future dividend payments (which are determined on a quarterly basis), alternative investment opportunities, loan covenants and any other relevant considerations currently facing the business.

On October 6, 2005, the Company's Board of Directors declared a cash dividend of $0.22 per share payable on October 28, 2005 to shareholders of record on October 17, 2005. The Company's ability to pay dividends could be affected by future business performance, liquidity, capital needs, alternative investment opportunities and loan covenants.

The following schedule summarizes the Company's contractual obligations and commitments to make future payments as of August 31, 2005:

	Payments Due by Period				
Contractual Obligations:	**Total**	**1 year**	**2–3 years**	**4–5 years**	**After 5 years**
Long-term debt	$75,000,000	$10,714,000	$21,428,000	$21,428,000	$21,430,000
Operating leases	2,427,000	1,081,000	992,000	309,000	45,000
Capital leases	187,000	106,000	68,000	13,000	—
Interest payments on fixed rate obligations	17,745,000	4,875,000	7,410,000	4,290,000	1,170,000
Total contractual cash obligations	$95,359,000	$16,776,000	$29,898,000	$26,040,000	$22,645,000

The following summarizes other commercial commitments as of August 31, 2005:

- The Company has relationships with various suppliers (contract manufacturers) who manufacture the Company's products. Although the Company does not have any definitive minimum purchase obligations included in the contract terms with contract manufacturers, supply needs are communicated and the Company is committed to purchase the products produced based on sales forecasts provided to the contract manufacturers, ranging from two to five months.
- As of August 31, 2005, the Company has also committed to purchase finished goods and raw materials outside of its normal contract manufacturing relationships of $3.1 million in fiscal year 2006; $0.8 million in fiscal year 2007; and $0.6 million in fiscal year 2008.

CRITICAL ACCOUNTING POLICIES

The Company's results of operations and financial condition, as reflected in the Company's consolidated financial statements, have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of financial statements requires management to make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues and expenses and the disclosures of contingent assets and liabilities. Management uses historical experience and other relevant factors when developing estimates and assumptions. These estimates and assumptions are continually evaluated. Note 1 to the Company's consolidated financial statements includes a discussion of significant accounting policies. The accounting policies discussed below are the ones management considers critical to an understanding of the Company's consolidated financial statements because their application places the most significant demands on our judgment. The Company's financial results may have been different if different assumptions had been used or other conditions had prevailed. The Company's critical accounting policies have been reviewed with the Audit Committee of the Board of Directors.

Revenue Recognition

Sales are recognized as revenue at the time of delivery to the customer when risk of loss and title pass. Management must make judgments and certain assumptions in the determination of when delivery occurs. Through an analysis of end of period shipments, the Company determines an average time of transit that is used to estimate the time of delivery. Differences in judgments or estimates, such as the lengthening or shortening of the estimated delivery time used, could result in material differences in the timing of revenue recognition. Sales are recorded net of allowances for damaged goods returns, trade promotions, coupons and cash discounts.

Accounting for Sales Incentives

The Company records sales incentives as a reduction of sales in its income statement. The Company offers on-going trade promotion programs with customers, and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs. Programs include cooperative marketing programs, shelf price reductions, coupons, rebates, consideration and allowances given to retailers for space in their stores, consideration and allowances given to obtain favorable display positions in the retailers' stores and other promotional activity. Costs related to rebates, co-operative advertising and other promotional activity are recorded upon delivery of products to customers. Costs related to coupon offers are based upon historical redemption rates and are recorded as incurred, when coupons are circulated.

Estimated sales incentives are calculated and recorded at the time related sales are made and are based primarily on historical rates and consideration of recent promotional activities. The Company tracks sales incentives and accrues for the estimated incurred but unpaid portion of trade-promotion events. The determination of sales incentive liabilities requires the Company to use judgment for estimates that include current and past trade-promotion spending patterns, status of trade-promotional activities and the interpretation of historical spending trends by customer and category. We review our assumptions and adjust our reserves quarterly. Our financial statements could be materially impacted if the actual promotion rates fluctuate from the estimated rate. If the Company's accrual estimates for sales incentives at August 31, 2005 were to differ by 10%, the impact on net sales would be approximately $0.8 million.

Allowance for Doubtful Accounts

The preparation of financial statements requires our management to make estimates and assumptions relating to the collectibility of our accounts receivable. Management specifically analyzes historical bad debts, customer credit worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Accounting for 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 the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company establishes accruals for certain tax contingencies when, despite the belief that the Company's tax return positions are fully supported, the Company believes that certain positions may be challenged and that the Company's positions may not be fully sustained. The tax contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law and emerging legislation. The Company's tax contingency accruals are reflected as a component of income taxes payable.

U.S. income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. U.S. income taxes and foreign withholding taxes are not provided when foreign earnings are indefinitely reinvested in accordance with APB Opinion No. 23, "Accounting for Income Taxes, Special Areas." The Company determines whether its foreign subsidiaries will invest their undistributed earnings indefinitely and reassesses this determination on a periodic basis. Change to the Company's determination may be warranted based on the Company's experience as well as plans regarding future international operations and expected remittances.

Valuation of Long-lived Assets, Intangible Assets and Goodwill

The Company assesses the potential impairment of long-lived assets, identifiable intangibles and related goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. For goodwill and intangibles determined to have indefinite lives, impairment is tested at least annually under the guidance of SFAS No. 142, during our second fiscal quarter of each year unless there are indicators during an interim period that assets may have become impaired. The Company's impairment review is based on a discounted cash flow approach that requires significant management judgment such as forecasted revenue, advertising and promotional expenses, cost of products sold, gross margins, operating margins, the success of product innovations and introductions, customer retention and the selection of an appropriate discount rate. For goodwill, impairment occurs when the carrying value of a reporting unit exceeds the fair value of that reporting unit. For intangible assets, impairment occurs when the carrying value of an asset exceeds its fair value. In addition, intangible assets with indefinite lives are evaluated quarterly to determine whether events and circumstances continue to support an indefinite useful life.

Events and circumstances that we consider important which could trigger impairment include the following:

- Significant underperformance relative to historical or projected future operating results;
- Significant changes in the manner of our use of the acquired assets or the strategy for our overall business;

- Significant negative industry or economic trends;
- Significant decline in our stock price for a sustained period;
- Decreased market capitalization relative to net book value;
- Unanticipated technological change or competitive activities;
- Loss of key distribution;
- Loss of key personnel; and
- Acts by government and courts.

When there is indication that the carrying value of intangibles or long-lived assets may not be recoverable based upon the existence of one or more of the above indicators, an impairment loss would be recognized if the carrying amount of the asset exceeds its fair value. When there is an indication of impairment of goodwill, an impairment loss would be recognized to the extent that the carrying amount of the goodwill exceeds its implied fair value.

During the second quarter of fiscal year 2005, the Company tested its goodwill and indefinite-lived intangible assets for impairment based on future discounted cash flows compared to related book values. Based on this review, the Company determined that there were no instances of impairment.

RECENT ACCOUNTING PRONOUNCEMENTS

In December 2004, the FASB issued SFAS No. 123R (revised 2004), “Share-Based Payment.” SFAS No. 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company’s equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method that the Company currently uses and requires that such transactions be accounted for using a fair value-based method and that the related expense be recognized in the consolidated statement of income. The effective date of SFAS No. 123R is for annual periods beginning after June 15, 2005. In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107, which provides additional guidance on the implementation of SFAS No. 123R for public companies. The Company will adopt SFAS No. 123R using the modified prospective model under which the Company currently expects to record a reduction to net income ranging from $1.0 million to $1.3 million, or $0.06 to $0.08 per share in fiscal year 2006, based on 16.8 million weighted average common shares outstanding at August 31, 2005. The Company will continue to use the Black-Scholes option pricing model to determine the fair value of awards. The Company will be required to expense the fair value of stock option grants beginning with its first quarter of fiscal year 2006.

In December 2004, the FASB issued FSP No. 109-1, “Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004.” FSP No. 109-1 states that qualified domestic production activities should be accounted for as a special deduction under SFAS No. 109, “Accounting for Income Taxes,” and not be treated as a rate reduction. Accordingly, any benefit from the deduction should be reported in the period in which the deduction is claimed on the tax return. This legislation is effective for the Company beginning in its fiscal year 2006. The Company is currently evaluating its impact, if any.

In December 2004, the FASB issued FSP No. 109-2, “Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004.” FSP No. 109-2 will amend the existing accounting literature that requires companies to record deferred taxes on foreign earnings, unless they intend to indefinitely reinvest those earnings outside the U.S. This pronouncement will temporarily allow companies that are evaluating whether to repatriate foreign earnings under the American Jobs Creation Act of 2004 to delay recognizing any related taxes until that decision is made. This pronouncement will also require companies that are considering repatriating earnings to disclose the status of their evaluation and the potential amounts being considered for repatriation. The Company continues to evaluate its plans for repatriation of any foreign earnings in light of its ongoing business considerations and continues to evaluate this legislation and FSP No. 109-2 to determine the impact, if any, that this pronouncement will have on its consolidated financial statements. The Company expects to conclude its analysis by the second quarter of fiscal year 2006. As a result, the range of income tax effects of any such potential repatriation cannot currently be reasonably estimated.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS No. 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of SFAS No. 151 will be effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 will not have a material impact on the Company's consolidated financial position or results of operations.

TRANSACTIONS WITH RELATED PARTIES

VML Company L.L.C. (VML) was formed in April 2001, at which time the Company acquired a 30% membership interest. Since formation, VML has served as the Company's contract manufacturer for certain household products and acts as a warehouse distributor for other product lines of the Company. Although VML has begun to expand its business to other customers, the Company continues to be its largest customer. VML makes profit distributions to the Company and the 70% owner on a discretionary basis in proportion to each party's respective interest.

The Company has a put option to sell its interest in VML to the 70% owner, and the 70% owner has a call option to purchase the Company's interest. The sale price in each case is established pursuant to formulas based on VML's operating results.

Under Financial Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51," VML qualifies as a variable interest entity, and it has been determined that the Company is not the primary beneficiary. The Company's investment in VML is accounted for using the equity method of accounting, and its equity in VML earnings is recorded as a component of cost of products sold, as VML acts primarily as a contract manufacturer to the Company. The Company recorded equity earnings related to its investment in VML of $0.4 million, $0.5 million and $0.8 million for the fiscal years ended August 31, 2005, 2004 and 2003, respectively.

The Company's maximum exposure to loss as a result of its involvement with VML was $1.1 million as of August 31, 2005. This amount represents the balance of the Company's equity investment in VML, which is presented as investment in related party on the Company's balance sheet. The Company's investment in VML as of August 31, 2004 was $0.9 million.

Cost of products sold which were purchased from VML, net of rebates, equity earnings and accretion of investment, was approximately $38.4 million, $36.6 million and $42.0 million during the fiscal years ended August 31, 2005, 2004 and 2003, respectively. The Company had product payables to VML of $1.9 million at August 31, 2005 and August 31, 2004. Additionally, the Company receives rental income from VML, which is recorded as a component of other income (expense), net. Rental income from VML was $0.2 million for each of the fiscal years ended August 31, 2005, 2004 and 2003.

ITEM 7A — Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Risk

The Company is exposed to a variety of risks, including foreign currency fluctuations. In the normal course of its business, the Company employs established policies and procedures to manage its exposure to fluctuations in foreign currency values and changes in the market value of its investments.

The Company's objective in managing its exposure to foreign currency exchange rate fluctuations is to reduce the impact of adverse fluctuations in earnings and cash flows associated with foreign currency exchange rate changes. Accordingly, the Company's U.K. subsidiary utilizes forward contracts to limit its exposure on converting cash balances maintained in Euros into British sterling. The Company regularly monitors its foreign exchange exposures to ensure the overall effectiveness of its foreign currency hedge positions. However, there can be no assurance the Company's foreign currency hedging activities will substantially offset the impact of fluctuations in currency exchange rates on its results of operations and financial position. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of the foreign exchange contracts are designated as hedges.

Interest Rate Risk

As of August 31, 2005, the Company has a $75 million, 7.28% fixed-rate term loan, along with a $10 million revolving line of credit. Only the $10 million revolving line of credit is subject to interest rate fluctuations, with a variable interest rate based on the LIBOR rate plus 1.75%. Any significant increase in the LIBOR rate could have a material effect on interest expense incurred on any borrowings outstanding on the line of credit. The Company's interest rate risk on the outstanding line of credit balance is based upon the fluctuation in the LIBOR rate. As of August 31, 2005, there was no balance outstanding under the revolving line of credit.

Currently, the Company is not exposed to interest rate risk as the line of credit matured in October 2005, and the Company did not renew the line of credit.

OTHER RISK FACTORS

Component Supply Risk

The Company depends upon its suppliers for the supply of the primary components for its WD-40 brand and other products. Such components are subject to significant price volatility beyond the control or influence of the Company. Petroleum-based products, from which WD-40 and 3-IN-ONE are manufactured, have had significant price volatility in the past, and may in the future. Rising oil prices also impact the Company's cost of transporting its products. Historically, the Company has generally found alternate sources of constituent chemicals for its products readily available. As component and raw material costs are the main contribution to cost of goods sold for all of the Company's products, any significant fluctuation in the costs of components could also have a material impact on the gross margins realized on the Company's products. Specifically, future can prices are exposed to fluctuations resulting from changes in tariffs on steel as well as general supply and demand economics; therefore any significant increase or decrease in steel tariffs and/or the supply and demand of steel could have a significant impact on the costs of purchasing cans and the Company's cost of goods. In the event there is more significant price volatility or higher component costs generally, the Company may not be able to maintain, or may choose not to maintain, its gross margins by raising its product prices without affecting demand and unit sales. Increases in the prices for the components could have a material adverse effect on the Company's business, operating results, financial position and cash flows.

Reliance on Supply Chain

The Company relies on third party contract manufacturers for the production of its finished goods. The Company does not have direct control over the management or business of the primary contract manufacturers utilized in the manufacturing of the Company's products, except indirectly through terms as negotiated in contracts with those manufacturers. Should the terms of doing business with the Company's primary contract manufacturers change, the Company's cost structure may be impacted, which could have a direct impact on the Company's profit margins.

The Company's contract manufacturers rely upon two key vendors for the supply of empty cans used in the production of WD-40, Carpet Fresh, 3-IN-ONE, Spot Shot, X-14 and 1001 products. Additionally, the Company relies on single manufacturers for the production of 2000 Flushes and X-14 automatic toilet bowl cleaners, X-14 hard surface cleaners, Carpet Fresh powder and its Lava bar soap. The loss of any of these suppliers or manufacturers could disrupt or interrupt the production of the Company's products. Although the Company has an emergency recovery plan to help mitigate the potential loss of suppliers or manufacturers, the inability to replace lost suppliers or manufacturers in a reasonable amount of time could have a material adverse effect on the Company's business, operating results, financial position and cash flows.

Competition

The market for the Company's products is highly competitive and is expected to be increasingly competitive in the future. The Company's products compete both within their own product classes as well as within product distribution channels, competing with many other products for store placement and shelf space. Competition in international markets varies by country. The Company is aware of many competing products, some of which sell for lower prices; however, the Company relies on the awareness of its brands among consumers, the value offered by those brands as perceived by consumers, and its multiple channel distribution as its primary competitive strategies.

These considerations as well as increased competition generally could result in price reductions, reduced gross margins, and a loss of market share, any of which could have a material adverse effect on the Company's business, operating results, financial position and cash flows. In addition, many of the Company's competitors have significantly greater financial, technical, product development, marketing and other resources. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures faced by the Company will not materially adversely affect its business, operating results, financial position and cash flows.

Political and Economic Risks

The Company's domestic and international operations are exposed to the risk of political and economic uncertainties. Changes in political and economic conditions may affect product cost, availability, distribution, pricing, purchasing, and consumption patterns. While the Company seeks to manage its business in consideration of these risks, there can be no assurance that the Company will be successful in doing so.

As the Company's sales extend to various countries around the globe, financial results in affected areas are exposed to a higher degree of risk. Examples of regions currently exposed to such types of risk include Latin America, the Middle East and parts of Asia. There can be no assurance that the Company will be able to successfully mitigate against current and future risk associated with political and economic uncertainties, or that the risks faced by the Company will not materially adversely affect its business, operating results, financial position and cash flows. As sales grow within various regions around the world, the Company's exposure to this risk will increase.

Business Risks

With the trend toward consolidation in the retail marketplace, the Company's customer base is shifting toward fewer, but larger, customers who purchase in larger volumes. A large percentage of the Company's sales are to mass retail customers. Sales to one of these customers (Wal-Mart and affiliates) accounted for approximately 13% of the Company's net sales in fiscal year 2005. The Spot Shot brand is presently sold to two major U.S. customers. Each customer accounted for approximately 20% and 17% of total fiscal year 2005 Spot Shot net sales, respectively. The loss of, or reduction in, orders from any of the Company's most significant customers could have a material adverse effect on the Company's business and its financial results.

Large customers also seek price reductions, added support or promotional concessions, which may negatively impact the Company's ability to maintain existing profit margins.

In addition, the Company is subject to changes in customer purchasing patterns. These types of changes may result from changes in the manner in which customers purchase and manage inventory levels, or display and promote products within their stores. Other potential factors such as customer disputes regarding shipments, fees, merchandise condition or related matters may also impact operating results.

The Company also faces the risk of diminishing product categories or shifts within these categories. Currently, the Company faces challenges related to its household products brands. Household products have short differentiated life cycles and often need continuous innovation to address consumers' changing needs and tastes. As a result of the dynamic nature of these product categories, the ability to understand consumer preferences and innovate is key to the Company's ongoing success. In the event that the Company is unable to meet consumer preferences through innovation, its brands and product offerings may be at risk of impairment.

Operating Results and Net Earnings May Not Meet Expectations

The Company cannot be sure that its operating results and net earnings will meet its expectations. If the Company's assumptions and estimates are incorrect or do not come to fruition, or if the Company does not achieve all of its key goals, then the Company's actual performance could vary materially from its expectations. The Company's operating results and net earnings may be influenced by a number of factors, including the following:

- The introduction of new products and line extensions by the Company or its competitors;
- The Company's ability to control its internal costs and the cost of raw materials;
- The effectiveness of the Company's advertising, marketing and promotional programs;

- Changes in product pricing policies by the Company or its competitors;
- Changes of accounting policies;
- The ability of the Company to achieve business plans, including volume growth and pricing plans, as a result of high levels of competitive activity;
- The ability to maintain key customer relationships;
- The ability of major customers and other creditors to meet their obligations as they come due;
- The ability to successfully manage regulatory, tax and legal matters, including resolution of pending matters within current estimates;
- Substantial costs associated with regulatory compliance;
- The ability of the Company to attract and retain qualified personnel; and
- Expenses for impairment of goodwill, trademarks and other intangible assets and equity investments in excess of projections.

Regulatory Risks

The Company is subject to numerous environmental laws and regulations that impose various environmental controls on its business operations, including, among other things, the discharge of pollutants into the air and water, the handling, use, treatment, storage and clean-up of solid and hazardous wastes and the investigation and remediation of soil and groundwater affected by hazardous substances. Such laws and regulations may otherwise relate to various health and safety matters that impose burdens upon the Company's operations. These laws and regulations govern actions that may have adverse environmental effects and also require compliance with certain practices when handling and disposing of hazardous wastes. These laws and regulations also impose strict, retroactive and joint and several liability for the costs of, and damages resulting from, cleaning up current sites, past spills, disposals and other releases of hazardous substances. The Company believes that its expenditures related to environmental matters have not had, and are not currently expected to have, a material adverse effect on its financial condition, results of operations or cash flows. However, the environmental laws under which the Company operates are complicated and often increasingly more stringent, and may be applied retroactively. Accordingly, there can be no assurance that the Company will not be required to make additional expenditures to remain in or to achieve compliance with environmental laws in the future or that any such additional expenditures will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

Some of the Company's products have chemical compositions that are controlled by various state, federal and international laws and regulations. The Company complies with these laws and regulations and seeks to anticipate developments that could impact the Company's ability to continue to produce and market its products. The Company invests in research and development to maintain product formulations that comply with such laws and regulations. There can be no assurance that the Company will not be required to alter the chemical composition of one or more of the Company's products in such a way that will not have an adverse effect upon the product's efficacy or marketability. A delay or other inability of the Company to complete product research and development in response to any such regulatory requirements could have a material adverse effect on the Company's financial condition and results of operations.

A focus on environmental regulations relating to Volatile Organic Compounds (VOCs) resulted in a change in the formulation of the WD-40 product in the majority of countries where the product is sold, whereby CO_2 was chosen as the aerosol propellant in 1996. As a result of this change, the cost of manufacturing WD-40 was increased and the Company increased its selling prices to partially offset the additional cost. In the event of future increases in product cost, the Company may not be in a position to raise selling prices, and therefore an increase in costs could have an adverse effect on the Company's profitability.

In California, VOCs are regulated by the California Air Resources Board (CARB). CARB regulations required a reformulation of the Company's multi-purpose lubricants. The Company successfully reformulated its multipurpose lubricants to be in full compliance with CARB regulations. The reformulation has resulted in increased product costs.

In conjunction with the review of the state budget, California gave CARB the approval to enforce a fee-based system which would allow it to collect "fees" from those it governs on the VOC issues. These fees will go into CARB's operating budget and help cover shortfalls, and are said to be based on the amount of VOCs a company's product puts into the state's atmosphere. If a similar VOC policy is adopted by other states, the potential impact of fees charged could be material to the Company.

Generally, the manufacturing, packaging, storage, distribution and labeling of the Company's products and the Company's business operations all must comply with extensive federal, state, and foreign laws and regulations. It is possible that the government will increase regulation of the transportation, storage or use of certain chemicals, to enhance homeland security or protect the environment and that such regulation could negatively impact raw material supply or costs.

Acquisition Risk

Since 2001, the Company has acquired the household product brands: Spot Shot, 2000 Flushes, X-14, Carpet Fresh and 1001. The Company believes that its recent acquisitions provide opportunities for growth for all of the Company's brands as well as increased efficiencies and cost savings in management, operations and marketing. However, if the Company is not able to successfully integrate acquired products, the Company may not be able to maximize these opportunities. Rather, the failure to integrate these acquired businesses because of difficulties in the assimilation of operations and products, the diversion of management's attention from other business concerns, the loss of key employees or other factors could materially adversely affect the Company's financial results.

One of the Company's strategies is to increase its sales volumes, earnings and the markets it serves through acquisitions of other businesses in the United States and internationally. There can be no assurance that the Company will be able to identify, acquire, or profitably manage additional companies or operations or that it will be able to successfully integrate future acquisitions into its operations. In addition, there can be no assurance that companies or operations acquired will be profitable at their inception or that they will achieve sales levels and profitability that justify the investments made.

Debt Financing Risk

The Company has historically paid out a large part of its earnings to stockholders in the form of regular quarterly dividends. The past acquisitions have been funded to a large extent by debt. In order to service the debt, the Company is required to use its income from operations to make interest and principal payments required by the terms of the loan agreements. In addition, the Company is required by covenants within the loan agreements to maintain certain financial ratios and compliance with other financial terms. The Company believes that the increased income from operations derived from the acquired businesses will fully cover the debt service requirements.

In fiscal years 2001 and 2002, the Company announced reductions to its regular quarterly dividend from $0.32 to $0.27 per share in April 2001 and from $0.27 to $0.20 per share in July 2002 (reducing the annual dividend since April 2001 from $1.28 to $0.80) in order to make more of its cash flow available for debt service requirements. In April 2005, the Company announced an increase to its regular quarterly dividend from $0.20 to $0.22 per share (increasing the annual dividend from $0.80 to $0.88). However, if operating income is not sufficient to properly service the debt or otherwise allow the Company to maintain compliance with the terms of its loans, the Company could be required to seek additional financing through the issuance of more debt or the sale of equity securities, or the Company might be required to reduce dividends. An increase in the Company's debt service obligations could result in lower earnings if anticipated gross and net margins are not maintained.

Protection of Intellectual Property

The Company relies on trademark, trade secret, patent and copyright laws to protect its intellectual property. The Company cannot be sure that these intellectual property rights will be successfully asserted in the future or that they will not be invalidated or circumvented. In addition, laws of some of the foreign countries in which the Company's products are or may be sold do not protect the Company's intellectual property rights to the same extent as the laws of the United States. The failure of the Company to protect its proprietary information and any successful

intellectual property challenges or infringement proceedings against the Company could make it less competitive and could have a material adverse effect on the Company's business, operating results and financial condition.

The Company frequently defends its brands from counterfeits across Asia through legal and enforcement actions. In addition, the Company has introduced uniquely shaped packaging that the Company believes will reduce the ability of counterfeiters to imitate the Company's products.

Volatility in the Insurance Market

The Company re-evaluates its insurance coverage annually. From time to time, insurance contracts may be much more expensive, less protective or even unavailable. In such a case the Company may decide to increase levels of self-insurance, thereby undertaking additional risk.

Product Liability and Other Litigation Risks

The use of the Company's products may expose the Company to liability claims resulting from such use. The Company maintains product liability insurance that it believes will be adequate to protect the Company from material loss attributable to such claims but the extent of such loss could exceed available limits of insurance or could arise out of circumstances under which such insurance coverage would be unavailable. Other business activities of the Company may also expose the Company to litigation risks, including risks that may not be covered by insurance. If successful claims are asserted by third parties against the Company for uninsured liabilities or liabilities in excess of applicable insured limits of coverage, the Company's business, financial condition and results of operations may be adversely affected.

Marketing Distributor Relationships

The Company distributes its products throughout the world in one of two ways: the Direct Distribution model, where products are sold directly by the Company to wholesalers and retailers in the U.S., U.K., Canada, Australia and a number of other countries, and the Marketing Distributor model, where products are sold to exclusive marketing distributors who in turn sell to wholesalers and retailers. A marketing distributor represents the Company in its particular market and works with the Company to develop and implement plans to increase brand awareness and distribution.

In many countries throughout the world, the Marketing Distributor model provides the Company with a representative who has extensive local market knowledge. The Company relies on the efforts and knowledge of its marketing distributors to successfully achieve the optimal level of penetration for its brands in each market. From time to time, the Company has experienced changes with respect to its marketing distributor relationships. There is a risk that changes in such marketing distributor relationships that are not managed successfully could result in a disruption in one or more of the affected markets and that such disruption could have an adverse material effect on the Company's business, operating results, financial position and cash flows.

Natural Disasters

The occurrence of natural disasters or adverse weather events may result in the loss of customers, short-term losses in distribution, supply chain disruptions and increased costs of raw materials. Therefore, the occurrence of natural disasters or adverse weather events could have an adverse material effect on the Company's business, operating results, financial position and cash flows.

FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for certain forward-looking statements. This report contains forward-looking statements, which reflect the Company's current views with respect to future events and financial performance.

These forward-looking statements are subject to certain risks and uncertainties. The words "aim," "believe," "expect," "anticipate," "intend," "estimate" and other expressions that indicate future events and trends identify forward-looking statements.

Actual future results and trends may differ materially from historical results or those anticipated depending upon factors including, but not limited to, the near term growth expectations for heavy-duty hand cleaners and household products in the Americas, the impact of changes in product distribution, competition for shelf space, plans for product and promotional innovation, the impact of 3-IN-ONE Professional on the growth of the 3-IN-ONE brand, the impact of customer mix and raw material, component and finished goods costs on gross margins, the impact of promotions on sales, the rate of sales growth in the Asia-Pacific region, direct European countries and Eastern Europe, the expected gross profit margin, the expected amount of future advertising and promotional expenses, the effect of future income tax provisions and audit outcomes on tax rates, the amount of future capital expenditures, foreign currency exchange rates and fluctuations in those rates, the effects of, and changes in, worldwide economic conditions and legal proceedings.

Readers also should be aware that while the Company does, from time to time, communicate with securities analysts, it is against the Company's policy to disclose to them any material non-public information or other confidential commercial information. Accordingly, shareholders or readers should not assume that the Company agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Further, the Company has a policy against confirming financial forecasts or projections issued by others. Accordingly, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of the Company.

ITEM 8 — Financial Statements and Supplementary Data

The Company's consolidated financial statements at August 31, 2005 and 2004 and for each of the three years in the period ended August 31, 2005, and the Report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, are included in this Annual Report on Form 10-K on pages i through xxvi.

QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following table sets forth certain unaudited quarterly consolidated financial information for each of the two years in the period ended August 31, 2005. Amounts are presented in thousands, except for earnings per share data.

QUARTER ENDED:	NET SALES	GROSS PROFIT	NET INCOME	DILUTED EARNINGS PER SHARE
November 30, 2003	$ 52,540	$ 27,934	$ 4,390	$0.26
February 29, 2004	58,481	30,329	6,243	0.36
May 31, 2004	59,742	30,864	6,072	0.35
August 31, 2004	71,704	36,396	8,938	0.53
	$242,467	$125,523	$25,643	$1.50
November 30, 2004	$ 60,688	$ 30,569	$ 5,635	$0.34
February 28, 2005	61,076	29,647	5,278	0.31
May 31, 2005	65,149	31,252	6,362	0.38
August 31, 2005	76,314	37,926	10,523	0.63
	$263,227	$129,394	$27,798	$1.65

ITEM 9 — Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

Not applicable.

ITEM 9A — Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term " disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934 (Exchange Act). The term disclosure controls and procedures means controls and other procedures of a Company that are designed to ensure the information required to be disclosed

by the Company in the reports that it files or submits under the Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a Company in the reports that it files or submits under the Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosures. The Company's chief executive officer and chief financial officer have evaluated the effectiveness of the Company's disclosure controls and procedures as of August 31, 2005, the end of the period covered by this report (the Evaluation Date), and they have concluded that, as of the Evaluation Date, such controls and procedures were effective. Although management believes the Company's existing disclosure controls and procedures are adequate to enable the Company to comply with its disclosure obligations, management continues to review and update such controls and procedures. The Company has a disclosure committee, which consists of certain members of the Company's senior management.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act rule 13a-15(f). Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based upon the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation, our management concluded that our internal control over financial reporting is effective as of August 31, 2005.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, has audited management's assessment of the effectiveness of our internal control over financial reporting as of August 31, 2005, as stated in their report included in this Annual Report on Form 10-K on pages i and ii.

Changes in Internal Control over Financial Reporting

For the year ended August 31, 2005, there were no significant changes to the Company's internal control over financial reporting that materially affected, or would be reasonably likely to materially affect, its internal control over financial reporting.

ITEM 9B — Other Information

Not applicable.

PART III

ITEM 10 — Directors and Executive Officers of the Registrant

Certain information required by this item is set forth under the captions "Security Ownership of Directors and Executive Officers," "Nominees for Election as Directors," "Compensation Committee Interlocks and Insider Participation," "Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Proxy Statement to be filed with the Securities and Exchange Commission in connection with the 2005 Annual Meeting of Stockholders, December 13, 2005 (the Proxy Statement), which information is incorporated by reference herein.

The registrant has a financial reporting code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions. A copy of the code of ethics applicable to such persons may be found on the Registrant's internet website on the Officers & Directors link from the Investor Relations page at www.wd40.com.

ITEM 11 — Executive Compensation

The information required by this item is incorporated by reference to the Proxy Statement under the headings "Executive Compensation," "Compensation Committee Report on Executive Compensation" and "Stock Performance Graph."

ITEM 12 — Security Ownership of Certain Beneficial Owners and Management

Certain information required by this item is incorporated by reference to the Proxy Statement under the headings "Principal Security Holders" and "Security Ownership of Directors and Executive Officers."

The following table provides information regarding shares of the Company's common stock authorized for issuance under equity compensation plans as of August 31, 2005:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,381,896	$26.27	1,554,727[1]
Equity compensation plans not approved by security holders	n/a	n/a	n/a
Total	1,381,896	$26.27	1,554,727

[1] Includes 24,488 shares available pursuant to the Company's Non-Employee Director Restricted Stock Plan.

Non-Employee Director Restricted Stock Plan

On October 28, 2003, the Board of Directors adopted the Third Amended and Restated WD-40 Company 1999 Non-Employee Director Restricted Stock Plan. The plan was approved by the Company's shareholders at the annual meeting of stockholders held on December 16, 2003. Pursuant to the plan and the current director compensation policy, shares are issued to non-employee directors of the Company in lieu of cash compensation of up to $27,000 according to an election to be made by the director as of the October meeting of the Board of Directors. A director who holds shares of the Company having a value of at least $50,000 may elect to receive his or her entire annual director's fee in cash. Otherwise, directors must elect to receive restricted stock in lieu of cash in the amount of $5,500, $11,000, $16,500, $22,000 or $27,000. The restricted shares are to be issued in accordance with a director's election as soon as practicable after the first day of March. The number of shares to be issued is equal to the amount of compensation to be paid in shares divided by 90% of the closing price of the Company's shares as of the first business day of March or other date of issuance of such shares. Restricted shares issued to a director do not become vested for resale for a period of five years or until the director's retirement from the Board following the director's 65th birthday. Unless a director has reached age 65, the shares are subject to forfeiture if, during the five-year vesting period, the director resigns from service as a director.

ITEM 13 — Certain Relationships and Related Transactions

Not Applicable.

ITEM 14 — Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the Proxy Statement under the heading "Ratification of Independent Accountants."

PART IV

ITEM 15 — Exhibits and Financial Statement Schedule

(a) Documents filed as part of this report

		Page
(1)	Report of Independent Registered Public Accounting Firm	i
	Consolidated Balance Sheets at August 31, 2005 and 2004	iii
	Consolidated Statements of Income for Years Ended August 31, 2005, 2004 and 2003	iv
	Consolidated Statements of Shareholders' Equity and Comprehensive Income for Years Ended August 31, 2005, 2004 and 2003	v
	Consolidated Statements of Cash Flows for Years Ended August 31, 2005, 2004 and 2003	vi
	Notes to Consolidated Financial Statements	vii
(2)	Financial Statement Schedule for Fiscal 2005, 2004 and 2003	
	Schedule II — Consolidated Valuation and Qualifying Accounts and Reserves	xxvi

All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

(3) Exhibits

Exhibit No.	Description
	Articles of Incorporation and Bylaws.
3(a)	Certificate of Incorporation, incorporated by reference from the Registrant's Form 10-Q filed January 14, 2000, Exhibit 3(a) thereto.
3(b)	Bylaws, incorporated by reference from the Registrant's Form 8-K filed October 20, 2005, Exhibit 3 thereto.
	Material Contracts.
	Executive Compensation Plans and Arrangements (Exhibits 10(a) through 10(l) are management contracts and compensatory plans or arrangements required to be filed as exhibits pursuant to ITEM 15(b)).
10(a)	Form of WD-40 Company Supplemental Death Benefit Plan applicable to certain executive officers of the Registrant, incorporated by reference from the Registrant's Form 10-K filed November 7, 2001.
10(b)	Form of WD-40 Company Supplemental Retirement Benefit Plan applicable to certain executive officers of the Registrant, incorporated by reference from the Registrant's Form 10-K filed November 7, 2001.
10(c)	Fourth Amendment and Restatement, WD-40 Company 1990 Incentive Stock Option Plan, incorporated by reference from the Registrant's Proxy Statement filed on November 4, 2003 (appendix thereto).
10(d)	Employment Agreement between WD-40 Company and Garry O. Ridge dated August 2, 1999, incorporated by reference from the Registrant's Form 10-K Annual Report filed November 23, 1999, Exhibit 10(d) thereto.
10(e)	Amendment to Employment Agreement dated May 20, 2002 between the Registrant and Garry O. Ridge, incorporated by reference from the Registrant's Form 10-Q filed July 15, 2002, Exhibit 10(b) thereto.
10(f)	Employment Agreement between WD-40 Company and Michael J. Irwin dated July 9, 2001, incorporated by reference from the Registrant's Form 10-K filed November 7, 2001.
10(g)	Employment Agreement between WD-40 Company and Graham Milner dated July 9, 2001, incorporated by reference from the Registrant's Form 10-K filed November 7, 2001.
10(h)	Employment Agreement between WD-40 Company and Michael Freeman dated July 9, 2001, incorporated by reference from the Registrant's Form 10-K filed November 7, 2001.
10(i)	Employment Agreement between WD-40 Company and Bill Noble dated July 9, 2001, incorporated by reference from the Registrant's Form 10-K filed November 7, 2001.

Exhibit No.	Description
10(j)	Employment Agreement between WD-40 Company and Geoff Holdsworth dated July 9, 2001, incorporated by reference from the Registrant's Form 10-K filed November 7, 2001.
10(k)	Form of Indemnity Agreement between the Registrant and its executive officers and directors, incorporated herein by reference from the Registrant's Proxy Statement filed on November 9, 1999 (Appendix D thereto).
10(l)	Third Amended and Restated WD-40 Company 1999 Non-Employee Director Restricted Stock Plan incorporated by reference from the Registrant's Proxy Statement filed on November 4, 2003 (appendix thereto).
10(m)	Purchase Agreement dated May 3, 2002 by and between the Registrant and Scott Hilkene and Sally Hilkene for the acquisition of Heartland Corporation, a Kansas Corporation, incorporated by reference from the Registrant's Form 10-Q filed July 15, 2002, Exhibit 10(a) thereto.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
31(a)	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32(b)	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this annual report to be signed on its behalf by the undersigned, thereunto duly authorized.

WD-40 COMPANY
Registrant

/s/ MICHAEL J. IRWIN

Michael J. Irwin
Executive Vice President
Chief Financial Officer
(Principal Financial Officer)
Date 11/7/05

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ JAY REMBOLT

JAY REMBOLT
Vice President of Finance, Controller
(Principal Accounting Officer)
Date 11/7/05

/s/ GARRY O. RIDGE

GARRY O. RIDGE
Chief Executive Officer and Director
(Principal Executive Officer)
Date 11/7/05

/s/ JOHN C. ADAMS

JOHN C. ADAMS, JR., Director
Date 11/3/05

/s/ GILES H. BATEMAN

GILES H. BATEMAN, Director
Date 11/3/05

/s/ PETER D. BEWLEY

PETER D. BEWLEY, Director
Date 11/3/05

/s/ RICHARD A. COLLATO

RICHARD A. COLLATO, Director
Date 11/3/05

/s/ MARIO L. CRIVELLO

MARIO L. CRIVELLO, Director
Date 11/3/05

/s/ LINDA A. LANG

LINDA A. LANG, Director
Date 11/3/05

/s/ GARY L. LUICK

GARY L. LUICK, Director
Date 11/3/05

/s/ KENNETH E. OLSON

KENNETH E. OLSON, Director
Date 11/3/05

/s/ GERALD C. SCHLEIF

GERALD C. SCHLEIF, Director
Date 11/3/05

/s/ NEAL E. SCHMALE

NEAL E. SCHMALE, Director
Date 11/3/05

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Report of Independent Registered Public Accounting Firm

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

We have completed an integrated audit of WD-40 Company's 2005 consolidated financial statements and of its internal control over financial reporting as of August 31, 2005 and audits of its 2004 and 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of WD-40 Company and its subsidiaries at August 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended August 31, 2005 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 our opinion.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of August 31, 2005 based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 31, 2005, based on criteria established in *Internal Control — Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
San Diego, California
November 8, 2005

WD-40 Company
Consolidated Balance Sheets
August 31, 2005 and 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	$ 37,120,000	$ 29,433,000
Trade accounts receivable, less allowance for cash discounts, returns and doubtful accounts of $1,506,000 and $1,440,000	44,487,000	40,643,000
Product held at contract packagers	1,814,000	1,975,000
Inventories	8,041,000	6,322,000
Current deferred tax assets, net	2,946,000	2,830,000
Other current assets	6,784,000	3,026,000
Total current assets	101,192,000	84,229,000
Property, plant and equipment, net	8,355,000	7,081,000
Goodwill	95,858,000	95,832,000
Other intangibles, net	42,884,000	43,428,000
Investment in related party	1,112,000	932,000
Other assets	4,852,000	5,273,000
	$254,253,000	$236,775,000
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 10,714,000	$ 10,000,000
Accounts payable	13,671,000	11,910,000
Accounts payable to related party	1,945,000	1,926,000
Accrued liabilities	14,058,000	12,151,000
Accrued payroll and related expenses	3,828,000	3,935,000
Income taxes payable	2,484,000	2,613,000
Total current liabilities	46,700,000	42,535,000
Long-term debt	64,286,000	75,000,000
Deferred employee benefits and other long-term liabilities	1,838,000	1,969,000
Long-term deferred tax liabilities, net	11,363,000	4,853,000
Total liabilities	124,187,000	124,357,000
Commitments and contingencies (Notes 7, 8, 9 and 14)		
Shareholders' equity:		
Common stock, $.001 par value, 36,000,000 shares authorized — 17,222,410 and 17,089,015 shares issued	17,000	17,000
Paid-in capital	52,990,000	49,616,000
Unearned stock-based compensation	(136,000)	—
Retained earnings	89,983,000	76,152,000
Accumulated other comprehensive income	2,238,000	1,659,000
Common stock held in treasury, at cost (534,698 shares)	(15,026,000)	(15,026,000)
Total shareholders' equity	130,066,000	112,418,000
	$254,253,000	$236,775,000

The accompanying notes are an integral part of these consolidated financial statements.

WD-40 Company
Consolidated Statements of Income
For the Years Ended August 31, 2005, 2004 and 2003

	2005	2004	2003
Net sales	$263,227,000	$242,467,000	$238,140,000
Cost of products sold (including cost of products acquired from related party of $38,384,000, $36,615,000 and $42,041,000 for fiscal years 2005, 2004 and 2003, respectively)	133,833,000	116,944,000	115,928,000
Gross profit	129,394,000	125,523,000	122,212,000
Operating expenses:			
Selling, general and administrative	63,529,000	58,311,000	54,061,000
Advertising and sales promotion	17,893,000	21,539,000	17,449,000
Loss on write off of non-compete agreement	—	—	879,000
Amortization of intangible assets	552,000	224,000	71,000
	81,974,000	80,074,000	72,460,000
Income from operations	47,420,000	45,449,000	49,752,000
Other income (expense):			
Interest expense, net of interest income of $1,034,000, $484,000 and $215,000 in fiscal years 2005, 2004 and 2003, respectively	(5,133,000)	(6,387,000)	(6,740,000)
Other income (expense), net	578,000	(209,000)	383,000
Income before income taxes	42,865,000	38,853,000	43,395,000
Provision for income taxes	15,067,000	13,210,000	14,754,000
Net income	$ 27,798,000	$ 25,643,000	$ 28,641,000
Earnings per common share:			
Basic	$ 1.67	$ 1.52	$ 1.73
Diluted	$ 1.65	$ 1.50	$ 1.71
Weighted average common shares outstanding, basic	16,629,057	16,905,587	16,581,247
Weighted average common shares outstanding, diluted	16,807,399	17,118,829	16,758,775

The accompanying notes are an integral part of these consolidated financial statements.

WD-40 Company

Consolidated Statements of Shareholders' Equity and Comprehensive Income
For the Years Ended August 31, 2005, 2004 and 2003

	Common Stock Shares	Common Stock Amount	Paid-In Capital	Unearned Stock-Based Compensation	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total Shareholders' Equity	Comprehensive Income
Balance at August 31, 2002	16,450,604	$16,000	$34,400,000	$ —	$ 48,699,000	$ 63,000	—	$ —	$ 83,178,000	
Issuance of common stock upon exercise of options	272,638	1,000	5,681,000						5,682,000	
Tax benefit from exercise of stock options			417,000						417,000	
Issuance of restricted common stock	5,329		109,000						109,000	
Cash dividends ($0.80 per share)					(13,272,000)				(13,272,000)	
Equity adjustment from foreign currency translation, net of tax ($231,000)						449,000			449,000	$ 449,000
Net income					28,641,000				28,641,000	28,641,000
Balance at August 31, 2003	16,728,571	17,000	40,607,000	—	64,068,000	512,000	—	—	105,204,000	$29,090,000
Issuance of common stock upon exercise of options	357,240		7,914,000						7,914,000	
Tax benefit from exercise of stock options			965,000						965,000	
Issuance of restricted common stock	3,204		110,000						110,000	
Stock-based compensation for options issued to directors			20,000						20,000	
Cash dividends ($0.80 per share)					(13,559,000)				(13,559,000)	
Acquisition of treasury stock							534,698	(15,026,000)	(15,026,000)	
Equity adjustment from foreign currency translation, net of tax ($578,000)						1,147,000			1,147,000	$ 1,147,000
Net income					25,643,000				25,643,000	25,643,000
Balance at August 31, 2004	17,089,015	17,000	49,616,000	—	76,152,000	1,659,000	534,698	(15,026,000)	112,418,000	$26,790,000
Issuance of common stock upon exercise of options	128,567		2,839,000						2,839,000	
Tax benefit from exercise of stock options			377,000						377,000	
Issuance of restricted common stock	4,828		158,000	(158,000)					—	
Amortization of unearned stock-based compensation				22,000					22,000	
Cash dividends ($0.84 per share)					(13,967,000)				(13,967,000)	
Equity adjustment from foreign currency translation, net of tax ($16,000)						579,000			579,000	$ 579,000
Net income					27,798,000				27,798,000	27,798,000
Balance at August 31, 2005	17,222,410	$17,000	$52,990,000	$(136,000)	$ 89,983,000	$2,238,000	534,698	$(15,026,000)	$130,066,000	$28,377,000

The accompanying notes are an integral part of these consolidated financial statements.

WD-40 Company
Consolidated Statements of Cash Flows
For the Years Ended August 31, 2005, 2004 and 2003

	2005	2004	2003
Cash flows from operating activities:			
Net income	$ 27,798,000	$ 25,643,000	$ 28,641,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	3,007,000	2,369,000	1,827,000
Loss on write off of non-compete agreement	—	—	879,000
(Gains) losses on sales and disposals of property and equipment	(24,000)	(49,000)	34,000
Deferred income tax expense	3,474,000	4,504,000	4,787,000
Tax benefit from exercise of stock options	377,000	965,000	417,000
Equity earnings from related party in excess of distributions received	(180,000)	(281,000)	(99,000)
Stock-based compensation	22,000	130,000	109,000
Changes in assets and liabilities, net of assets and liabilities acquired:			
Trade accounts receivable	(3,635,000)	3,153,000	2,353,000
Product held at contract packagers	161,000	(271,000)	431,000
Inventories	(1,655,000)	(1,306,000)	1,533,000
Other assets	(970,000)	(479,000)	(499,000)
Accounts payable and accrued expenses	3,262,000	74,000	(1,783,000)
Accounts payable to related party	14,000	(2,758,000)	(17,000)
Income taxes payable	(125,000)	(321,000)	1,262,000
Deferred employee benefits and other long-term liabilities	38,000	118,000	71,000
Net cash provided by operating activities	31,564,000	31,491,000	39,946,000
Cash flows from investing activities:			
Acquisition of a business	—	(11,555,000)	(48,000)
Capital expenditures	(3,101,000)	(2,358,000)	(2,058,000)
Proceeds from sales of property and equipment	162,000	169,000	175,000
Proceeds from collections on notes receivable	50,000	100,000	618,000
Net cash used in investing activities	(2,889,000)	(13,644,000)	(1,313,000)
Cash flows from financing activities:			
Payments on line of credit, net	—	—	(299,000)
Repayments of long-term debt	(10,000,000)	(10,000,000)	—
Proceeds from issuance of common stock	2,839,000	7,914,000	5,681,000
Treasury stock purchases	—	(15,026,000)	—
Dividends paid	(13,967,000)	(13,559,000)	(13,272,000)
Net cash used in financing activities	(21,128,000)	(30,671,000)	(7,890,000)
Effect of exchange rate changes on cash and cash equivalents	140,000	286,000	137,000
Increase (decrease) in cash and cash equivalents	7,687,000	(12,538,000)	30,880,000
Cash and cash equivalents at beginning of year	29,433,000	41,971,000	11,091,000
Cash and cash equivalents at end of year	$ 37,120,000	$ 29,433,000	$ 41,971,000
Supplemental disclosure of cash flow information:			
Cash paid for interest and fees	$ 5,993,000	$ 6,621,000	$ 6,934,000
Cash paid for income taxes, net of tax refunds received	$ 10,366,000	$ 7,972,000	$ 8,525,000

The accompanying notes are an integral part of these consolidated financial statements.

1. Summary of Significant Accounting Policies

The Company

WD-40 Company (the Company), based in San Diego, California, markets two lubricant brands known as WD-40® and 3-IN-ONE Oil®, two heavy-duty hand cleaner brands known as Lava® and Solvol®, and six household product brands known as X-14® hard surface cleaners and automatic toilet bowl cleaners, 2000 Flushes® automatic toilet bowl cleaner, Carpet Fresh® and No Vac® rug and room deodorizers, Spot Shot® aerosol and liquid carpet stain remover and 1001® carpet and household cleaners and rug and room deodorizers.

The Company's brands are sold in various locations around the world. Lubricant brands are sold worldwide in markets such as North, Central and South America, Asia, Australia and the Pacific Rim, Europe, the Middle East and Africa. Household cleaner brands are currently sold primarily in North America, the U.K., Australia and the Pacific Rim. Heavy-duty hand cleaner brands are sold primarily in the U.S. and Australia.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Sales Concentration

Wal-Mart Stores, Inc. is a significant U.S. mass retail customer and offers a variety of the Company's products. Sales to U.S. Wal-Mart stores accounted for approximately 9 percent of the Company's consolidated net sales during each of fiscal years 2005 and 2004, and 10 percent in fiscal year 2003. Excluding sales to U.S. Wal-Mart stores, sales to affiliates of Wal-Mart worldwide accounted for approximately 4 percent during fiscal year 2005, and approximately 5 percent during each of fiscal years 2004 and 2003.

Cash and Cash Equivalents

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

Trade Accounts Receivable and Allowance for Doubtful Accounts

Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company's best estimate of the amount of probable credit losses in existing accounts receivable. The Company determines the allowance based on historical write off experience and by industry and regional economic data. Account balances are charged off against the allowance when the Company feels it is probable that the receivable will not be recovered. The Company does not have any off-balance sheet credit exposure related to its customers.

Product Held at Contract Packagers

The manufacturing of the Company's products is outsourced to contract packagers in the United States, Australia and Canada. These contract packagers package products to rigid specifications, and upon order from WD-40 Company, ship ready-to-sell inventory to the Company's customers. The contract packagers, rather than

the Company, are responsible for inventory control. The Company takes title to inventory at the same time the product is shipped to the customer.

The Company transfers certain raw materials and product components to these contract packagers for use in the manufacturing process. Packagers are obligated to pay the Company for the inventory upon receipt. Product held at contract packagers, as reported on the Company's balance sheet, represents inventory held at United States, Australian and Canadian contract packagers.

Inventories

Inventories are stated at the lower of cost (as determined based on the average cost method) or market. When necessary, the Company provides allowances to adjust the carrying value of its inventory to the lower of cost or market, including any costs to sell or dispose. Appropriate consideration is given to obsolescence, excessive inventory levels, product deterioration and other factors in evaluating net realizable value for the purposes of determining the lower of cost or market.

Property, Plant and Equipment

Property, plant and equipment is stated at cost. Depreciation has been computed using the straight-line method based upon estimated useful lives of ten to thirty years for buildings and improvements, three to fifteen years for machinery and equipment, five years for vehicles, three to ten years for furniture and fixtures and three to five years for software and computer equipment. Depreciation expense totaled $2.0 million, $1.8 million and $1.6 million in fiscal years 2005, 2004 and 2003, respectively. These amounts include factory depreciation expense recognized as cost of products sold totaling $0.5 million, $0.4 million and $0.2 million in fiscal years 2005, 2004 and 2003, respectively.

Software Development Costs

The Company capitalizes qualifying software costs, which are incurred during the application development stage, and amortizes them over their estimated useful lives of three to five years. The Company capitalized $0.3 million during each of the fiscal years ended August 31, 2005, 2004 and 2003. Capitalized software costs are included in property, plant and equipment in the accompanying consolidated balance sheets. Amortization expense totaled $0.4 million in fiscal year 2005, $0.3 million in fiscal year 2004 and $0.2 million in fiscal year 2003.

Goodwill and Other Intangibles

Effective January 1, 2002, the company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." This statement changed the accounting for goodwill and indefinite-lived intangible assets from an amortization approach to an impairment-only approach.

The SFAS No. 142 goodwill impairment model is a two-step process. First, it requires comparison of the book value of net assets to the fair value of the related reporting units that have goodwill assigned to them. If the fair value is determined to be less than book value, a second step is performed to compute the amount of impairment. In the second step, the implied fair value of goodwill is estimated as the fair value of the reporting unit used in the first step less the fair values of all other net tangible and intangible assets of the reporting unit. If the carrying amount of goodwill exceeds its implied fair market value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of the goodwill.

Goodwill and indefinite-lived intangible assets are tested at least annually for impairment during the Company's second fiscal quarter unless there are indicators during an interim period that assets may have become impaired. Indicators such as underperformance relative to historical or projected future operating results, changes in the Company's strategy for its overall business or use of acquired assets, decline in the Company's stock price for a sustained period, unexpected adverse industry or economic trends, unanticipated technological change or

competitive activities, loss of key distribution, change in consumer demand, loss of key personnel and acts by governments and courts may signal that an asset has become impaired. The Company's impairment review is based on a discounted cash flow approach that requires significant management judgment with respect to future volume, revenue, expense growth rates and the selection of an appropriate discount rate. In addition, intangible assets with indefinite lives are evaluated quarterly to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets that have definite useful lives are amortized over their useful lives.

Long-lived Assets

The Company assesses potential impairments to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Any required impairment loss would be measured as the amount by which the asset's carrying value exceeds its fair value, which is the amount at which the asset could be bought or sold in a current transaction between willing parties, and would be recorded as a reduction in the carrying value of the related asset and a charge to results of operations. An impairment loss would be recognized when the sum of the expected future undiscounted net cash flows is less than the carrying amount of the asset. No impairment losses have been identified by the Company.

Fair Value of Financial Instruments

The Company's financial instruments include cash equivalents, trade receivables, accounts payable, revolving line of credit, and foreign currency exchange contracts. The carrying amounts of these instruments approximate fair value because of the short maturities or variable interest rates.

The fair value of the Company's borrowings was approximately $80.3 million and $93.2 million at August 31, 2005 and 2004, respectively. The fair values of the borrowings are based on discounted future cash flows using current market interest rates.

Concentration of Credit Risk

Financial instruments, which potentially subject the Company to significant concentrations of credit risk, consist principally of cash and accounts receivable. The Company's policy is to place its cash in high credit quality financial institutions, in investments that include operating and money market accounts. The Company's accounts receivable are primarily derived from customers located in North America, Asia-Pacific and Europe. Additionally, the Company limits its credit exposure from trade receivables by performing on-going credit evaluations of customers.

Revenue Recognition

Sales are recognized as revenue at the time of delivery to the customer when risk of loss and title pass. Sales are recorded net of allowances for damaged goods returns, trade promotions, coupons and cash discounts.

The Company records sales incentives as a reduction of sales in its income statement. The Company offers on-going trade promotion programs with customers, and consumer coupon programs that require the Company to estimate and accrue the expected costs of such programs. Programs include cooperative marketing programs, shelf price reductions, coupons, rebates, consideration and allowances given to retailers for space in their stores, consideration and allowances given to obtain favorable display positions in the retailers' stores and other promotional activity. Costs related to rebates, co-operative advertising and other promotional activity are recorded upon delivery of products to customers. Costs related to coupon offers are based upon historical redemption rates and are recorded as incurred, when coupons are circulated.

Cost of Products Sold

The components of cost of products sold primarily include the cost of products manufactured on the Company's behalf by its contract packagers, net of volume and other rebates. The costs to manufacture WD-40 concentrate are

also included in cost of products sold, which include direct labor, direct materials and supplies; in-bound freight costs related to purchased raw materials; and depreciation of machinery and equipment used in the manufacturing process.

Selling, General and Administrative Expenses

The components of selling, general and administrative expenses include costs related to selling the product such as the cost of the sales force and related sales and broker commissions; freight paid to third-party companies to distribute finished goods from the Company's contract packagers to its customers; other general and administrative costs related to the Company's business such as general overhead, legal and accounting fees, insurance, and depreciation; and other employee-related costs to support marketing, human resources, finance, supply chain, information technology and research and development activities.

Shipping and Handling Costs

Shipping and handling costs included in selling, general and administrative expenses were $15.8 million, $13.9 million and $12.6 million in fiscal 2005, 2004 and 2003, respectively.

Advertising Costs

The Company primarily advertises through television and print media. The Company's policy is to expense advertising costs as incurred. Advertising expenses for the fiscal years ended 2005, 2004 and 2003 were $4.6 million, $7.1 million and $7.0 million, respectively.

Research and Development

The Company is involved in research and development efforts that include the continual development of new products and the improvement of existing products. All research and development costs are expensed as incurred and are included in selling, general and administrative expenses. Research and development expenses for the fiscal years ended 2005, 2004 and 2003 were $2.5 million, $1.9 million and $2.4 million, respectively. These expenses include general research and development activities, as well as internal staff, overhead, design testing, market research and consultants.

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 the differences in financial reporting and tax bases of assets and liabilities. A valuation allowance is provided if it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company establishes accruals for certain tax contingencies when, despite the belief that the Company's tax return positions are fully supported, the Company believes that certain positions may be challenged and that the Company's positions may not be fully sustained. The tax contingency accruals are adjusted in light of changing facts and circumstances, such as the progress of tax audits, case law and emerging legislation. The Company's tax contingency accruals are reflected as a component of income taxes payable.

U.S. income tax expense is provided on remittances of foreign earnings and on unremitted foreign earnings that are not indefinitely reinvested. Where unremitted foreign earnings are indefinitely reinvested, no provision for federal and state tax expense is made.

Foreign Currency

Assets and liabilities of the Company's foreign subsidiaries are translated into U.S. dollars at exchange rates in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the period. Gains and losses from translation are included in accumulated other comprehensive income (loss).

Gains or losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are included in the consolidated statement of income as other income (expense). Aggregate foreign currency transaction gains (losses) were $387,000, ($377,000) and $127,000 for the years ended August 31, 2005, 2004 and 2003, respectively.

The Company uses foreign currency forward contracts to reduce the risk of foreign currency transactions of one of its wholly-owned foreign subsidiaries. The principal currency affected is the Euro. Forward contracts are accounted for on a mark-to-market basis, with realized and unrealized gains or losses recognized currently. Cash flows from settlements of forward contracts are included in operating activities in the consolidated statements of cash flows. While the Company engages in foreign currency hedging activity to reduce its risk, for accounting purposes, none of the foreign exchange contracts are designated as hedges.

The Company continually monitors its positions with, and the credit quality of, the major international financial institutions which are counterparties to its foreign currency forward contracts, and has not experienced nonperformance by any of these counterparties. As a matter of policy, the Company does not purchase contracts that exceed the amount of the foreign denominated cash and accounts receivable balances. At August 31, 2005, the Company had approximately $4.7 million of foreign exchange contracts outstanding, which mature starting in September 2005 and continue to mature through December 2005. The amount of net realized and unrealized gains on the foreign exchange contracts was not material for all periods presented.

Earnings per Share

Basic earnings per common share is calculated by dividing net income for the period by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated by dividing net income for the period by the weighted average number of common shares outstanding during the period increased by potential common shares (dilutive securities) that were outstanding during the period. Dilutive securities are comprised of options granted under the Company's stock option plan (Note 11).

Stock-Based Compensation

At August 31, 2005, the Company had one stock option plan, which is described more fully in Note 11. The Company accounts for stock-based compensation for the plan under the recognition and measurement principles of Accounting Principles Board Opinion No. 25. Accordingly, the Company measures compensation expense for its stock option plan using the intrinsic value method, that is, as the excess, if any, of the fair market value of the Company's stock at the grant date over the amount required to be paid to acquire the stock. Under the terms of the plan, options may be granted at an exercise price not less than 100 percent of the fair market value of the stock at the date of grant, as determined by the closing market value stock price on either the grant date or the day prior to the date of grant. The exercise price of substantially all options granted during the years ended August 31, 2005, 2004 and 2003 was greater than or equal to the market value on the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation", and SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure," prescribe the accounting and disclosure requirements using a fair value-based method of accounting for stock-based compensation plans. The Company has elected to use the intrinsic value method of accounting for its stock options and has adopted the disclosure requirements of SFAS Nos. 123 and 148. The following table illustrates the pro forma effect on net income and earnings per common share as if the Company had applied the fair value recognition provisions of SFAS No. 123 in determining stock-based compensation for awards under the plan:

	Year Ended August 31,		
	2005	2004	2003
Net income, as reported	$27,798,000	$25,643,000	$28,641,000
Add: Stock-based compensation expense included in reported net income, net of related tax effects	—	13,000	—
Deduct: Total stock-based compensation expense determined under fair-value based method for all awards, net of related tax effects	(1,229,000)	(1,022,000)	(594,000)
Pro forma net income	$26,569,000	$24,634,000	$28,047,000
Earnings per common share:			
Basic — as reported	$ 1.67	$ 1.52	$ 1.73
Basic — pro forma	$ 1.60	$ 1.46	$ 1.69
Diluted — as reported	$ 1.65	$ 1.50	$ 1.71
Diluted — pro forma	$ 1.59	$ 1.45	$ 1.67

For pro forma purposes, the estimated fair value of each option grant was determined on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for grants during the years ended August 31, 2005, 2004 and 2003:

	Year Ended August 31,		
	2005	2004	2003
Risk-free interest rate	2.90%	2.27%	2.20%
Expected volatility of common stock	41.35%	43.42%	39.61%
Dividend yield	2.88%	2.70%	2.91%
Expected option term	3 years	3 years	3 years

Segment Information

The Company discloses certain information about the Company's operating segments, which are determined consistent with the way management organizes and evaluates financial information internally for making operating decisions and assessing performance. The Company is organized on the basis of geographical areas. In addition, management assesses revenue on the basis of products.

Recent Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 123R (revised 2004), "Share-Based Payment." SFAS No. 123R addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the company or liabilities that are based on the fair value of the company's equity instruments or that may be settled by the issuance of such equity instruments. SFAS No. 123R eliminates the ability to account for share-based compensation transactions using the intrinsic method that the Company currently uses and requires that such transactions be accounted for using a fair value-based method and that the related expense be recognized in the consolidated statement of income. The effective date of SFAS No. 123R is for annual periods beginning after June 15, 2005. In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107, which provides additional guidance on the implementation of SFAS No. 123R for public companies. The Company will adopt SFAS No. 123R using the modified prospective model under which the Company currently expects to record a reduction to net income ranging from $1.0 million to $1.3 million, or $0.06 to $0.08 per share in fiscal year 2006, based on 16.8 million weighted average common shares outstanding at August 31, 2005. The Company will continue to use the Black-Scholes option pricing model to determine the fair value of awards. The Company will be required to expense the fair value of stock option grants beginning with its first quarter of fiscal year 2006.

In December 2004, the FASB issued FSP No. 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, to the Tax Deduction on Qualified Production Activities Provided by the American Jobs Creation Act of 2004." FSP No. 109-1 states that qualified domestic production activities should be accounted for as a special deduction under SFAS No. 109, "Accounting for Income Taxes," and not be treated as a rate reduction. Accordingly, any benefit from the deduction should be reported in the period in which the deduction is claimed on the tax return. This legislation is effective for the Company beginning in its fiscal year 2006. The Company is currently evaluating its impact, if any.

In December 2004, the FASB issued FSP No. 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004." FSP No. 109-2 will amend the existing accounting literature that requires companies to record deferred taxes on foreign earnings, unless they intend to indefinitely reinvest those earnings outside the U.S. This pronouncement will temporarily allow companies that are evaluating whether to repatriate foreign earnings under the American Jobs Creation Act of 2004 to delay recognizing any related taxes until that decision is made. This pronouncement will also require companies that are considering repatriating earnings to disclose the status of their evaluation and the potential amounts being considered for repatriation. The Company continues to evaluate its plans for repatriation of any foreign earnings in light of its ongoing business considerations and continues to evaluate this legislation and FSP No. 109-2 to determine the impact, if any, that this pronouncement will have on its consolidated financial statements. The Company expects to conclude its analysis by the second quarter of fiscal year 2006. As a result, the range of income tax effects of any such potential repatriation cannot currently be reasonably estimated.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4." SFAS No. 151 clarifies that abnormal inventory costs such as costs of idle facilities, excess freight and handling costs and wasted materials (spoilage) are required to be recognized as current period charges. The provisions of SFAS No. 151 will be effective for fiscal years beginning after June 15, 2005. The adoption of SFAS No. 151 will not have a material impact on the Company's consolidated financial position or results of operations.

2. Acquisitions

1001

On April 2, 2004, the Company purchased the 1001 line of carpet and household cleaners from PZ Cussons P.L.C. for 6.2 million pounds sterling ($11.4 million) paid in cash, and an additional $0.2 million of acquisition costs for a total purchase price of $11.6 million. The acquisition included essentially all key elements to continue the 1001 business including: the 1001 trade name, intellectual property of the brand, all pertinent information surrounding the manufacturing of the 1001 products including product formulations, access and knowledge of current customers of the products, key marketing knowledge and materials, and research supporting current products and potential new products. The Company acquired this line of products to gain a presence in the U.K. market, and to leverage an introduction of the Company's Spot Shot and Carpet Fresh brands through the use of an existing brand currently recognized by market consumers. The purchase price exceeds the fair market value of the identifiable assets acquired, due to the expectations that the Company will be able to successfully introduce its other household product formulations under the 1001 brand in order to expand the Company's household products business into the U.K. market.

The acquisition was accounted for using the purchase method of accounting in accordance with SFAS No. 141, "Business Combinations," and, accordingly, 1001 results of operations have been included in the consolidated financial statements since the date of acquisition.

The following table presents the allocation of the purchase price to the various assets of the 1001 business, as of the April 2, 2004 acquisition date, based on an independent valuation of assets acquired performed by a third-party valuation firm:

1001 Trade name	$ 3,713,000
Non-contractual customer relationships	4,354,000
Goodwill	3,488,000
Total purchase price	$11,555,000

3. Goodwill and Other Intangibles

Goodwill and other intangibles principally relate to the excess of the purchase price over the fair value of tangible assets acquired. Goodwill and intangible assets that have indefinite useful lives are tested at least annually for impairment during the Company's second fiscal quarter and otherwise as may be required. During the current fiscal year second quarter, the Company reviewed its goodwill and indefinite-lived intangible assets for impairment based on discounted future cash flows compared to the related book values. Based on this review, the Company determined that there were no instances of impairment. Intangible assets with indefinite lives are evaluated each reporting period to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with definite lives are amortized over their useful lives and are also evaluated quarterly to determine whether events and circumstances continue to support their remaining useful lives.

Definite-lived Intangible Assets

The Company's definite-lived intangible asset consists of the non-contractual customer relationships acquired in the 1001 acquisition. This definite-lived intangible asset is included in the Europe segment and is being amortized over its estimated eight-year life. This asset is recorded in pounds sterling and converted to U.S. dollars for reporting purposes. The following includes the non-contractual customer relationships intangible asset related to the 1001 acquisition that continues to be subject to amortization:

	As of August 31,	
	2005	2004
Gross carrying amount	$4,287,000	$4,291,000
Accumulated amortization	(759,000)	(224,000)
Net carrying amount	$3,528,000	$4,067,000

	Year Ended August 31,	
	2005	2004
Amortization expense	$552,000	$224,000

The below estimated amortization expense for the non-contractual customer relationships intangible asset is based on current foreign currency exchange rates, and amounts in future periods may differ from those presented due to fluctuations in those rates. The estimated amortization for the non-contractual customer relationships intangible asset in future fiscal years is as follows:

Fiscal year 2006	$ 536,000
Fiscal year 2007	536,000
Fiscal year 2008	536,000
Fiscal year 2009	536,000
Fiscal year 2010	536,000
Thereafter	848,000
	$3,528,000

Changes in definite-lived intangibles by segment for the fiscal years ended August 31, 2005 and 2004 are summarized below:

	Definite-lived Intangibles		
	Americas	Europe	Asia-Pacific
Balance as of August 31, 2003	$ —	$ —	$ —
Acquisitions	—	4,354,000	—
Amortization	—	(224,000)	—
Translation adjustments	—	(63,000)	—
Balance as of August 31, 2004	—	4,067,000	—
Acquisitions	—	—	—
Amortization	—	(552,000)	—
Translation adjustments	—	13,000	—
Balance as of August 31, 2005	$ —	$3,528,000	$ —

Indefinite-lived Intangible Assets

Intangible assets, excluding goodwill, which are not amortized as they have been determined to have indefinite lives, consist of the trade names Carpet Fresh, X-14, 2000 Flushes, Spot Shot and 1001. These intangible assets had a total carrying value of $39.4 million at August 31, 2005, of which $35.7 million and $3.7 million are included in the assets of the Americas and European segments, respectively.

Changes in indefinite-lived intangibles by segment for the fiscal years ended August 31, 2005 and 2004 are summarized below:

	Indefinite-lived Intangibles		
	Americas	Europe	Asia-Pacific
Balance as of August 31, 2003	$35,700,000	$ —	$ —
Acquisitions	—	3,713,000	—
Translation adjustments	—	(52,000)	—
Balance as of August 31, 2004	35,700,000	3,661,000	—
Acquisitions	—	—	—
Translation adjustments	—	(5,000)	—
Balance as of August 31, 2005	$35,700,000	$3,656,000	$ —

Acquisition-related Goodwill

The carrying value of all acquisition-related goodwill at August 31, 2005 and August 31, 2004 was $95.9 million and $95.8 million, respectively. The changes to goodwill from period to period other than the goodwill associated with the 1001 acquisition relate to changes in foreign currency translation rates.

Changes in the carrying amounts of goodwill by segment for the fiscal years ended August 31, 2005 and 2004 are summarized below:

	Acquisition-related Goodwill		
	Americas	Europe	Asia-Pacific
Balance as of August 31, 2003	$85,540,000	$5,517,000	$1,210,000
Acquisitions	—	3,488,000	—
Translation adjustments	72,000	3,000	2,000
Balance as of August 31, 2004	85,612,000	9,008,000	1,212,000
Acquisitions	—	—	—
Translation adjustments	16,000	10,000	—
Balance as of August 31, 2005	$85,628,000	$9,018,000	$1,212,000

4. Selected Financial Statement Information

	As of August 31,	
	2005	2004
Inventories		
Raw materials	$ 680,000	$ 540,000
Finished goods	7,361,000	5,782,000
	$8,041,000	$6,322,000
Other Current Assets		
Prepaid expenses and other	$4,140,000	$3,026,000
Federal income taxes receivable[1]	2,644,000	—
	$6,784,000	$3,026,000

[1] Historically, the Company's net operating loss (NOL) acquired with the purchase of HPD Holdings in 2001 has been limited by the Internal Revenue Section 382. The original calculation of the Section 382 limitation has been adjusted to incorporate the favorable effect of IRS Notice 2003-65 allowing the Company to amend Federal tax returns for the fiscal years 2001 through 2003. As a result, the $2.6 million deferred tax asset associated with the NOL is now classified as taxes receivable. The acceleration of the NOL resulted in its full utilization by the end of the current fiscal year second quarter.

	As of August 31,	
	2005	2004
Property, Plant and Equipment, net		
Land	$ 572,000	$ 514,000
Buildings and improvements	4,012,000	3,644,000
Furniture and fixtures	1,063,000	1,006,000
Computer and office equipment	2,806,000	2,813,000
Software	2,799,000	2,419,000
Machinery, equipment and vehicles	6,135,000	4,675,000
	17,387,000	15,071,000
Less: accumulated depreciation	(9,032,000)	(7,990,000)
	$ 8,355,000	$ 7,081,000

	As of August 31,	
	2005	2004
Other Intangibles, net		
Intangibles with indefinite lives	$39,356,000	$39,361,000
Intangibles with definite lives	4,287,000	4,291,000
Less: accumulated amortization	(759,000)	(224,000)
	$42,884,000	$43,428,000
Accrued Liabilities		
Accrued advertising expenses	$ 5,434,000	$ 5,230,000
Other	8,624,000	6,921,000
	$14,058,000	$12,151,000

5. Stock Repurchase Plan

On April 6, 2004, the Company's Board of Directors approved a share buy-back plan. Under the plan, which was in effect for up to twelve months, the Company was authorized to acquire up to $15 million of the Company's

outstanding shares. During the last five months of fiscal year 2004, the Company completed the repurchase program by acquiring 534,698 shares at a total cost of $15.0 million.

6. Earnings per Common Share

The schedule below summarizes the elements included in the calculation of basic and diluted earnings per common share for the years ended August 31, 2005, 2004 and 2003. For the years ended August 31, 2005, 2004 and 2003: 270,455, 143,467 and 266,972 options outstanding, respectively, were excluded from the calculation of diluted EPS, as the options have an exercise price greater than or equal to the average market value of the Company's common stock during the respective periods.

	Year Ended August 31,		
	2005	2004	2003
Net income	$27,798,000	$25,643,000	$28,641,000
Weighted-average shares outstanding:			
Weighted-average shares outstanding — basic	16,629,057	16,905,587	16,581,247
Dilutive securities	178,342	213,242	177,528
Weighted-average shares outstanding — diluted	16,807,399	17,118,829	16,758,775

7. Long-term Debt

Long-term debt is comprised of the following:

	As of August 31,	
	2005	2004
Term loans	$ 75,000,000	$ 85,000,000
Revolving line of credit	—	—
Total debt	75,000,000	85,000,000
Less: current portion	(10,714,000)	(10,000,000)
Long-term debt	$ 64,286,000	$ 75,000,000

On October 18, 2001, the Company replaced two variable-rate term loans with proceeds from a $75 million long-term obligation and a $15 million variable rate revolving line of credit financed through Prudential Capital and Union Bank. The $75 million long-term obligation consists of a fixed-rate note with a 10-year term and requires interest-only payments for the first three years. The note bears interest at an annualized rate of 7.28%. The revolving line of credit has a variable rate based on the LIBOR rate plus 1.75% and matures in October of 2005.

On May 31, 2002, the Company acquired Heartland Corporation, which was financed primarily through a $20 million term loan from Prudential Capital and a $7 million draw down on the revolving line of credit from Union Bank. This term loan consisted of a fixed-rate note with a 3-year term and two principal payments of $10 million each, which were paid in May 2004 and May 2005, respectively. The annualized interest rate of the note was 6.29%. In addition, the revolving line of credit with Union Bank of California, N.A., was increased to an availability of $20 million at a variable interest rate. In September 2003, the Company chose to reduce the availability on the revolving line of credit from $20 million down to $10 million.

The remaining term loan and revolving line of credit agreements have consistent covenant requirements, which require the Company to maintain minimum consolidated net worth greater than the sum of $57 million plus 25% of consolidated net income for each fiscal quarter beginning with the first fiscal quarter of 2002, plus proceeds of all equity securities other than those issued under the employee stock option plan. A consolidated fixed charge coverage ratio greater than 1.20:1.00 on the last day of any fiscal quarter must be maintained. The Company is

also limited to a maximum ratio of funded debt to earnings before interest, taxes, depreciation and amortization (EBITDA) of 2.25 to 1.00. The term loan is collateralized by the Company's cash, property, inventory, trade receivables and intangible assets. The term loan also includes certain provisions for prepayment penalties.

The events of default under the credit facility, including the fixed-rate term loan and the $10 million variable-rate revolving line of credit, include the following:

- Failure to pay principal or interest when due;
- Failure to comply with covenants, representations and warranties, or other terms and conditions under the credit agreements;
- Commencing any proceeding for bankruptcy, insolvency, reorganization, dissolution or liquidation; and
- The sale, transfer, abandonment, forfeiture or disposal of the WD-40 trademark or any other trademark used in a material product line.

The term loan and revolving line of credit contain cross default provisions. In the event of default, the term loan and revolving line of credit may be due and callable immediately at the option of the holders.

This facility also limits the Company's ability, without prior approval from the Company's lenders, to incur additional unsecured indebtedness, sell, lease or transfer assets, place liens on properties, complete certain acquisitions, mergers or consolidations, enter into guarantee obligations, enter into related party transactions and make certain loan advances and investments. The Company is in compliance with all debt covenants as required by the credit facilities.

The aggregate maturities of the remaining fixed-rate term loan are as follows:

Year ending August 31,	
2006	$10,714,000
2007	10,714,000
2008	10,714,000
2009	10,714,000
2010	10,714,000
Thereafter	21,430,000
Total	$75,000,000

8. Related Parties

VML Company L.L.C. (VML) was formed in April 2001, at which time the Company acquired a 30% membership interest. Since formation, VML has served as the Company's contract manufacturer for certain household products and acts as a warehouse distributor for other product lines of the Company. Although VML has begun to expand its business to other customers, the Company continues to be its largest customer. VML makes profit distributions to the Company and the 70% owner on a discretionary basis in proportion to each party's respective interest.

The Company has a put option to sell its interest in VML to the 70% owner, and the 70% owner has a call option to purchase the Company's interest. The sale price in each case is established pursuant to formulas based on VML's operating results.

Under Financial Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51," VML qualifies as a variable interest entity, and it has been determined that the Company is not the primary beneficiary. The Company's investment in VML is accounted for using the equity method of accounting, and its equity in VML earnings is recorded as a component of cost of products sold, as VML acts primarily as a contract manufacturer to the Company. The Company recorded equity earnings related to its

investment in VML of $0.4 million, $0.5 million and $0.8 million for the fiscal years ended August 31, 2005, 2004 and 2003, respectively.

The Company's maximum exposure to loss as a result of its involvement with VML was $1.1 million as of August 31, 2005. This amount represents the balance of the Company's equity investment in VML, which is presented as investment in related party on the Company's balance sheet. The Company's investment in VML as of August 31, 2004 was $0.9 million.

Cost of products sold which were purchased from VML, net of rebates, equity earnings and accretion of investment, was approximately $38.4 million, $36.6 million and $42.0 million during the fiscal years ended August 31, 2005, 2004 and 2003, respectively. The Company had product payables to VML of $1.9 million at August 31, 2005 and August 31, 2004. Additionally, the Company receives rental income from VML, which is recorded as a component of other income (expense), net. Rental income from VML was $0.2 million for each of the fiscal years ended August 31, 2005, 2004 and 2003.

9. Commitments and Contingencies

The Company was committed under certain non-cancelable operating and capital leases at August 31, 2005 which provide for the following future fiscal year minimum lease payments:

	2006	2007	2008	2009	2010	Thereafter
Operating leases	$1,081,000	$691,000	$301,000	$200,000	$109,000	$45,000
Capital leases	106,000	53,000	15,000	13,000	—	—
	$1,187,000	$744,000	$316,000	$213,000	$109,000	$45,000

Rent expense for the years ended August 31, 2005, 2004 and 2003 was $1,137,000, $1,065,000 and $1,020,000, respectively.

The Company has relationships with various suppliers (contract manufacturers) who manufacture the Company's products. Although the Company does not have any definitive minimum purchase obligations included in the contract terms with the contract manufacturers, supply needs are communicated and the Company is committed to purchase the products produced based on orders and short-term projections provided to the contract manufacturers, ranging from two to five months. The Company is also obligated to purchase back obsolete or slow-moving inventory. The Company has acquired inventory under these commitments, the amounts of which have been immaterial.

As of August 31, 2005, the Company has also committed to purchase finished goods and raw materials outside of its normal contract manufacturing relationships of $3.1 million in fiscal year 2006; $0.8 million in fiscal year 2007; and $0.6 million in fiscal year 2008.

The Company is party to various claims, legal actions and complaints, including product liability litigation, arising in the ordinary course of business. With the possible exception of the legal proceedings discussed below, management is of the opinion that none of such matters will have a material adverse effect on the Company's financial position, results of operations or cash flows.

On September 4, 2003, a legal action was filed against the Company in San Diego County, California. The complaint seeks class action status for damage claims arising out of the use of the automatic toilet bowl cleaners sold by the Company under the brand names 2000 Flushes and X-14. On September 23, 2003, a separate legal action was filed against the Company in San Diego County on similar grounds. On March 25, 2005, the court granted the Company's motion for summary judgment as to both actions and entered judgment in the Company's favor dismissing the two lawsuits. On September 27, 2005, the California Court of Appeal dismissed, as untimely, an appeal filed by the plaintiffs. As of the filing of this report, the deadline for filing an appeal to the California Supreme Court has passed. The judgment dismissing both of the San Diego Actions is now final.

On May 28, 2004, separate but substantially identical legal actions were filed by the same plaintiff against the Company in the United States District Court for the District of Kansas and in the District Court of Johnson County, Kansas. The plaintiff asserts claims for damages for alleged fraud in connection with the acquisition of Heartland Corporation by the Company on May 31, 2002. The plaintiff alleges federal and state securities fraud and common law fraud claims against the Company and also seeks to rescind the purchase agreement for the Heartland Corporation acquisition. In the opinion of management, these actions are without merit and are not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

As permitted under Delaware law, the Company has agreements whereby it indemnifies senior officers and directors for certain events or occurrences while the officer or director is, or was, serving at the Company's request in such capacity. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company maintains Director and Officer insurance coverage that mitigates the Company's exposure with respect to such obligations. As a result of the Company's insurance coverage, management believes that the estimated fair value of these indemnification agreements is minimal. No liabilities have been recorded for these agreements as of August 31, 2005.

From time to time, the Company enters into indemnification agreements with certain contractual parties in the ordinary course of business, including agreements with lenders, lessors, contract manufacturers, marketing distributors, customers and certain vendors. All such indemnification agreements are entered into in the context of the particular agreements and are provided in an attempt to properly allocate risk of loss in connection with the consummation of the underlying contractual arrangements. Although the maximum amount of future payments that the Company could be required to make under these indemnification agreements is unlimited, management believes that the Company maintains adequate levels of insurance coverage to protect the Company with respect to most potential claims arising from such agreements and that such agreements do not otherwise have value separate and apart from the liabilities incurred in the ordinary course of the Company's business. No liabilities have been recorded with respect to such indemnification agreements as of August 31, 2005.

When, as part of an acquisition, the Company acquires all of the stock or all of the assets and liabilities of another company, the Company assumes the liability for certain events or occurrences that took place prior to the date of the acquisition. The maximum potential amount of future payments the Company could be required to make for such obligations is undeterminable at this time. No liabilities have been recorded as of August 31, 2005 for unknown potential obligations arising out of the conduct of businesses acquired by the Company in recent years.

10. Income Taxes

The provision for income taxes includes the following:

	Year Ended August 31,		
	2005	**2004**	**2003**
Current Tax Provision			
Federal	$ 7,729,000	$ 5,286,000	$ 7,230,000
State	1,060,000	825,000	750,000
Foreign	2,709,000	2,625,000	2,001,000
Total current	11,498,000	8,736,000	9,981,000
Deferred Tax Provision			
United States	3,190,000	4,222,000	4,553,000
Foreign	379,000	252,000	220,000
Total deferred	3,569,000	4,474,000	4,773,000
	$15,067,000	$13,210,000	$14,754,000

Income before income taxes includes approximately $7,480,000, $7,175,000 and $5,959,000 related to foreign operations for the years ended August 31, 2005, 2004 and 2003, respectively.

Deferred tax assets and deferred tax liabilities are comprised of the following:

	August 31, 2005	August 31, 2004
Deferred Tax Assets		
Accrued payroll and related expenses	$ 203,000	$ 199,000
State income taxes paid	222,000	182,000
Accounts receivable	757,000	761,000
Accounts payable and accrued liabilities	1,386,000	1,356,000
Deferred employee benefits and other long-term liabilities	631,000	643,000
Other	740,000	(41,000)
Net operating loss	12,000	3,613,000
Total deferred tax assets	3,951,000	6,713,000
Deferred Tax Liabilities		
Property, plant and equipment, net	(295,000)	(306,000)
Amortization of tax goodwill and intangibles	(9,931,000)	(7,396,000)
Other	(2,142,000)	(1,034,000)
Total deferred tax liabilities	(12,368,000)	(8,736,000)
Net deferred tax liabilities	$ (8,417,000)	$(2,023,000)

As of August 31, 2005, the Company had fully utilized net operating loss (NOL) carryforwards for federal income tax purposes and had state NOL carryforwards of approximately $468,000. The state NOL carryforwards begin to expire in 2014. Historically, the Company's federal NOL acquired with the purchase of HPD Holdings in 2001 has been limited by the Internal Revenue Service Section 382. The original calculation of the Section 382 limitation has been adjusted to incorporate the favorable effect of IRS Notice 2003-65 allowing the Company to amend federal tax returns for fiscal years 2001 through 2003. The amended returns and the current activity utilized what remained of the NOL carryforwards in the amount of $8,176,000 and $936,000, respectively. As a result of the amended tax returns, $2,862,000 was reclassed from deferred tax assets to income taxes receivable during the second quarter of fiscal year 2005. As of August 31, 2005, $2,644,000 remained in income taxes receivable. In the current year, the Company utilized state NOL carryforwards of $1,352,000.

Following is a reconciliation of the amount computed by applying the statutory federal income tax rate to income before income taxes to the provision for income taxes:

	Year Ended August 31, 2005	2004	2003
Amount computed at U.S. statutory federal tax rate	$15,003,000	$13,599,000	$15,188,000
State income taxes, net of federal benefit	654,000	950,000	1,133,000
Tax credits	(474,000)	(509,000)	(1,265,000)
Benefit from resolution of pending tax matters	—	(410,000)	(253,000)
Other	(116,000)	(420,000)	(49,000)
	$15,067,000	$13,210,000	$14,754,000

The Company has provided for the potential repatriation of certain undistributed earnings of its foreign subsidiaries and considers earnings above the amounts on which tax has been provided to be permanently reinvested. The Company has not provided applicable U.S. income and foreign withholding taxes on approximately $4,164,000 of undistributed earnings associated with certain foreign subsidiaries at August 31, 2005. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to adjustment for foreign tax credits) and withholding taxes payable to various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities

associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce a large portion of the U.S. liability.

The tax benefit related to the Company's stock option plan is recorded as an increase to equity when realized. In fiscal years 2005, 2004 and 2003, the Company realized tax benefits of approximately $377,000, $965,000 and $417,000, respectively. Stock option tax benefits are reflected as a component of operating cash flows.

11. Stock Options

Under the Company's current stock option plan, the Board of Directors may grant options to purchase up to 4,480,000 shares of the Company's common stock to officers, key employees and non-employee directors of the Company. At August 31, 2005, options for 1,530,239 shares remained available for future grant under the plan. Options canceled return to the pool available for grant. The plan is administered by the Board of Directors or its designees and provides that options granted under the plan will be exercisable at such times and under such conditions as may be determined by the Board of Directors at the time of grant of such option, however options may not be granted for terms in excess of ten years. Options outstanding under the plan have been granted with immediate vesting, vesting after one year and vesting over a period of three years. The terms of the plan provide for the granting of options at an exercise price not less than 100 percent of the fair market value of the stock at the date of grant, as determined by the closing market value stock price on either the grant date or the day prior to the date of grant. The exercise price of substantially all options granted during the years ended August 31, 2005, 2004 and 2003 was greater than or equal to the market value on the date of grant and, accordingly, no stock-based compensation expense for such options is reflected in net income. However, during the year ended August 31, 2004, certain options were issued to non-employee directors at an exercise price below fair market value on the date of the grant as a result of the option exercise price being determined as the closing price of the stock on the day prior to the date of grant. These options were issued in accordance with the plan and the Director Compensation Policy. Stock-based compensation expense for such options, net of related tax effects, included in reported net income for the year ended August 31, 2004 aggregated $13,000.

A summary of the status of the Company's stock option plan as of August 31, 2005, 2004 and 2003 and of changes in options outstanding under the plan during the three years ended August 31, 2005 is as follows:

	Number of Shares		Weighted-Average Option Price
Options outstanding at August 31, 2002		1,330,112	$22.28
Options granted		302,200	$27.70
Options exercised		(272,438)	$20.84
Options canceled		(27,312)	$26.05
Options outstanding at August 31, 2003		1,332,562	$23.73
Options exercisable at August 31, 2003	1,029,782		$22.54
Options granted		326,450	$29.66
Options exercised		(357,240)	$22.17
Options canceled		(31,852)	$24.97
Options outstanding at August 31, 2004		1,269,920	$25.57
Options exercisable at August 31, 2004	813,675		$23.84
Options granted		276,650	$27.80
Options exercised		(128,567)	$22.08
Options canceled		(36,107)	$28.20
Options outstanding at August 31, 2005		1,381,896	$26.27
Options exercisable at August 31, 2005	881,871		$25.17

The weighted-average fair value per share of options granted during the years ended August 31, 2005, 2004 and 2003, estimated as of the grant date using the Black-Scholes option pricing model with the assumptions described in Note 1, was $7.28, $8.13 and $6.53, respectively.

The following table summarizes information about outstanding and exercisable stock options as of August 31, 2005:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (in Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$18.08 – $22.59	305,064	5.51	$20.50	305,064	$20.50
$22.60 – $28.24	651,080	6.84	$26.47	328,221	$25.32
$28.25 – $34.74	425,752	6.64	$30.11	248,586	$30.69
	1,381,896	6.49	$26.27	881,871	$25.17

12. Other Benefit Plans

The Company has a WD-40 Company Profit Sharing/401(k) Plan and Trust (the Profit Sharing/401(k) Plan) whereby regular U.S. full-time employees who have completed certain minimum service requirements can defer a portion of their income through contributions to a trust. The Profit Sharing/401(k) Plan provides for Company contributions to the trust, as approved by the Board of Directors, as follows: 1) matching contributions to each participant up to 50% of the first 6.6% of compensation contributed by the participant; 2) fixed non-elective contributions in the amount equal to 10% of eligible compensation; and 3) a discretionary non-elective contribution in an amount to be determined by the Board of Directors up to 5% of eligible compensation. The Company's contributions are subject to overall employer contribution limits and may not exceed the amount deductible for income tax purposes. The Profit Sharing/401(k) Plan may be amended or discontinued at any time by the Company.

Total Company contribution expense for the WD-40 Company Profit Sharing/401(k) Plan and the former WD-40 Money Purchase Pension Plan during the years ended August 31, 2005, 2004 and 2003 was approximately $1,781,000, $1,509,000 and $1,633,000, respectively. Effective December 31, 2002, the WD-40 Company Money Purchase Pension Plan was merged into the WD-40 Company Profit Sharing/401(k) Plan.

The Company's international subsidiaries have similar benefit plan arrangements, dependent upon the local applicable laws and regulations. The plans provide for Company contributions to an appropriate third party plan, as approved by the subsidiary's Board of Directors. Company contribution expense related to the international plans during the years ended August 31, 2005, 2004 and 2003 was approximately $754,000, $673,000 and $606,000, respectively.

The Company provides fixed retirement benefits to certain of its key executives under a supplemental employee retirement plan. The accumulated benefit obligation was $1,720,000 and $1,656,000 at August 31, 2005 and 2004, respectively. The service and interest costs amounted to approximately $205,000, $194,000 and $253,000 for the years ended August 31, 2005, 2004 and 2003, respectively. During each of the years ended August 31, 2005, 2004 and 2003, the plan paid benefits of approximately $141,000. A weighted-average discount rate of 6.5% and a weighted-average rate of compensation increase of 4% were used to calculate the accumulated benefit obligation and service costs for each of the fiscal years ended August 31, 2005 and 2004. A weighted-average discount rate of 7% and a weighted-average rate of compensation increase of 3% were used for the fiscal year ended August 31, 2003.

On October 28, 2003, the Board of Directors adopted the Third Amended and Restated WD-40 Company 1999 Non-Employee Director Restricted Stock Plan. The plan was approved by the Company's shareholders at the annual meeting of stockholders held on December 16, 2003. Pursuant to the plan and the current director compensation policy, shares are issued to non-employee directors of the Company in lieu of cash compensation of up to $27,000

according to an election made by the director as of the October meeting of the Board of Directors. A director who holds shares of the Company having a value of at least $50,000 may elect to receive his or her annual director's fee in cash. Otherwise, directors must elect to receive restricted stock in lieu of cash in the amount of $5,500, $11,000, $16,500, $22,000 or $27,000.

The restricted shares are to be issued in accordance with a director's election as soon as practicable after the first day of March. The number of shares to be issued is equal to the amount of compensation to be paid in shares divided by 90% of the closing price of the Company's shares as of the first business day of March or other date of issuance of such shares. Compensation expense is recorded upon the performance of services. Restricted shares issued to a director do not become vested for resale for a period of five years or until the director's retirement from the Board following the director's 65th birthday. Unless a director has reached age 65, the shares are subject to forfeiture if, during the five-year vesting period, the director resigns from service as a director. During the years ended August 31, 2005, 2004 and 2003, the Company issued 4,828, 3,204 and 5,329 shares of restricted stock, respectively.

13. Business Segments and Foreign Operations

The accounting policies of the Company's reportable segments are the same as those described in the *Summary of Significant Accounting Policies* (Note 1). The Company evaluates the performance of its segments and allocates resources to them based on sales and operating income. The Company is organized based on geographic location. Segment data does not include inter-segment revenues and incorporates costs from corporate headquarters into the America's segment without allocation to other segments. The Company's segments are run independently, and as a result, there are few costs that could be considered only costs from headquarters that would qualify for allocation to other segments. The most significant portions of costs from corporate headquarters relate to the Americas segment both as a percentage of time and sales. Therefore, any allocation to other segments would be arbitrary.

The table below presents information about reportable segments for the fiscal years ended August 31:

	The Americas	Europe	Asia-Pacific	Total
2005				
Net sales	$176,106,000	$68,353,000	$18,768,000	$263,227,000
Income from operations	$ 30,706,000	$12,261,000	$ 4,453,000	$ 47,420,000
Depreciation and amortization expense	$ 1,666,000	$ 1,238,000	$ 87,000	$ 2,991,000
Interest income	$ 852,000	$ 161,000	$ 21,000	$ 1,034,000
Interest expense	$ 6,167,000	$ —	$ —	$ 6,167,000
Total assets	$203,716,000	$45,399,000	$ 5,138,000	$254,253,000
2004				
Net sales	$166,142,000	$57,703,000	$18,622,000	$242,467,000
Income from operations	$ 29,898,000	$10,968,000	$ 4,583,000	$ 45,449,000
Depreciation and amortization expense	$ 1,457,000	$ 841,000	$ 73,000	$ 2,371,000
Interest income	$ 412,000	$ 58,000	$ 14,000	$ 484,000
Interest expense	$ 6,871,000	$ —	$ —	$ 6,871,000
Total assets	$190,435,000	$41,741,000	$ 4,599,000	$236,775,000
2003				
Net sales	$178,500,000	$45,231,000	$14,409,000	$238,140,000
Income from operations	$ 36,960,000	$ 9,244,000	$ 3,548,000	$ 49,752,000
Depreciation and amortization expense	$ 1,267,000	$ 501,000	$ 59,000	$ 1,827,000
Interest income	$ 128,000	$ 81,000	$ 6,000	$ 215,000
Interest expense	$ 6,955,000	$ —	$ —	$ 6,955,000
Total assets	$207,978,000	$23,885,000	$ 4,795,000	$236,658,000

	Sales		
	2005	2004	2003
Product Line Information			
Lubricants	$174,084,000	$157,911,000	$145,037,000
Hand cleaning products	6,906,000	6,643,000	7,538,000
Household products	82,237,000	77,913,000	85,565,000
	$263,227,000	$242,467,000	$238,140,000
Geographical Information			
United States	$154,369,000	$146,004,000	$160,295,000
United Kingdom	22,818,000	18,040,000	11,785,000
Other international	86,040,000	78,423,000	66,060,000
	$263,227,000	$242,467,000	$238,140,000

	Non-current Assets	
	2005	2004
Geographical Information		
United States	$127,597,000	$127,138,000
International	25,464,000	25,408,000
	$153,061,000	$152,546,000

The Company completed the acquisition of the 1001 line of carpet and household cleaners on April 2, 2004. Sales of the products acquired in the 1001 acquisition are included in the Europe segment and household products product line. During the year ended August 31, 2005, sales of 1001 products were $8.9 million. During the year ended August 31, 2004, sales of 1001 products were $3.2 million for the five months following acquisition.

14. Subsequent Events

On October 6, 2005, the Company declared a cash dividend of $0.22 per share payable on October 28, 2005 to shareholders of record on October 17, 2005.

WD-40 Company

Schedule II — Consolidated Valuation and Qualifying Accounts and Reserves

	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions*	Balance at End of Period
Allowance for doubtful accounts				
Year ended August 31, 2003	$1,038,000	$342,000	$249,000	$1,131,000
Year ended August 31, 2004	$1,131,000	$336,000	$625,000	$ 842,000
Year ended August 31, 2005	$ 842,000	$588,000	$654,000	$ 776,000

* Write off of doubtful accounts

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders:

The 2005 Annual Meeting of Stockholders will be held at the Mission Valley Hilton Hotel, 901 Camino del Rio South, San Diego, California 92108, on Tuesday, December 13, 2005, at 2:00 p.m. for the following purposes:

1. To elect a Board of Directors for the ensuing year and until their successors are elected and qualified;
2. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent accountants for the fiscal year 2006; and
3. To consider and act upon such other business as may properly come before the meeting.

Only the stockholders of record at the close of business on October 17, 2005 are entitled to vote at the meeting.

By Order of the Board of Directors
Maria M. Mitchell
Secretary

San Diego, California
November 15, 2005

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of WD-40 Company for use at its Annual Meeting of Stockholders to be held on December 13, 2005, and at any postponements or adjournments thereof. This Proxy Statement and enclosed form of Proxy are first sent to stockholders on or about November 15, 2005.

At the meeting, the stockholders of WD-40 Company will vote to elect the Board of Directors for the ensuing year and to ratify the selection of PricewaterhouseCoopers LLP as the Company's independent accountants. Detailed information concerning these matters is set forth below. Management knows of no other business to come before the meeting.

The close of business on October 17, 2005 is the record date for stockholders entitled to notice of and to vote at the Annual Meeting of Stockholders of WD-40 Company. On October 17, 2005, WD-40 Company had outstanding 16,688,362 shares of $.001 par value common stock. Stockholders of record entitled to vote at the meeting will have one vote for each share so held on the matters to be voted upon. A majority of the outstanding shares will constitute a quorum at the meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum.

If the enclosed form of Proxy is properly executed and returned, the shares represented thereby will be voted in accordance with the instructions specified thereon. Except as described herein with respect to broker non-votes, if no specification is made, the shares will be voted by the proxy holder as set forth on the Proxy. A Proxy may be revoked by attendance at the meeting or by filing a Proxy bearing a later date with the Secretary of the Company.

The cost of soliciting proxies will be borne by the Company. Solicitations other than by mail may be made by telephone or in person by employees of the Company for which the expense will be nominal.

PRINCIPAL SECURITY HOLDERS

The following table sets forth information concerning those persons known to the Company to be the beneficial owners of more than 5% of the common stock of the Company.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership October 17, 2005	Percent of Class
Capital Research and Management Company 333 South Hope Street, 55th Floor Los Angeles, CA 90071	1,674,550[1]	10.0%
Lord Abbett & Co LLC 90 Hudson St., 11th Floor Jersey City, NJ 07302	1,004,286[2]	6.0%
Mario L. Crivello San Diego, California	917,380[3]	5.5%

(1) On February 9, 2005, Capital Research and Management Company ("CRMC"), an institutional investment adviser, Capital Income Builder, Inc. ("CIB"), an investment company, and SMALLCAP World Fund, Inc. (SWF), an investment company, filed a joint statement on Form 13G/A with the Securities and Exchange Commission to report beneficial ownership of the Company's common stock as of December 31, 2004. At that time, CRMC had sole investment power and no voting power over all 2,123,550 shares reported, CIB had sole voting power and no investment power over 1,076,650 shares, and SWF had sole voting power and no investment power over 1,020,900 shares. CRMC has disclaimed beneficial ownership pursuant to Rule 13d-4 under the Securities Exchange Act of 1934. As of June 30, 2005 CRMC filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of 1,674,550 shares. A current breakdown of the investment company holdings is not provided in the Form 13F report. Beneficial ownership information as of October 17, 2005 is unavailable.

(2) As of June 30, 2005, Lord Abbett & Co. LLC (LAC), an institutional investment adviser, filed a report on Form 13F with the Securities and Exchange Commission to report beneficial ownership of 1,004,286 shares. Investment power and voting power information with respect to these shares is unavailable. Beneficial ownership information as of October 17, 2005 is unavailable.

(3) Mr. Crivello has sole voting and investment power over 793,904 shares held in trust for the benefit of others. He also has sole voting and investment power over 14,780 shares held as custodian for others and 100,196 shares held directly. Mr. Crivello also has the right to acquire 8,500 shares upon exercise of stock options.

ITEM NO. 1

NOMINEES FOR ELECTION AS DIRECTORS AND SECURITY OWNERSHIP OF MANAGEMENT

Unless marked to the contrary, the Proxies received will be voted for the election of the ten nominees named below to serve as Directors until the next Annual Meeting of Stockholders and until their successors are elected or appointed. In the event any nominee is unable or declines to serve as a Director at the time of the Annual Meeting, any proxy granted to vote for such Director will be voted for a nominee designated by the present Board of Directors to fill such vacancy.

The nominees for election to the Board of Directors who receive a plurality the votes cast for the election of Directors by the shares present, in person or by proxy, shall be elected as Directors. Holders of common stock are not entitled to cumulate their votes in the election of Directors. Withheld votes and broker non-votes (which are treated as "withheld" votes) are not counted as votes in favor of any nominee. Since the nominees receiving the most votes will be elected as Directors, withheld votes and broker non-votes will have no effect upon the outcome of the election.

Article III, Section 2 of the Bylaws of the Company, approved by stockholders on December 14, 1999, provides that the authorized number of Directors of the Company shall be not less than nine nor more than twelve until changed by amendment of the Certificate of Incorporation or by a bylaw duly adopted by the stockholders. The exact number of Directors is to be fixed from time to time by a bylaw or amendment thereof duly adopted by the stockholders or by the Board of Directors. Gerald C. Schleif will retire from the Board of Directors as of the date of the annual meeting of stockholders. The number of directors was fixed at ten effective upon the expiration of Mr. Schleif's term of office by resolution of the Board of Directors adopted on November 3, 2005.

Director Independence

The Board of Directors has determined that each director nominee other than Garry O. Ridge is an independent director as defined in Rule 4200 of the Marketplace Rules of the Nasdaq Stock Market, Inc.

Security Ownership of Directors and Executive Officers

The following table sets forth certain information, including beneficial ownership of the Company's common stock, for the ten nominees, for the executive officers named in the Summary Compensation Table on Page 10, and for all Directors and executive officers as a group.

				Amount and Nature of Beneficial Ownership October 17, 2005[1]	
Director Nominee	Age	Principal Occupation	Director Since	Number	Percent of Class
John C. Adams, Jr.	57	Investor; Retired Chairman and CEO, AutoZone, Inc.	2001	12,127[2]	*
Giles H. Bateman	60	Investor	2003	7,233[3]	*
Peter D. Bewley	59	Investor, Retired General Counsel, The Clorox Company	2005	3,274[4]	*
Richard A. Collato	62	President & CEO, YMCA of San Diego County	2003	8,265[3]	*
Mario L. Crivello	65	Investor	1994	917,380[2,5]	5.5%
Linda A. Lang	47	Chairman & CEO, Jack in the Box, Inc.	2004	5,935[6]	
Gary L. Luick	65	Consultant	2000	10,058[2]	*
Kenneth E. Olson	69	Investor; Former Chairman and CEO, Proxima Corporation	2000	13,476[2]	*
Garry O. Ridge	49	President and CEO, WD-40 Company	1997	161,081[7]	*
Neal E. Schmale	59	Chairman of the Board, WD-40 Company; Executive Vice President and CFO, Sempra Energy	2001	12,127[2]	*

* Less than one (1) percent.

(1) All shares owned directly unless otherwise indicated.

(2) Mr. Adams, Mr. Crivello, Mr. Luick, Mr. Olson and Mr. Schmale each have the right to acquire 8,500 shares upon exercise of stock options.

(3) Mr. Bateman and Mr. Collato each have the right to acquire 6,500 shares upon the exercise of stock options.

(4) Mr. Bewley has the right to acquire 2,500 shares upon the exercise of stock options.

(5) Mr. Crivello has sole voting and investment power over 793,904 shares held in trust for the benefit of others. He also has sole voting and investment power over 14,780 shares held as custodian for others and 100,196 shares held directly.

(6) Ms. Lang has the right to acquire 4,500 shares upon the exercise of stock options.

(7) Mr. Ridge has the right to acquire 150,180 shares upon exercise of stock options. Mr. Ridge has voting and investment power over 941 shares held under the Company's 401(k) plan.

Executive Officer	Age	Principal Occupation	Director Since	Amount and Nature of Beneficial Ownership October 17, 2005[1] Number	Percent of Class
Michael L. Freeman	51	Division President, the Americas, WD-40 Company	N/A	83,472[2]	*
Michael J. Irwin	42	Executive Vice President, Chief Financial Officer and Treasurer, WD-40 Company	N/A	74,019[3]	*
Graham P. Milner	50	Executive Vice President, Global Development, Chief Branding Officer, WD-40 Company	N/A	81,978[4]	*
William B. Noble	46	Managing Director Europe, WD-40 Company Ltd. (U.K.)	N/A	57,400[5]	*
All Directors and Executive Officers as a Group				1,528,425[6]	8.9%

* Less than one (1) percent.

(1) All shares owned directly unless otherwise indicated.

(2) Mr. Freeman has the right to acquire 75,400 shares upon exercise of stock options. Mr. Freeman has voting and investment power over 1,722 shares held under the Company's 401(k) plan.

(3) Mr. Irwin has the right to acquire 68,964 shares upon exercise of stock options. Mr. Irwin has voting and investment power over 655 shares held under the Company's 401(k) plan.

(4) Mr. Milner has the right to acquire 73,620 shares upon exercise of stock options. Mr. Milner has voting and investment power over 1,294 shares held under the Company's 401(k) plan.

(5) Mr. Noble has the right to acquire 56,200 shares upon exercise of stock options.

(6) Total includes the rights of directors and executive officers to acquire 546,464 shares upon exercise of stock options and 4,611 shares held by executive officers under the Company's 401(k) plan.

Nominees for Election as Directors

John C. Adams, Jr. was elected to the Board of Directors in 2001. Mr. Adams served as President and Chief Executive Officer of AutoZone, Inc. from 1996 until 1998, then serving as Chairman and Chief Executive Officer until his retirement in 2001. He previously served as President of the Miami division of Malone & Hyde, Inc., AutoZone's former parent company from 1984 until 1990. Mr. Adams was an owner of Nicotiana Enterprises, Inc., a food distribution company, from 1990 until 1995.

Giles H. Bateman was elected to the Board of Directors in 2003. Mr. Bateman was a co-founder and Chief Financial Officer of Price Club from 1976 until 1991. Mr. Bateman served as director and chairman of CompUSA, Inc. from 1994 until 2000. Mr. Bateman is currently the Entrepreneur in residence at San Diego State University. Mr. Bateman is a director of Tuesday Morning, Inc.

Peter D. Bewley was appointed to the Board of Directors on June 28, 2005. Mr. Bewley was the Senior Vice President — General Counsel and Secretary of The Clorox Company from 1998 to 2005.

Richard A. Collato was elected to the Board of Directors in 2003. Mr. Collato is President & CEO of the YMCA of San Diego County. Mr. Collato is a director of Sempra Energy.

Mario L. Crivello was elected to the Board of Directors in 1994. Mr. Crivello is retired, having been the managing owner and master of Tuna Purse Seiners.

Linda A. Lang was elected to the Board of Directors in 2004. Ms. Lang has served as director, President and Chief Operating Officer of Jack in the Box, Inc. since 2003. Ms. Lang was elected Chairman of the Board & Chief

Executive Officer of Jack in the Box, Inc. as of October 2, 2005. Over the past 16 years, Ms. Lang has held the offices of Executive Vice President, Senior Vice President Marketing, Vice President and Regional Vice President, Southern California Region, Vice President Marketing and Vice President of Products, Promotions and Consumer Research at Jack in the Box, Inc.

Gary L. Luick was elected to the Board of Directors in 2000. Mr. Luick was the President and CEO of Clickgarden, Inc., an internet software company, from 2000 to 2001. He retired in 1988 from Allied Signal as Director — Corporate Development. From 1989 through 1996 he served as President and CEO of GTI Corp., a networking products company, and he was President and CEO of Coded Communications, a wireless networking company, from 1997 to 1998.

Kenneth E. Olson was elected to the Board of Directors in 2000. Mr. Olson served as Chairman and CEO of Proxima Corporation, a digital imaging products company, from 1990 to 1998. He is a director of Avanir Pharmaceuticals and Digirad Corporation.

Garry O. Ridge joined WD-40 Company in 1987 as Managing Director, WD-40 Company (Australia) Pty. Limited and he was responsible for Company operations throughout the Pacific and Asia. Mr. Ridge transferred to the corporate office in 1994 as Director International Operations and was elected Vice President — International in 1995. He was elected to the position of Executive Vice President/Chief Operating Officer in 1996 and he was named President and Chief Executive Officer in 1997. He was also elected to the Board of Directors in 1997. Prior to joining WD-40 Company Mr. Ridge was Managing Director of Mermax Pacific Pty. Ltd. and held a number of senior management positions with Hawker Pacific Pty. Ltd. (a Hawker Siddeley PLC Group Company) which was a licensee for WD-40 until 1988.

Neal E. Schmale was elected to the Board of Directors in 2001. Mr. Schmale was named Chairman of the Board in 2004. Mr. Schmale has served as Executive Vice President and CFO of Sempra Energy since 1998. Previously, he was CFO and a director of Unocal Corporation from 1994 to 1997 and president of its Petroleum Products and Chemicals division from 1992 until 1994. Mr. Schmale is a director of Sempra Energy and Murphy Oil Corporation.

Board of Directors Meetings, Compensation and Committees

The Board of Directors is charged by the shareholders with managing the business affairs and exercising the corporate power of the Company. The Board of Directors relies on the following standing committees to assist in carrying out the Board of Directors' responsibilities: the Audit Committee, the Compensation Committee, the Corporate Governance Committee and the Finance Committee. With the exception of the Finance Committee which was established by the Board of Directors on June 28, 2005, each of the committees has a written charter approved by the Board of Directors and such charters are available on WD-40 Company's Investor Relations web site at www.wd40.com under the "Officers & Directors" section. There were four scheduled meetings of the Board of Directors during the last fiscal year. All directors serving for the full fiscal year attended at least 75 percent of the aggregate of the total number of meetings of the Board and of all committees on which the director served.

Board of Directors Compensation

Each non-employee director receives an annual fee of $27,000 for services provided from the date of the Company's annual meeting to the next annual meeting. The annual fee is payable in March. The Chairman of the Board receives an additional annual fee of $12,000. Non-employee directors receive additional cash compensation for service on committees. The Chairman of the Audit Committee receives $14,000 and each other member of the Audit Committee receives $7,000. Each Chairman of the Compensation Committee, the Corporate Governance Committee and the Finance Committee receives $6,250 and each other member of those committees receives $3,750. Non-employee directors also receive non-qualified stock options to purchase 2,500 shares of the Company's common stock. The options are to be granted on the date of the Company's annual meeting pursuant to the Company's 1990 Incentive Stock Option Plan, immediately exercisable with a termination date ten years from the grant date. The exercise price for options granted to the directors is equal to the closing price of the Company's shares as of the day of the annual meeting.

The Company maintains a Non-Employee Director Restricted Stock Plan providing for the issuance of shares of restricted common stock of the Company to each non-employee member of the Board of Directors. Shares are issued in lieu of cash compensation according to an election to be made by the director prior to November 30th of the year prior to the year of service. A director who holds shares of the Company having a value of at least $50,000 may elect to receive the entire annual director's fee in cash. Otherwise, directors receive restricted stock in lieu of $5,500 of cash compensation and they may elect to receive restricted stock in lieu of the balance of their annual fee in increments of $5,500 up to the amount of $22,000 or in lieu of the entire amount of the annual fee of $27,000. The restricted shares are to be issued in accordance with a director's election as soon as practicable after the first day of March. The number of shares to be issued is equal to the amount of compensation to be paid in shares divided by 90% of the closing price of the Company's shares as of the first business day of March.

Restricted shares issued to a director do not become vested for resale for a period of five years or until the director's retirement from the Board following the director's 65th birthday. Unless a director has reached age 65, the shares are subject to forfeiture if, during the five year vesting period, the director resigns from service as a director.

Stockholder Communications with Board of Directors

Stockholders may send communications to the Board of Directors by submitting a letter addressed to: WD-40 Company, Corporate Secretary, 1061 Cudahy Place, San Diego, CA 92110

The Board of Directors has instructed the Corporate Secretary to forward such communications to the chairman of the Board of Directors. The Board of Directors has also instructed the Corporate Secretary to review such correspondence and, at the Corporate Secretary's discretion, to not forward correspondence which is deemed of a commercial or frivolous nature or inappropriate for Board of Director consideration. The Corporate Secretary may also forward the stockholder communication within the Company to another department to facilitate an appropriate response.

Committees

Director	Audit	Compensation	Governance	Finance
John C. Adams, Jr.		Chairman	✓	
Giles H. Bateman	Chairman			✓
Peter D. Bewley			✓	✓
Richard A. Collato	✓	✓		
Mario L. Crivello		✓		
Linda A. Lang		✓		Chairman
Gary L. Luick	✓	✓		
Kenneth E. Olson	✓		Chairman	
Garry O. Ridge				
Gerald C. Schleif				
Neal E. Schmale			✓	
Number of Meetings Held in Fiscal Year 2005	**7**	**5**	**4**	**0**

Corporate Governance Committee

The Corporate Governance Committee is comprised of Kenneth E. Olson (Chairman), John C. Adams, Jr., Peter D. Bewley and Neal E. Schmale. The Corporate Governance Committee also functions as the Company's nominating committee and is comprised exclusively of independent directors as defined in Rule 4200 of the Marketplace Rules of the Nasdaq Stock Market, Inc. (the "Nasdaq Rules"). The Corporate Governance Committee met four times during the last fiscal year.

The Corporate Governance Committee acts in conjunction with the Board of Directors to ensure that a regular evaluation is conducted of succession plans, performance, independence, and of the qualifications and integrity of the Board of Directors. The Corporate Governance Committee also reviews the applicable skills and characteristics required of nominees for election as directors. The objective is to balance the composition of the Board of Directors to achieve a combination of individuals of different backgrounds and experiences. In evaluating the suitability of nominees, the Corporate Governance Committee takes into account many factors, including the following: whether the candidate is currently or has recently been an executive officer at a publicly traded company; whether the candidate has substantial background in matters related to the Company's products or markets, in particular, supply chain management, information technology and marketing; and whether the candidate has substantial international business experience, a substantial financial background or is serving as a director at one or more publicly traded companies.

In determining whether to recommend a director for re-election, the Corporate Governance Committee considers the director's past attendance at meetings, results of annual evaluations and the director's participation in and anticipated future contributions to the Board of Directors. A director who will have reached the age of 72 prior to the date of the next annual meeting of stockholders will not be recommended for re-election at that meeting.

The Corporate Governance Committee reviews new Board of Director nominees through a series of internal discussions, reviewing available information, and interviewing selected candidates. Generally, candidates for nomination to the Board of Directors have been suggested by directors or employees. Peter D. Bewley, the Company's newest director, was initially suggested as a candidate by an independent director. The Company does not currently employ a search firm or third party in connection with seeking or evaluating candidates.

The Corporate Governance Committee will consider director candidates recommended by security holders under the same criteria as other candidates described above. Nominations may be submitted by letter addressed to: WD-40 Company Corporate Governance Committee, Corporate Secretary, 1061 Cudahy Place, San Diego, CA 92110.

Compensation Committee

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is comprised of John C. Adams, Jr. (Chairman), Mario L. Crivello, Richard A. Collato, Linda A. Lang and Gary L. Luick all of whom are independent directors as defined under the Nasdaq Rules. The Compensation Committee met five times during the last fiscal year.

The function of the Compensation Committee is to provide guidance to the Board of Directors and oversight for all executive compensation and benefit programs. The Committee provides recommendations for base salary and incentive compensation awards for the CEO and executive officers. The Compensation Committee also serves as the Stock Option Committee with authority to grant options and administer the Company's Incentive Stock Option Plan. The Compensation Committee Report on Executive Compensation appears on page 14 below.

Audit Committee

The Audit Committee is comprised of Giles H. Bateman (Chairman), Gary L. Luick, Kenneth E. Olson, and Richard A. Collato. Seven meetings were held during the last fiscal year to review quarterly financial reports, to consider the annual audit and other audit services and to review the audit with the independent auditors after its completion. The Board of Directors has determined that Mr. Bateman is an "audit committee financial expert" as defined by regulations adopted by the Securities and Exchange Commission. Mr. Bateman and each of the other members of the Audit Committee is an independent director as defined in the Nasdaq Rules. The Audit Committee also has responsibility for the selection, appointment and oversight of independent accountants for the Company.

The full responsibilities of the Audit Committee are set forth in the Audit Committee Charter, a copy of which is attached hereto as Appendix A. The Audit Committee Charter was most recently revised and approved by the Board of Directors on March 31, 2005. A separate report of the Audit Committee is set forth below.

AUDIT COMMITTEE REPORT

Each year the Board of Directors appoints an Audit Committee to review the Company's financial matters. Each member of the Audit Committee meets the independence requirements set by the Nasdaq Stock Market. The responsibilities of the Audit Committee include the selection and appointment of a public accounting firm to be hired as the Company's independent accountants. The Audit Committee is also responsible for recommending to the Board that the Company's financial statements be included in its annual report on Form 10-K. The Audit Committee has taken the following steps in making its recommendation that the Company's financial statements be included in its annual report on Form 10-K:

1. The Audit Committee discussed with PricewaterhouseCoopers LLP, the Company's independent accountants for fiscal year ended August 31, 2005, those matters required to be discussed by Statement on Auditing Standards No. 61, including information concerning the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process.
2. The Audit Committee discussed with PricewaterhouseCoopers LLP its independence and received from PricewaterhouseCoopers LLP a letter concerning independence as required under applicable independence standards for auditors of public companies. This discussion and disclosure helped the Audit Committee in evaluating such independence.
3. The Audit Committee reviewed and discussed with the Company's management and PricewaterhouseCoopers LLP, the Company's audited consolidated balance sheet at August 31, 2005, and consolidated statements of income, cash flows and stockholders' equity for the fiscal year ended August 31, 2005.

Based on the reviews and discussions explained above, the Audit Committee recommended to the Board that the Company's financial statements be included in its annual report on Form 10-K for its fiscal year ended August 31, 2005. PricewaterhouseCoopers LLP has been selected to serve as the Company's independent auditors for the fiscal year ending August 31, 2006.

Giles H. Bateman (Chairman)
Richard A. Collato
Gary L. Luick
Kenneth E. Olson

Finance Committee

The Finance Committee was established by the Board of Directors on June 28, 2005. The Finance Committee is comprised of Linda A. Lang (Chairman), Giles H. Bateman and Peter D. Bewley. No formal meetings of the Finance Committee were held during the last fiscal year. The Finance Committee is appointed by the Board for the primary purpose of assisting the Board in overseeing financial matters of importance to the company, including matters relating to acquisitions, investment policy, capital structure, and dividend policy. The Finance Committee will also review the Company's annual and long-term financial strategies and objectives.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of the Company's stock, to file with the Securities Exchange Commission initial reports of stock ownership and reports of changes in stock ownership. Reporting persons are required by SEC regulation to furnish the Company with copies of all Section 16(a) reports they file.

To the Company's knowledge, based solely on review of the copies of such reports furnished to the Company during the last fiscal year and written representations that no other reports were required, all Section 16(a) requirements were complied with by all persons required to report with respect to the Company's stock during the last fiscal year.

EXECUTIVE COMPENSATION

The following table shows information for the three (3) fiscal years ended August 31, 2005 concerning the Company's Chief Executive Officer ("CEO") and the four most highly compensated executive officers other than the CEO.

Summary Compensation Table[1]

Name and Principal Position	Fiscal Year Ended Aug. 31	Annual Compensation		Long Term Compensation Awards	All Other Compensation[2]
		Salary ($)	Bonus ($)	Stock Options (#)	($)
Garry O. Ridge	2005	$484,000	$ 93,000	12,000	$34,700[3]
President and Chief	2004	484,000	0	30,000	33,900
Executive Officer	2003	440,000	242,000	30,000	33,300
Michael J. Irwin	2005	$239,000	$ 27,500	9,000	$34,700[3]
Executive Vice President and Chief	2004	234,400	0	10,000	33,900
Financial Officer	2003	215,000	71,000	10,000	33,300
Graham P. Milner	2005	$216,200	$ 16,000	8,000	$34,700[3]
Executive Vice President,	2004	212,000	0	10,000	33,900
Global Development and Chief Branding Officer	2003	200,000	67,000	10,000	33,300
Michael L. Freeman	2005	$228,900	$ 16,000	5,000	$34,700[3]
Division President,	2004	228,900	0	10,000	33,900
the Americas	2003	210,000	62,000	10,000	33,300
William B. Noble[4]	2005	$288,700	$ 29,700	10,000	$58,000
Managing Director Europe	2004	269,900	94,200	10,000	54,200
WD-40 Company (UK) Ltd.	2003	223,700	59,100	10,000	42,700

(1) No information for Other Annual Compensation, Restricted Stock Awards or Long Term Incentive Payouts has been provided because there was no such reportable compensation awarded to, earned by or paid to the individuals named. All compensation amounts have been rounded to the nearest $100.

(2) All other Compensation includes employer contributions to the Company's qualified retirement plans.

(3) Includes $31,200 in contributions to the Company's Profit Sharing/401(k) Plan and $3,500 in matching contributions to the Company's Profit Sharing/401(k) plan.

(4) Mr. Noble is employed by the Company's UK subsidiary. Compensation amounts have been converted to U.S. Dollars at average annual exchange rates for each year.

Stock Options

The following table sets forth stock options granted pursuant to the Restated WD-40 Company 1990 Incentive Stock Option Plan during the last fiscal year to each of the Company's executive officers named in the Summary Compensation Table above.

Option Grants in Last Fiscal Year

Name	Options Granted (#)	Percent of Total Options Granted to Employees in Fiscal Year 2005[1]	Exercise Price ($/sh)	Expiration Date	Grant Date Value[2]
Garry O. Ridge[3]	12,000	4.76%	$27.67	10/19/2014	$85,200
Michael J. Irwin[4]	9,000	3.57%	$27.67	10/19/2014	$63,900
Graham P. Milner[5]	8,000	3.17%	$27.67	10/19/2014	$56,800
Michael L. Freeman[6]	5,000	1.98%	$27.67	10/19/2014	$35,500
William B. Noble[7]	10,000	3.97%	$27.67	10/19/2014	$71,000

The options may be exercised for cash or in lieu of cash, an option holder may tender shares of the Company's common stock previously held by the option holder. In permitting the exchange of stock upon exercise of options, the 1990 Incentive Stock Option Plan restricts the exercise of options with previously owned stock to shares held for a minimum of six months.

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(1) The total number of options granted to employees in fiscal year 2005 was 252,050.

(2) The Grant Date Value of $7.10 per share has been determined as of October 19, 2004 using the Black-Scholes Option Valuation model. The following assumptions were used in determining the value: (i) a dividend yield of 2.89%; (ii) expected volatility of 0.4146; (iii) a three-year risk-free interest rate of 2.84%; and (iv) an expected option term/life of three years.

(3) Mr. Ridge's options are non-qualified stock options with 4,080 shares exercisable on October 19, 2005; 3,960 shares exercisable on October 19, 2006; and 3,960 shares exercisable on October 19, 2007.

(4) Mr. Irwin's options are non-qualified stock options with 3,060 shares exercisable October 19, 2005; 2,970 shares exercisable October 19, 2006; and 2,970 shares exercisable October 19, 2007.

(5) Mr. Milner's options are non-qualified stock options with 2,720 shares exercisable October 19, 2005; 2,640 shares exercisable October 19, 2006; and 2,640 shares exercisable October 19, 2007.

(6) Mr. Freeman's options are non-qualified stock options with 1,700 shares exercisable October 19, 2005; 1,650 shares exercisable October 19, 2006; and 1,650 shares exercisable October 19, 2007.

(7) Mr. Noble's options are non-qualified stock options with 3,400 shares exercisable October 19, 2005; 3,300 shares exercisable October 19, 2006; and 3,300 shares exercisable October 19, 2007.

The following table sets forth the number of shares acquired on exercise of stock options in the Company's last fiscal year, the aggregate dollar value realized on exercise of such options and the number and dollar value of unexercised options as of August 31, 2005 for the Company's executive officers named in the Summary Compensation Table above.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year End Option Values

Name	Shares Acquired on Exercise	Value Realized ($)	Number of Unexercised Options at August 31, 2005 (#)[1]		Value of Unexercised In-The-Money Options at August 31, 2005[2]	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Garry O. Ridge	10,000	$120,000	126,300	41,700	$615,528	$26,712
Michael J. Irwin	0	$ 0	54,123	18,900	$328,181	$14,754
Graham P. Milner	5,000	$ 34,563	59,300	17,900	$315,602	$13,584
Michael L. Freeman	1,000	$ 7,645	67,100	14,900	$367,278	$10,074
William B. Noble	0	$ 0	46,100	19,900	$222,516	$15,924

(1) All historical option grant information has been adjusted to account for the 2 for 1 stock split on July 11, 1997.

(2) The value of Unexercised In-the-Money Options at August 31, 2005 was determined based on the difference between the exercise price for such options and the closing price of $28.84 for the Company's shares as reported by the Nasdaq Stock Market on August 31, 2005.

Supplemental Death and Retirement Benefit Plans

The Company maintains Supplemental Death Benefit Plans for certain key employees. Under the Death Benefit Plan agreements, a participating employee's designated beneficiary or the employee's estate will receive a death benefit equal to the employee's then current base salary in the event of death prior to retirement from the Company. No death benefit is payable if retirement benefits become due upon the employee's retirement under the Retirement Benefit Plan agreement.

The Company also maintains Supplemental Retirement Benefit Plans for certain key employees. Under the Retirement Benefit Plan agreements, participating employees will receive retirement benefits in the event of the participant's retirement on or after a designated retirement date. The annual retirement benefit for participating employees will be equal to twenty-five percent (25%) of the employee's then current base salary, payable in quarterly installments over a period of fifteen years.

All benefits under the plans will be subject to payroll taxes and required withholding for state and federal income taxes as deferred compensation. The benefits are funded by key man life insurance policies purchased and owned by the Company. The Board of Directors determines which key employees will participate in the plans and the amount of benefits payable for each participant. Non-employee directors do not participate in the plans.

Based upon current (2006) base salaries, the death benefits and annual retirement benefits to be provided under the plans to the executive officers named in the Summary Compensation Table above are set forth below. The retirement benefit will not be payable unless the executive officer retires with the Company on or after reaching the specified retirement age. In such event, the actual amount of the annual benefit will be dependent upon the executive's then current annual salary.

Name	Death Benefit	Annual Retirement Benefit	Retirement Age
Garry O. Ridge	$510,000	$127,500	65
Michael J. Irwin	$251,000	$ 62,800	65
Graham P. Milner	$227,100	$ 56,800	65
Michael L. Freeman	$242,600	$ 60,700	65
William B. Noble	—	$ 75,800	65

Employment Agreements

The Company has entered into employment agreements with Mr. Ridge, Mr. Irwin, Mr. Milner, Mr. Freeman and Mr. Noble for three year terms. Mr. Ridge's contract term ends on August 1, 2008 and each of the other officers have contracts for terms ending July 9, 2007. Each employment contract is subject to renewal for an additional three year term unless otherwise provided by the Board of Directors. Mr. Ridge's contract provides for an annual base salary of not less than $275,000. The contracts for Mr. Irwin, Mr. Milner, Mr. Freeman and Mr. Noble provide for minimum annual base salaries of $180,000, $174,000, $165,000 and 120,000 British Pounds, respectively. Each contract provides for review of the executive's base salary at least annually, to be increased at the discretion of the Board of Directors upon evaluation of factors including job performance, Company profitability and the general rate of inflation. Each of the officers will receive such incentive bonuses as may be awarded from time to time by the Board of Directors based upon the Company's annually established bonus formula. In the event of a termination of employment without cause following a change of control of the Company (defined as the acquisition by tender offer, or other means of change of ownership, of 15% of the outstanding shares of the Company by a single entity, group or person), each executive officer would be entitled to receive an amount equal to three times their average annual gross salary, including bonuses, for the five years immediately prior to such termination of employment. In no event will the payments exceed the limitations of Internal Revenue Code Section 280G(d)(2) which limit the deductibility of certain payments to executives upon changes in control. In the event of the termination of Mr. Ridge's employment without cause, he will receive severance in an amount equal to one year's salary, payable in twelve monthly installments, together with any incentive compensation according to the Company's annually established bonus formula, prorated for the portion of the Company's fiscal year up to the date of such termination of employment.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The compensation philosophy of the Company is to be competitive in the marketplace to attract, retain, and motivate a highly qualified workforce. The Company uses compensation surveys, conducted by independent consultants, to provide data to support the development of competitive compensation plans that reinforce this philosophy. The Compensation Committee of the Board of Directors (the "Committee") recommends to the Board of Directors compensation for the CEO and executive officers. The Committee also serves as the Stock Option Committee under the Company's 1990 Incentive Stock Option Plan. In evaluating the performance of the CEO and executive officers, the Committee measures the year's results against the specific goals set forth in the annual business plan. In addition to financial performance, the Committee considers factors important to the Company such as individual leadership, promotion of a strong corporate culture, demonstrated business ethics and the attainment of individual goals for the year.

The Committee is responsible for setting and administering the policies that govern executive compensation and the stock ownership programs for employees of the Company. The members of the Committee are John C. Adams, Jr. (Chairman), Mario L. Crivello, Richard A. Collato, Linda A. Lang and Gary L. Luick.

Compensation of the CEO and the CEO's recommendations for the executive officers are reviewed annually by the Committee. The CEO's compensation and compensation changes proposed for the executive officers are evaluated on an individual basis by the Committee and recommended to the Board of Directors for final consideration and approval. As management responsibilities increase, a greater portion of compensation is driven by financial performance measures.

There are four primary components in the Company's executive compensation program:

i. Base Salary

ii. Performance Incentive

iii. Pension and Profit Sharing

iv. Long-term Stock Options

Base Salary

Base salaries for the CEO and executive officers are established at the beginning of each fiscal year. Detailed position descriptions, scope and complexity of the position as well as external market factors are used to determine base salary levels. Independent compensation surveys, including Watson Wyatt Data Services, Mercer and Capital Global are the basis for these comparables, and base salary levels are targeted at the 25–75th percentile for similar companies. The companies included in these surveys do not necessarily include any of the companies included in the Peer Group identified with reference to the Stock Performance Graph that follows this report. Salary changes are based on guidelines established for all employees using individual performance and comparable adjustments from midpoint levels for the various job classifications. The CEO's base salary for fiscal year 2005 was $484,000. For fiscal year 2006 the CEO's base salary will be $510,000.

Performance Incentive

The Performance Incentive is that portion of the annual compensation for each executive officer that is related to and contingent upon specific performance measures. Depending upon performance results, the Performance Incentive bonus can range from 0–100% of base salary for the CEO and from 0–60% of base salaries for other executive officers. For fiscal year 2005, the CEO received a Performance Incentive Bonus of $93,000.

Pension and Profit Sharing Plans

Since 1963 the Company has maintained tax qualified Pension and Profit Sharing Plans for the benefit of all full time employees, including executive officers. The Company's present WD-40 Company Profit Sharing/401(k) Plan provides for mandatory employer contributions for participating employees equal to 10% of their covered compensation and permits discretionary employer contributions up to 5% of their covered compensation. The Plan also allows employees, with 401(k) tax treatment, to defer up to the allowable IRS limits for each calendar year

and provides a matching contribution equal to one-half of such amounts deferred, up to a maximum of 3.3% of their covered compensation. In calendar year 2005, covered compensation includes all salary and bonus compensation up to $210,000 and the maximum amount permitted to be contributed to the Plan for an employee, including 401(k) deferrals and employer matching contributions, is $42,000. The Plan serves to provide Company employees with tax-advantaged retirement savings and to focus the attention of employees on profits and the effective use of assets. The Company's contributions to the Plan may be invested by employees in a Company Stock Fund invested in shares of the Company's common stock.

Long-Term Stock Options

The Company has employed stock options for many years as a means of providing long-term compensation to its key employees. Options are granted at the beginning of each fiscal year to executive officers and to other employees based upon the level of management responsibility. The Company's Stock Option Plan has been established to:

a. Focus attention on corporate strategic business direction; and

b. Increase ownership and retention in the Company's stock, thereby aligning the interests of the participant employees with those of the Company's stockholders.

For fiscal year 2006, the Stock Option Committee granted options to purchase a total of 215,500 shares to 64 Company employees, including the CEO and executive officers who, as a group, received 60,000 of the total options granted. The options were granted on October 18, 2005 with an exercise price of $27.27 per share. The number of stock options granted to the executive officers and other employees have been determined in part on the basis of individual performance.

On October 18, 2005, the CEO received options to purchase 24,000 shares. Options granted in October 2004 to the CEO and other executive officers are set forth in the Stock Option Table included on page 11 above.

The Committee believes that the Company's compensation program is consistent with its philosophy and goals for success.

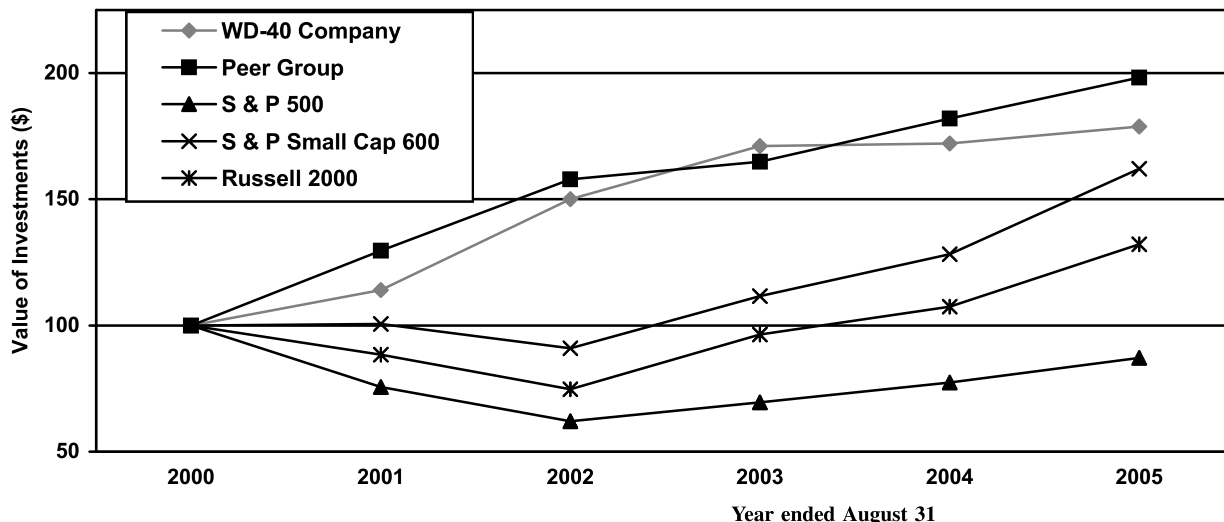
John C. Adams, Jr. (Chairman)
Richard A. Collato
Mario L. Crivello
Linda A. Lang
Gary L. Luick

STOCK PERFORMANCE GRAPH

The following graph compares the cumulative total stockholder return on the Company's Common Shares with the cumulative total return of a Peer Group of consumer product companies, the Standard & Poor's 500 Composite Stock Index ("S & P 500"), the Standard & Poor's Small Cap 600 Composite Stock Index ("S & P 600") and the Russell 2000 Composite Stock Index ("Russell 2000") for the five fiscal years ending August 31, 2005. The comparison assumes $100 invested on August 31, 2000 in the Company's Common Shares and in each of the indices.

COMPARISON OF FIVE-YEAR CUMULATIVE RETURNS

WD-40 Company, a Peer Group and the S&P 500 Index, S & P Small Cap 600 Index, Russell 2000 Index



	Year ended August 31					
	2000	2001	2002	2003	2004	2005
WD-40 Company	100.00	114.00	150.06	171.15	172.17	178.88
Peer Group	100.00	129.59	157.94	164.83	182.04	198.28
S & P 500	100.00	75.61	62.01	69.49	77.45	87.17
S & P Small Cap 600	100.00	100.54	90.96	111.61	128.19	162.15
Russell 2000	100.00	88.37	74.73	96.46	107.41	132.23

The Peer Group returns are based upon beginning-of-year market capitalization weighting of the cumulative returns for the following 11 consumer product companies: Alberto-Culver Co., Church & Dwight, Inc., Enesco Group, Inc., Kimball International, Lancaster Colony Corp., La-Z-Boy Chair Co., National Presto Industries, Inc., Oneida Ltd., RPM Inc.-Ohio, Scotts Company and Valspar Corp.

ITEM NO. 2

RATIFICATION OF INDEPENDENT ACCOUNTANTS

The Audit Committee of the Board of Directors has appointed PricewaterhouseCoopers LLP as independent accountants for the Company to audit the consolidated financial statements of the Company for fiscal year 2005. Although ratification by stockholders is not required by law, the Audit Committee has determined that it is desirable to request ratification of this selection by the stockholders. Notwithstanding its selection, the Audit Committee, in its discretion, may appoint new independent accountants at any time during the year if the Audit Committee believes that such a change would be in the best interests of the Company and its stockholders. If the stockholders do not ratify the appointment of PricewaterhouseCoopers LLP, the Audit Committee may reconsider its selection.

A majority of the votes of the common stock present or represented at the meeting is required for approval. Broker non-votes will be voted in favor of approval. PricewaterhouseCoopers LLP acted as the Company's independent public accountants during the past fiscal year and, unless the Audit Committee appoints new independent accountants, PricewaterhouseCoopers LLP will continue to act in such capacity during the current fiscal year. It is anticipated that a representative of PricewaterhouseCoopers LLP will attend the Annual Meeting of Stockholders, will have an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit products and services provided by the independent accountants. These products and services may include audit services, audit-related services, tax services, software and other products or services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services and is generally subject to a specific budget. The independent accountants and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent accountants in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis. The possible effect on the independence of the accountants is considered by the Audit Committee. There is no direct or indirect understanding or agreement that places a limit on current or future years' audit fees.

Audit Fees

PricewaterhouseCoopers LLP has provided audit services to the Company for each of the past two fiscal years. Audit fees consist of fees for professional services rendered for the audit of the Company's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provide by PricewaterhouseCoopers LLP in connection with statutory and regulatory filings or engagements. In 2005, audit fees also include fees for professional services rendered for the audits of (i) management's assessment of the effectiveness of internal control over financial reporting and (ii) the effectiveness of internal control over financial reporting. The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for audit services performed for the Company for the past two fiscal years were $326,250 for the year ended August 31, 2004 and $561,626 for the year ended August 31, 2005.

Audit-Related Fees

Audit-related services consist of assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under "Audit Fees." The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for audit-related services performed for the Company for the past two fiscal years were $32,000 for the year ended August 31, 2004 and $0 for the year ended August 31, 2005.

Tax Fees

PricewaterhouseCoopers LLP has provided tax compliance, tax advice, and tax planning services to the Company for each of the past two fiscal years. The tax services provided to the Company by the auditors during each of the fiscal years ended August 31, 2004 and August 31, 2005 consisted of tax return preparation,

tax payment-planning services, assistance with tax audits and appeals (to the extent permitted), and advice related to mergers and acquisitions (in the fiscal year ending August 31, 2004). The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for tax services performed for the Company for the past two fiscal years were $112,000 for the year ended August 31, 2004 and $163,964 for the year ended August 31, 2005.

All Other Fees

PricewaterhouseCoopers LLP provided access to online products and services for the fiscal year ending August 31, 2004 and August 31, 2005. All other fees to the Company by the auditors during the latest fiscal year consisted of access to online research reference materials. The aggregate fees billed to the Company by PricewaterhouseCoopers LLP for other services performed for the Company for the past two fiscal years were $3,000 for the year ended August 31, 2004 and $3,000 for the year ended August 31, 2005.

STOCKHOLDER PROPOSALS

Stockholder proposals must be received by the Company not later than July 18, 2006 to be included in the Proxy Statement and form of Proxy for the next annual meeting.

By Order of the Board of Directors
Maria M. Mitchell
Secretary

Dated: November 15, 2005

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY. THEREFORE, STOCKHOLDERS ARE URGED TO FILL IN, SIGN AND RETURN THE ACCOMPANYING FORM OR FORMS OF PROXY IN THE ENCLOSED ENVELOPE.

APPENDIX A

AUDIT COMMITTEE CHARTER

WD-40 COMPANY

PURPOSE

The purpose of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to the stockholders and others, reviewing the systems of internal controls that management and the Board of Directors have established, selecting and reviewing the performance of independent auditors, and overseeing the Company's accounting and financial reporting processes and the audits of the Company's financial statements.

The Audit Committee will fulfill these responsibilities by carrying out the activities enumerated herein. The Committee shall be given full and direct access to the Company's Disclosure Committee, the Chairman of the Board, Company executives and the Company's independent auditors as necessary to carry out these responsibilities. However, the Committee's function is one of oversight only and shall not relieve the Company's management of its responsibilities for preparing financial statements which accurately and fairly present the Company's financial results and condition, or the responsibilities of the independent auditors relative to the audit or review of financial statements. Furthermore, the Committee shall not have responsibility to plan or conduct audits or otherwise determine that the Company's financial statements are complete and accurately and fairly present the Company's financial results and condition. Nor is the Committee required to certify the independence of the auditors or otherwise assure full compliance with laws and regulations by the Company with respect to its financial reporting obligations.

The independent auditors' ultimate responsibility is to the Board of Directors and the Audit Committee, as representatives of the stockholders. The Audit Committee has the authority and responsibility to select, evaluate, and, where appropriate, replace the independent auditors.

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee shall be comprised of not less than three directors, each of whom will be independent as required by Section 10A(m) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), any rules and regulations promulgated thereunder by the Securities and Exchange Commission (the "SEC"), and the rules of the Nasdaq Stock Market, Inc. ("Nasdaq"). Each appointed Committee member shall be subject to annual reconfirmation and may be removed by the Board at any time.

All members of the Committee shall be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities (an "audit committee financial expert").

Appointments to the Committee, including the designation of the Chair of the Committee and the designation of any Committee members as "audit committee financial experts", shall be made on an annual basis by the full Board upon recommendation of the Corporate Governance Committee. Members of the Audit Committee shall not serve on the audit committees of more than two public companies in addition to the Company's Audit Committee without an express approval of the Board of Directors upon review of all relevant facts and circumstances and a determination that service on an additional audit committee will not impair the member's ability to carry out the member's responsibilities to the Company.

RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties, the Audit Committee shall:

1. Review annually the Audit Committee Charter for adequacy and recommend any changes to the Board.

2. Review the significant accounting principles, policies and practices followed by the Company in accounting for and reporting its financial results of operations in accordance with generally accepted accounting principles ("GAAP").

3. Review the financial, investment and risk management policies followed by the Company in operating its business activities.

4. Review the Company's annual audited financial statements, related disclosures, including the Managements Discussion and Analysis portion of the Company's filings, and discuss with the independent auditors the matters required to be discussed by Auditing Standard No. 61, including (a) the quality as well as acceptability of the accounting principles applied in the financial statements, and (b) new or changed accounting policies; significant estimates, judgments, uncertainties or unusual transactions; and accounting policies relating to significant financial statement items.

5. Review any management letters or internal control reports prepared by the independent auditors or the Company's internal accountants and responses to prior management letters, and review with the independent auditors the Company's internal financial controls, including the budget, staffing and responsibilities of the Company's Disclosure Committee.

6. Review the effectiveness of the independent audit effort, including approval of the scope of, and fees charged in connection with, the annual audit, quarterly reviews and any non-audit services being provided.

7. Be directly responsible for the appointment of, determination of the compensation for, retention of and oversight of the work of the independent auditors employed to conduct the audit (including resolution of disagreements between the independent auditors and management regarding financial reporting) or other audit, review or attest services. The independent auditors shall report directly to the Audit Committee.

8. Pre-approve all audit services and permissible non-audit services by the independent auditors, as set forth in Section 10A of the Exchange Act and the rules and regulations promulgated thereunder by the SEC. The Committee may establish pre-approval policies and procedures, as permitted by Section 10A of the Exchange Act and the rules and regulations promulgated thereunder by the SEC, for the engagement of independent auditors to render services to the Company, including but not limited to policies that would allow the delegation of pre-approval authority to one or more members of the Committee, provided that any pre-approvals delegated to one or more members of the Committee are reported to the Committee at its next scheduled meeting.

9. Review the hiring policies for any employees or former employees of the independent auditors by the Company.

10. Obtain on an annual basis a formal written statement from the independent auditors delineating all relationships between the auditors and the Company consistent with Independence Standards Board Standard No. 1, and review and discuss with the auditors all significant relationships the auditors have with the Company which may affect the auditors' independence. The Audit Committee is responsible for ensuring the independence of the independent auditors.

11. For each of the first three fiscal quarters and at year end, at a Committee meeting, review with management the financial results and formal guidance which the Company may plan to offer, and review with the independent auditors the results of their review of the interim financial information and audit of the annual financial statements.

12. Review management's analysis of any significant accounting issues, changes, estimates, judgments or unusual items relating to the financial statements and the selection, application and effects of critical accounting policies applied by the Company (including an analysis of the effect of alternative GAAP methods) and review with the independent auditors the reports on such subjects delivered pursuant to Section 10A(k) of the Exchange Act and the rules and regulations promulgated thereunder by the SEC.

13. Following completion of the annual audit, review separately with the independent auditors, the Disclosure Committee and management any significant difficulties encountered during the course of the audit.

14. Engage and determine funding for such independent professional advisers and counsel as the Committee determines are appropriate to carry out its functions hereunder. The Company shall provide appropriate funding to the Committee, as determined by the Committee, for payment of (1) compensation to the independent auditors for services approved by the Committee, (2) compensation to any outside advisers retained by the Committee, and (3) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

15. Report to the Board on a regular basis on the major events covered by the Audit Committee and make recommendations to the Board and management concerning these matters.

16. Perform any other activities consistent with this Charter, the Company's Bylaws and governing law as the Committee or the Board deems necessary or appropriate, including but not limited to the Company's legal and regulatory compliance.

17. Approve all related party transactions, as defined by applicable Nasdaq Rules, to which the Company is a party.

18. Establish procedures for:

(a) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and

(b) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

19. Publish the report of the Committee required by the rules promulgated by the SEC to be included in the Company's annual proxy statement.

AUDIT COMMITTEE MEETINGS

The Committee will meet on a regular basis at least 4 times each year, and will hold special meetings as circumstances require. The timing of the meetings to be scheduled for an upcoming fiscal year shall be determined by the Audit Committee prior to the beginning of such fiscal year. A calendar of proposed meetings will be reviewed by the Audit Committee at the same time as the annual Audit Committee Charter review. The calendar shall include appropriate meetings to be held separately with representatives of the independent auditors, management and the Disclosure Committee, including a meeting to conduct the reviews required under paragraph 13 above. In addition, the Committee will meet at any time that the independent auditors believe communication to the Committee is required.

Adopted by the Board of Directors March 31, 2005

BOARD OF DIRECTORS

John C. Adams Jr.
Compensation Committee Chairman
Investor
Former Chairman and CEO
AutoZone, Inc.

Giles H. Bateman
Audit Committee Chairman
Former CFO and Director
Price Club

Peter D. Bewley
Former Sr. Vice President, General Counsel
and Corporate Secretary
The Clorox Company

Richard A. Collato
President and CEO
YMCA of San Diego County

Mario Crivello
Investor

Linda Lang
Finance Committee Chairman
Chairman and CEO
Jack in the Box, Inc.

Gary L. Luick
Consultant

Kenneth E. Olson
Corporate Governance
Committee Chairman
Investor
Former Chairman and CEO
Proxima Corp.

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

Gerald C. Schleif
Retired former President and CEO
WD-40 Company

Neal E. Schmale
Chairman of the Board
Executive Vice President and CFO
Sempra Energy

Edward J. Walsh (Retired Dec. 2004)
President
The Sparta Group, Ltd

EXECUTIVE OFFICERS

Michael L. Freeman
Division President
The Americas

Geoffrey J. Holdsworth
Manager 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, Ph.D
Vice President, Research and Development

Nancy L. Ely
Vice President, Human Resources
Assistant Secretary

Stephen H. Fantus
Vice President, Sales (Groc/Mass/Drug)

Diane Gazzola
President
WD-40 Company (Canada) Ltd.

Robert Hoagland
Vice President, Information Technology

Timothy Lesmeister
Vice President, Marketing-USA

Maria Mitchell
Vice President, Corporate and Investor
Relations, Corporate Secretary

Jay Rembolt
Vice President, Finance/Controller
Principal Accounting Officer

Steven E. Schwab
Vice President, Sales
Strategic Customer Team

Patrick Wade
Vice President of Supply Chain

GENERAL COUNSEL

Gordon and Rees LLP
101 W. Broadway, Suite 1600
San Diego, California 92101

INDEPENDENT ACCOUNTANTS

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

TRANSFER AGENT AND REGISTRAR

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

ANNUAL MEETING

December 13, 2005, 2:00 PM
Mission Valley Hilton
901 Camino Del Rio South
San Diego, California 92108
Phone: 619-543-9000

INVESTOR RELATIONS CONTACT

Maria M. Mitchell
Vice President Corporate and Investor Relations
Phone: 619-275-9350
Fax: 619 275-1095
mitchell@wd40.com

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 Company (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

CANADA BRAND SUPPORT CENTRE

WD-40 Company (Canada) Ltd.
555 Burnhamthorpe Rd., Ste 200
Etobicoke, Ontario M9C 2Y3
Canada

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 2005 by writing to the Corporate Secretary, WD-40 Company, P.O. Box 80607, San Diego, California 92138-0607

Corporate information as of November 15, 2005

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Versatile

WD-40 Company

1061 Cudahy Place
San Diego, California 92110
www.wd40.com