

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

FOR THE FISCAL YEAR ENDED JULY 31, 1997

Commission File Number 0-12730

W.H. BRADY CO.
(Exact name of registrant as specified in charter)

WISCONSIN
(State of Incorporation)

39-0178960
(IRS Employer Identification No.)

6555 WEST GOOD HOPE ROAD
MILWAUKEE, WI 53223
(Address of Principal Executive Offices and Zip Code)

(414) 358-6600
(Registrant's Telephone Number)

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Class A Nonvoting Common Stock, Par Value \$.01 per share

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 [X] 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 the 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. Yes [X] No []

As of September 30, 1997, there were outstanding 20,181,753 shares of Class A Nonvoting Common Stock (the "Class A Common Stock"), and 1,769,314 shares of Class B Common Stock. The Class B Common Stock, all of which is held by affiliates of the Registrant, is the only voting stock.

DOCUMENTS INCORPORATED BY REFERENCE
W.H. Brady Co. 1997 Annual Report, Incorporated into Part II & IV

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PART I

W.H. Brady Co. and Subsidiaries is referred to herein as the "Company" or "Brady".

ITEM 1 BUSINESS

(a) General Development of Business

The Company, a Wisconsin corporation, currently operates 16 manufacturing facilities worldwide. Eight are located in the United States and one each in Australia, Belgium, Canada, England, France, Japan, Korea and Singapore. The Company also sells through subsidiaries or sales offices in Brazil, England, France, Germany, Hong Kong, Italy, Malaysia, Sweden and Taiwan. The Company's executive offices are located at 6555 West Good Hope Road, Milwaukee, Wisconsin 53223, and its telephone number is (414) 358-6600. The Company's Internet address is <http://www.whbrady.com>.

(b) Financial Information About Industry Segments

Not applicable.

(c) Narrative Description of Business

OVERVIEW

W. H. Brady is a leading international manufacturer and marketer of high performance identification solutions and specialty coated materials. The Company's products consist of over 30,000 stock and custom items as well as complete identification systems that are used by the Company's customers to create a safer work environment for employees, improve production and operating efficiencies and increase the utilization of assets through tracking and inventory process controls. Major product categories include: industrial and facility identification products; safety and regulatory compliance products; and OEM components.

The Company's markets include a wide variety of industrial, commercial, governmental, public utility, medical equipment, computer and consumer product markets. The need for the Company's products is driven by specification of customer engineering departments, by regulatory compliance requirements imposed by agencies such as OSHA and the EPA, or by the need to identify, direct, warn, inform and protect employees and customers. The Company markets and sells its products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order catalog marketing and electronic access through the Internet. The Company has a broad customer base, which in fiscal 1997 consisted of more than 100,000 customers, with the largest customer representing less than 4% of net sales. Sales from international operations represented 42.5%, 43.6% and 41.1% of net sales in fiscal 1997, 1996 and 1995, respectively.

BUSINESS STRATEGY

W. H. Brady's objective is to be the leading source of high performance identification products and specialty coated materials to niche markets worldwide. The Company expects to accomplish this objective by offering a broad range of high quality, innovative products to a widely diversified customer base in a prompt and responsive manner. Underlying the Company's business strategy is a Company-wide commitment to enhancing shareholder value. The Company's long-term focus on activities that will create sustainable value for its shareholders drives decision making at all levels of the Company. The Company's employees participate in an incentive plan that is focused upon the creation of shareholder value. This incentive plan serves to motivate employees, foster a team-oriented work environment and maximize the utilization of assets. Key elements of the Company's business strategy include:

Product innovation. The Company continually seeks to improve existing products and to develop innovative products to satisfy its customers' requirements and expectations. W. H. Brady's commitment to product innovation is reflected in research and development efforts that include two facilities and approximately 110 employees primarily dedicated to research and development activities.

Breadth of product line. The Company's products include over 30,000 stock and custom items. The number of products offered allows W. H. Brady to serve as a one-stop shopping network for its customers. Additionally, management believes that the Company competes in a broader range of identification markets than any of its competitors.

Focus on customers. The Company seeks to provide "seamless" customer service and to offer rapid response to customer orders and inquiries. To meet this goal, the Company has streamlined its manufacturing processes to shorten lead-times and has increased its investment in telecommunications and management information systems worldwide.

Niche markets. The Company strives to be a major player in niche markets that allow the Company to leverage its capabilities in specialty materials, die-cut parts and distributed printing systems. By focusing on specific markets and value-added product applications, the Company has established leading positions in the electrical and safety markets with certain of its products such as wire and pipe markers and safety signs.

GROWTH STRATEGY

The major elements of the Company's strategy for growth include:

Increased market penetration. The Company seeks to increase market penetration in existing domestic and international markets through new product development and increased sales and marketing efforts. To achieve this objective, the Company is actively expanding its current sales force and is pursuing additional niche distribution channels.

Geographic expansion. Sales from W. H. Brady's international operations have increased from \$50,707,000 or 26.5% of net sales in fiscal 1990 to \$181,068,000, or 42.5%, of net sales in fiscal 1997. The Company believes that international markets continue to represent a significant growth opportunity. Accordingly, the Company is actively seeking to increase its penetration in established markets in Europe, Japan, Hong Kong, and Korea and to enter new emerging markets elsewhere in the Pacific Rim and in Latin America.

New products and new markets. The Company seeks to leverage its strong product innovation and development activities by introducing new products and by exploring new applications for its products in existing new markets.

Strategic acquisitions and joint ventures. W. H. Brady's recent growth has occurred principally through strategic acquisitions, innovative product development and improvement, market expansion and increased market penetration. Although the Company intends to continue such internal growth, the Company also intends, where practical, to fill product lines or market sectors, open new geographic markets and strengthen systems offerings through the pursuit of strategic acquisitions and joint ventures.

PRODUCTS

The Company's products consist of over 30,000 stock and custom items as well as complete identification systems that are used by the Company's customers to create a safer work environment for employees, improve product and operating efficiencies and increase the utilization of assets through tracking and inventory process controls. Major product categories include: industrial and facility identification products including pipe and valve markers, wire markers, computer printable labels, storage markers, asset identification markers, informational signs, stand-alone printing systems and automatic identification and data collection systems; safety and regulatory compliance products including safety signs, lockout/tagout products and traffic control products; and OEM components including specialty tapes, computer application products and die-cut tapes.

Many of the Company's stock products were originally designed, developed and manufactured as custom products for a specific purchaser. However, such products have frequently developed wide industry acceptance and become stock items offered by the Company through mail-order and distributor sales. The Company's most significant types of products are described below.

INDUSTRIAL AND FACILITY IDENTIFICATION PRODUCTS

Pipe and Valve Markers

The Company manufactures both self-adhesive and mechanically applied stock and custom designed pipe markers and plastic and metal valve tags for the identification of piping and control valves. These products are designed to help identify and provide information as to the contents, direction of flow and special hazardous properties of materials contained in piping systems and to facilitate repair or maintenance of the system.

Wire Markers

W. H. Brady offers a broad range of wire-marking products. These products help mark and identify wires, cables and other potential hazards. Such products may be utilized in virtually every industrial and electrical market to specify the origination or destination of wiring and to facilitate repair or maintenance of wiring systems.

Computer Printable Labels

W. H. Brady offers a complete line of printable labels that are compatible with the thermal transfer, laser and dot matrix printers sold by the Company. The products are used primarily by industrial customers to print identification labels on-site using personal computers.

Storage Markers

The Company produces signs, self-adhesive and self-aligning die cut numbers and letters used for the systematic identification of facilities, bins and shelving. Storage marker products are primarily used by industrial companies in factories, warehouses, stockrooms and other facilities.

Asset Identification Markers

W. H. Brady offers a wide range of asset identification products to its industrial and commercial customers. These include self-adhesive or mechanically mounted labels made of aluminum, brass, stainless steel, polycarbonate, vinyl, polyester, mylar and paper. These products are also offered in tamper-evident varieties.

Informational Signs

The Company produces a wide range of informational signs for both indoor and outdoor use. These signs are utilized by a broad range of industrial and commercial customers and are available in Braille and with other features for compliance with the Americans with Disabilities Act ("ADA") regulations. Signs may be stock items or custom ordered for any informational requirement.

Stand-Alone Printing Systems

The Company designs and develops computer software, portable printers, lettering machines and other electromechanical devices to serve the growing and specialized needs of customers. Industrial labeling systems, tapes, ribbons and label stocks provide customers with the resources and flexibility to produce signs or labels on demand at their site.

Automatic Identification and Data Collection Systems

W. H. Brady's automatic identification and data collection systems allow accurate tracking of manufacturing, warehousing, receiving and shipping data. The Company's software applications, fixed station terminals, high-speed printers and associated customized consumable products allow its customers to have a higher degree of knowledge and control over asset management and all phases of inventory control, including receiving, warehousing, work-in-process, finished goods and shipping.

Other

The Company also offers bar-coding products and readers, sign making kits, stenciling materials, barricading products, visual warning systems and floor marking products.

SAFETY AND REGULATORY COMPLIANCE PRODUCTS

Safety Signs

The Company manufactures safety and accident prevention signs for use in a broad range of industrial, commercial, governmental and institutional applications. These signs are either self-adhesive or mechanically mounted, are designed for both indoor and outdoor use and are manufactured to meet standards promulgated by the National Safety Council, OSHA and a variety of industry associations. The Company's sign products are categorized by type of message to be conveyed, including admittance, directional and exit signs; electrical hazard warnings; energy conservation messages; fire protection and fire equipment signs; hazardous waste labels; hazardous and toxic material warning signs; personal hazard warnings; housekeeping and operational warnings; pictograms; radiation and laser signs; safety practices signs and regulatory markings.

Lockout/Tagout Products

W. H. Brady offers a wide variety of lockout/tagout products. Under current OSHA regulations, all energy sources must be "locked out" while machines are being serviced or maintained. The Company's products allow its customers to comply with these regulations and to ensure worker safety for a wide variety of energy and fluid transmission systems and operating machinery.

Traffic Control Products

The Company offers a wide variety of traffic control devices, including directional and warning signs, barriers and cones and other traffic control devices.

Other

The Company also offers safety hard-hat labels, safety badges, photo identification kits, ergonomic products, first aid cabinets/kits, body harnesses, anti-slip coatings and alarm security systems, among others.

OEM COMPONENTS

Specialty Tapes

The Company's OEM component products include specialty tapes and related products that are used in a variety of audio, video and computer applications, as well as surface mount technology products. These specialty tape products are characterized by high performance adhesives, most of which are formulated by the Company, to meet high-tolerance requirements of the industries in which they are used.

Computer Application Products

The Company's computer application products include reinforcing rings for floppy discs and components of micro-floppy discs. Its audio industry products include cassette leader and splicing tapes and conductive splicing tapes. Video products include splicing and leader tapes, conductive/reflective sensing tapes and other specialty components used in video cassettes. The Company's leadframe tape and electronic adhesive film are used within semiconductors to reinforce and/or bond components while its surface mount carrier and cover tapes are used to package surface-mounted-device electronic components.

Die-Cut Tapes

The Company's precision die-cut tapes are used to seal, insulate, protect, shield or provide other mechanical performance properties in the assembly of electronic, telecommunications and other equipment.

OTHER PRODUCTS

The Company also sells a variety of other products, none of which individually accounts for a material portion of its sales, including: temperature indicating labels, hospital and clinical labels, packing and shipping goods, name plates and quality and production control products, among others.

MARKETING AND SALES

The Company's products are sold in a wide variety of industrial, commercial, governmental, public utility, medical equipment, computer and consumer product markets. W. H. Brady has a diverse customer base that consisted of over 100,000 customers in fiscal 1997. No material part of the Company's business is dependent upon a single customer or group of customers, and the loss of a particular customer would have not material adverse effect upon the Company's business. In fiscal 1997, no single customer accounted for more than 4% of the Company's net sales.

The Company seeks to offer the right product with rapid response times and superior service so that it can provide solutions to the customer that are better, faster and more economical than those available from competitors or on a do-it-yourself basis. The Company markets and sells its products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order catalog marketing and electronic access through the Internet. The Company currently has over 2,500 established relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. To support its distributor network, the Company employs an internal sales force of over 300 people. The Company's sales force seeks to establish and foster ongoing relationships with the end-users (and distributors) by providing technical support and product application advice.

The Company also direct markets its products and those of other manufacturers by catalog sales in both domestic and international markets. Such products include industrial and facility identification products, safety and regulatory compliance products and OEM component products, among others. International catalog operations are conducted through offices in Australia, Brazil, Canada, England, France, Germany and Italy and include foreign language catalogs. Currently, the Company is establishing operations in Mexico.

MANUFACTURING PROCESS AND RAW MATERIALS

The Company manufactures the majority of the products it sells, while purchasing certain items such as printers and related supplies from other manufacturers, often on a proprietary basis. Products manufactured by the Company generally require a high degree of precision and the application of adhesives with chemical and physical properties suited for specific uses. The Company's manufacturing processes include compounding, coating and converting. The compounding process involves the mixing of chemical batches for primers, top coatings and adhesives, in solvent-or water-based materials. The coatings and adhesives are applied to a wide variety of materials including paper, metal and metal foil, plastic film and cloth. The converting process may include embossing, perforating, laminating, die cutting or slitting. The Company also utilizes various graphic techniques to print or mark the materials as required.

The Company seeks to optimize the performance, quality and durability of its products, while continually improving manufacturing processes, shortening lead times and lowering manufacturing processes. The Company produces the majority of its own adhesive stocks and top-coated materials through an integrated manufacturing process. These integrated manufacturing processes permit it to achieve greater flexibility in product design and manufacture and to improve its ability to provide specialized products designed to meet the needs of specific applications. W. H. Brady's "cellular" manufacturing processes and "just-in-time" inventory control allow it to attain profitability in small orders by emphasizing flexibility and the maximization of assets through quick turn-around and delivery. Most of the Company's manufacturing facilities have received ISO 9001 or 9002 registration.

The materials used in the products manufactured by the Company consist primarily of paper, plastic sheets and films (primarily polyesters and polycarbonates), metal and metal foil, cloth, fiberglass, inks, dyes, adhesives, pigments, natural and synthetic rubber, organic chemicals, polymers and solvents. The Company

purchases its raw materials from many suppliers and is not dependent upon any single supplier for any of its base supply materials.

TECHNOLOGY AND PRODUCT DEVELOPMENT

The Company focuses its research and development efforts on applications in the science of surface chemistry, such as coatings, adhesives and physical bonding. This dedication to surface chemistry, in combination with a manufacturing technology oriented to adhesives and graphics, has led to the development of many proprietary release coatings, adhesives and products that are adhesively fastened.

The Company possesses patents covering various aspects of adhesive chemistry, electronic circuitry, computer-generated wire markers, and systems for aligning letters and patterns. Although the Company believes that its patents are a significant factor in maintaining its market position as to certain products, technology in the areas covered by many of the patents is evolving rapidly and may limit the value of such patents. The Company's business is not dependent on any single patent or group of patents.

The Company conducts most of its research and development activities at its approximately 39,600 sq. ft. Frederic S. Tobey Research and Innovation Center in Milwaukee, Wisconsin. The Company spent approximately \$16,300,000, \$11,300,000, and \$10,400,000 in fiscal 1997, 1996, and 1995, respectively, on its research and development activities, all of which were Company sponsored. In fiscal 1997, approximately 110 employees were engaged in research and development activities for the Company. Additional research projects were conducted under contract with universities, other institutions and consultants.

INTERNATIONAL OPERATIONS

In Fiscal 1997, 1996, and 1995, sales from international operations accounted for 42.5%, 43.6%, and 41.1%, respectively, of the Company's net sales. The Company's global infrastructure now supports sales and operations through subsidiaries in Australia, Belgium, Brazil, Canada, England, France, Germany, Italy, Japan, Korea, Singapore and Sweden and sales offices in Hong Kong, Malaysia and Taiwan. Several of these locations manufacture or have the capability to manufacture certain of the products they sell. The Company acquired or opened new operations in Australia, Brazil, England, France, Italy, Korea, Malaysia and Taiwan in the last three years. The Company expects to continue to expand its international operations as appropriate.

COMPETITION

The markets for most of the Company's products are highly competitive. However, the Company believes that it is the leading domestic producer of self-adhesive wire markers, pipe markers, audio and video leader and splicing tapes and reinforcing rings for floppy disks and believes that it is a leading domestic producer of safety signs. The Company competes for business principally on the basis of product quality, performance, range of products offered and to a lesser extent, on price. Product quality is determined by factors such as suitability of component materials for various applications, adhesive properties, graphics quality, durability, product consistency and workmanship. Competition in many of the Company's product markets is highly fragmented, ranging from smaller companies offering only one or a few types of products to some of the world's major adhesive and electrical product companies offering a wide range of competing products. A number of the Company's competitors are larger than the Company and have greater resources. Notwithstanding the resources of these competitors, management believes that the Company competes in a broader range of identification markets than any of its competitors.

BACKLOG

As of July 31, 1997, the amount of the Company's backlog orders believed to be firm was \$19.9 million. This compares with approximately \$15.2 million and \$14.6 million of backlog orders as of July 31, 1996 and 1995, respectively. Average delivery time for the Company's orders varies from one day to twelve weeks, depending on the type of product, and whether the product is stock or custom designed and manufactured.

ENVIRONMENT

At present, the manufacturing processes for the Company's adhesive-based products utilize certain evaporative solvents which, unless controlled, would be vented into the atmosphere. Emissions of these substances are regulated at the federal, state and local levels. During the past several years, the Company has implemented a number of procedures to reduce atmospheric emissions and/or to recover solvents.

EMPLOYEES

As of July 31, 1997, the Company employed approximately 2,500 individuals. The Company has never experienced a material work stoppage due to a labor dispute, is not a party to any labor contracts and considers its relations with employees to be excellent. To meet present and future labor requirements, the Company maintains an active college recruiting program for sales, technical and administrative personnel.

ACQUISITIONS

Effective November 15, 1995, the Company acquired the common stock of TechPress II Limited located in Middlesex, England, a marketer of printing and labeling systems, for cash of \$4,277,000 and a payable of \$389,000.

Effective January 2, 1996, the Company acquired the common stock of The Hiron Company located in Fort Lauderdale, Florida, a manufacturer of die-cut parts for the electronic, telecommunications and medical testing markets, for cash of \$10,800,000.

On April 8, 1996, the Company completed its acquisition of Varitronic Systems, Inc. (VSI) located in Minneapolis, Minnesota, for cash of approximately \$40,700,000. VSI manufactures and markets supply-consuming lettering, labeling, signage and presentation systems and supplies.

On April 30, 1997, the Company acquired the common stock of Signals S.A. a direct marketer located in La Rochelle, France, for cash of approximately \$9,600,000.

(d) FINANCIAL INFORMATION ABOUT FOREIGN AND DOMESTIC OPERATIONS AND EXPORT SALES

See Note 7 to Notes to Consolidated Financial Statements on Page 28 of the W. H. Brady Co. 1997 Annual Report.

ITEM 2 PROPERTIES

The Company currently operates in 16 manufacturing facilities. Eight are located in the United States, and one each in Australia, Belgium, Canada, England, France, Japan, Korea and Singapore. The Company's primary research facility of approximately 39,600 square feet is located in Milwaukee, Wisconsin. The Company's present operating facilities contain a total of approximately 1,130,000 square feet of space, of which approximately 450,000 square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for its present needs.

ITEM 3 LEGAL PROCEEDINGS

The Company is, and may in the future be, party to litigation arising in the course of its business. The Company is not currently a party to any material pending legal proceedings.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5 MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

(a) Market Information

W.H. Brady Co. Class A Nonvoting Common Stock trades on the NASDAQ National Market under the symbol BRCOA. There are no established public trading markets for the Company's Class B Voting Common Stock.

Stock price disclosure required by this item is incorporated by reference to Page 30 of the W.H. Brady Co. 1997 Annual Report.

(b) Holders

The number of holders of record of the Company's Class A and Class B Common Stock as of September 30, 1997, was 463 and 2, respectively.

(c) Dividends

The Company has followed a practice of paying quarterly dividends on its outstanding common stock. Before any dividend may be paid on the Class B Common Stock, holders of the Class A Common Stock are entitled to receive an annual, non-cumulative cash dividend of \$.033 per share (subject to adjustment in the event of future stock splits, stock dividends or similar event involving shares of Class A Common Stock). Thereafter, any further dividend in that fiscal year must be paid on all shares of Class A Common Stock and Class B Common Stock on an equal basis.

During its two most recent fiscal years and for the first quarter of the current year, the Company declared the following dividends per share on its Class A and Class B Common Stock:

	YEAR ENDED 7/31/96				YEAR ENDED 7/31/97				YEAR ENDING 7/31/98
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR
Class A.....	\$.10	\$.10	\$.10	\$.10	\$.13	\$.13	\$.13	\$.13	\$.15
Class B.....	.07	.10	.10	.10	.10	.13	.13	.13	.12

ITEM 6 SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to Pages 14 and 15 of the W.H. Brady Co. 1997 Annual Report.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to Pages 16 through 18 of the W.H. Brady Co. 1997 Annual Report.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to Pages 19 through 30 of the W.H. Brady Co. 1997 Annual Report.

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

NAME ----	AGE ---	TITLE -----
Katherine M. Hudson.....	50	President, CEO and Director
Mary T. Arnold.....	54	Vice President, Research and Development
Richard L. Fisk.....	53	Vice President, Direct Marketing Group
David R. Hawke.....	43	Vice President, Graphics Group
Frank M. Jaehnert.....	40	Vice President & Chief Financial Officer
Michael O. Oliver.....	44	Vice President, Human Resources
		Vice President, Identification Systems & Specialty Tapes
David W. Schroeder.....	42	Group
Peter J. Lettenberger.....	60	Secretary and Director
Robert C. Buchanan.....	57	Director
Roger D. Peirce.....	60	Director
Richard A. Bemis.....	56	Director
Frank W. Harris.....	55	Director
Gary E. Nei.....	53	Director

KATHERINE M. HUDSON -- Mrs. Hudson joined the Company in January 1994, as President, Chief Executive Officer and Director. Before joining W. H. Brady Co., she was a Vice President at Eastman Kodak Company and General Manager of its Professional, Printing and Publishing Image Division. Her 24 years at Eastman Kodak Company included positions in finance, communication and public affairs, information systems and the management of instant photography and printing. She is also a director of Case Corporation and serves on the Alverno College Board of Trustees, the Advisory Council for the Indiana University School of Business, and the Medical College of Wisconsin Board.

MARY T. ARNOLD -- Dr. Arnold joined the Company in February 1993. In March 1995, she was appointed to her present position. Prior to joining Brady, Dr. Arnold served in various capacities at G. E. Appliances, a unit of General Electric Company.

RICHARD L. FISK -- Mr. Fisk joined the Company in 1979 and was appointed to his present position in August 1987. He previously served as General Manager of Seton Name Plate Co., a wholly-owned subsidiary of the Company.

DAVID W. HAWKE -- Mr. Hawke joined the Company in 1979. He served as General Manager of the Industrial Products Division from 1985 to 1991. From 1991 to February 1995, he served as Managing Director -- European Operations. In March 1995, he was appointed to his present position.

FRANK M. JAEHNERT -- Mr. Jaehnert joined the Company in 1995 as Finance Director of the Identification Systems & Specialty Tapes Group. He was appointed to his present position in November 1996. Before joining the Company, he held various financial and executive positions for Robert Bosch GmbH from 1983 to 1995.

MICHAEL O. OLIVER -- Mr. Oliver joined the Company in 1997 as Vice President -- Human Resources. Prior to joining Brady, he held various management positions with Unilever from 1990 to 1997.

DAVID W. SCHROEDER -- Mr. Schroeder joined the Company in June 1991 as General Manager of the Industrial Products Division. He was appointed to his present position in March 1995. Before joining the Company, he served as President and Chief Executive Officer of Uniroyal Adhesives & Sealants Co., Inc. from 1988 to May 1991.

PETER J. LETTENBERGER -- Mr. Lettenberger has served as a Director and Secretary of the Company since January 1977. Mr. Lettenberger has been a member of the Company's audit committee since October 1978. He is a partner of Quarles & Brady, general counsel to Company, which firm he joined in 1964. He is also a director of Electronic Tele-Communications, Inc., Waukesha, Wisconsin.

ROBERT C. BUCHANAN -- Mr. Buchanan has been a director of the Company since November 1987 and a member of its audit committee since June 1988, chairing that committee since June, 1990. Mr. Buchanan is President and Chairman of the Board of the Fox Valley Corporation in Appleton, Wisconsin, having assumed that position November 1, 1980. He is also a trustee and director of The Northwestern Mutual Life Insurance Company, Milwaukee, and Firststar Corporation, Milwaukee, respectively.

ROGER D. PEIRCE -- Mr. Peirce has served as a director and a member of the compensation committee of the Company since September, 1988, and its chairman since November 1996. Mr. Peirce is a private investor and consultant. He was President and CEO of Valuation Research Corporation from April, 1995 to May, 1996. From September 1988 to December 1993, he was President of Super Steel Products Corp. in Milwaukee, Wisconsin. Prior to that he was a managing partner for Arthur Andersen & Co., independent certified public accountants.

RICHARD A. BEMIS -- Mr. Bemis has been a director of the Company since January 1990 and a member of its compensation committee since March 1990. Mr. Bemis is President and CEO of Bemis Manufacturing Company, a manufacturer of molded plastic products in Sheboygan Falls, Wisconsin. He is also a director of the Wisconsin Public Service Corporation, Green Bay, Wisconsin.

FRANK W. HARRIS -- Dr. Harris has been a Director of the Company since November 1991. Dr. Harris is a Professor of Polymer Science and Biomedical Engineering in the Institute of Polymer Science at the University of Akron, and has been on its faculty since 1983.

GARY E. NEI -- Mr. Nei has been a Director of the Company since November 1992, and a member of its audit committee since November 1994. Mr. Nei is Chairman of B&B Publishing, a publishing company in Walworth, Wisconsin. He is also a director of Uroquest, Inc., Salt Lake City, Utah.

All directors serve until their respective successors are elected at the next annual meeting of shareholders. Officers serve at the discretion of the Board of Directors. None of the Company's directors or executive officers has any family relationship with any other director or executive officer.

ITEM 11 EXECUTIVE COMPENSATION

The following table summarizes the compensation paid or accrued by the Company during the three fiscal years ended July 31, 1997, to those persons who, as of the end of fiscal 1997, were the Named Executive Officers.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	ALL OTHER COMPENSATION (\$ (4))
		SALARY (\$)	BONUS (\$ (1))	OTHER ANNUAL COMPENSATION (\$ (2))	OPTIONS/SAR (# OF SHARES) (3)	
K. M. Hudson.....	1997	390,149	305,447	4,648	230,000	40,744 (5)
President & Chief	1996	342,500	174,505	5,381	36,000	41,412 (5)
Executive Officer	1995	315,000	369,914	4,163	30,000	87,333 (5)
R. L. Fisk.....	1997	228,750	134,333	3,904	110,000	14,199
Vice President, Direct	1996	197,631	51,575	3,835	27,000	13,743
Marketing Group	1995	189,954	156,861	3,425	9,000	13,691
D. W. Schroeder.....	1997	226,385	132,944	5,431	110,000	12,728
Vice President, ISST Group	1996	190,558	75,804	4,214	12,000	12,632
	1995	170,449	124,446	2,979	6,000	12,394
D.R. Hawke.....	1997	210,828	123,809	5,583	110,000	144,849 (6)
Vice President, Graphics Group	1996	175,558	53,452	--	12,000	26,076 (6)
	1995	160,939	112,497	--	6,000	202,113 (6)
M.T. Arnold.....	1997	142,200	77,940	7,210	7,500	12,889
Vice President, Research &	1996	125,485	38,617	3,424	9,000	12,786
Development	1995	97,520	38,785	--	--	10,027

(1) Reflects bonus earned during fiscal year 1997 which was paid during the next fiscal year.

(2) The amounts shown represent costs to the Company for expenses associated with the use of a company car.

(3) Options issued in fiscal 1996 and 1995 are adjusted for the 200% stock dividend paid on December 15, 1995.

(4) All other compensation for fiscal 1997 for Mrs. Hudson, and Messrs. Fisk, Schroeder and Hawke, and Dr. Arnold, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$12,000 each and (ii) the cost of group term life insurance for each named executive officer of \$2,674, \$2,199, \$728, \$647 and \$889, respectively.

All other compensation for fiscal 1996 for Mrs. Hudson, Messrs. Fisk, Schroeder and Hawke, and Dr. Arnold, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$12,000 each and (ii) the cost of group term life insurance for each named executive officer of \$1,705, \$1,743, \$632, \$570 and \$786, respectively.

All other compensation for fiscal 1995 for Mrs. Hudson, and Messrs. Fisk, Schroeder and Hawke, and Dr. Arnold, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$12,000, \$12,000, \$12,000, \$12,000 and \$9,526, respectively and (ii) the cost of group term life insurance for each named executive officer of \$1,544, \$1,691, \$394, \$480 and \$501, respectively.

- (5) Fiscal 1997 includes \$26,070 accrued, but not paid, for the current year's portion of a Supplemental Executive Retirement Plan (SERP). Fiscal 1996 includes relocation expenses of \$3,112 and \$24,595 accrued, but not paid, for that year's portion of the SERP. Fiscal 1995 includes relocation expenses of \$50,586 and \$23,203 accrued, but not paid, for that year's portion of the SERP.
- (6) Fiscal 1997 includes \$132,202 expatriation expenses related to Mr. Hawke's Belgium assignment. Fiscal 1996 includes relocation expenses of \$1,743 and expatriation expenses of \$11,764. Fiscal 1995 includes relocation expenses of \$25,282 and expatriation expenses of \$164,351.

STOCK OPTIONS

The following tables summarize option grants and exercises during fiscal 1997 to or by the executive officers named in the Summary Compensation Table above, and the value of unexercised options held by such persons at July 31, 1997. Stock Appreciation Rights are not available under any of the Company's plans.

OPTION GRANTS IN FISCAL 1997

INDIVIDUAL GRANTS

NAME	OPTIONS GRANTED (#) (1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1997	EXERCISE PRICE (\$/SHARE) (2)	EXPIRATION DATE
K. M. Hudson	30,000	4.0%	22.8125	November 13, 2006
	200,000	26.4%	23.8750	May 13, 2007
R. L. Fisk	10,000	1.3%	22.8125	November 13, 2006
	100,000	13.2%	23.8750	May 13, 2007
D. W. Schroeder	10,000	1.3%	22.8125	November 13, 2006
	100,000	13.2%	23.8750	May 13, 2007
D. R. Hawke	10,000	1.3%	22.8125	November 13, 2006
	100,000	13.2%	23.8750	May 13, 2007
M. T. Arnold	7,500	0.7%	22.8125	November 13, 2006

POTENTIAL REALIZABLE VALUE AT ASSUMED RATES OF STOCK PRICE APPRECIATION (3)

NAME	0% \$23.8750 (\$)	5% \$38.8750 (\$) (6)	10% \$61.8750 (\$) (6)
K. M. Hudson	0	3,429,375	8,689,375
R. L. Fisk	0	1,643,125	4,163,125
D. W. Schroeder	0	1,643,125	4,163,125
D. R. Hawke	0	1,643,125	4,163,125
M. T. Arnold	0	107,344	272,344
All Stockholders' Gains (increase in market value of W. H. Brady Co. Common Stock at assumed rates of stock price appreciation) (4) (6)		\$302,259,795	\$765,724,814
All Optionees' Gains (as a percent of all shareholders' gains) (5) (6)		3.70%	3.70%

- (1) The options granted November 13, 1996, become exercisable as follows: 33 1/3% of the shares on November 13, 1997; 33 1/3% of the shares on November 13, 1998; and 33 1/3% of the shares on November 13, 1999. These options have a term of ten years.

The options granted to Mrs. Hudson and Messrs. Fisk, Schroeder and Hawke on May 13, 1997, become exercisable May 13, 2002, and have a term of ten years.

- (2) The exercise price is the average of the highest and lowest sale prices of the Company's Class A Common Stock as reported by NASDAQ on the date of the grant.
- (3) Represents total potential appreciation of approximately 0%, 63% and 159% for assumed annual rates of appreciation of 0%, 5% and 10%, respectively, compounded annually for the ten year option term.
- (4) Calculated from the \$23.8750 exercise price applicable to the options granted on May 13, 1997 based on the 20,150,653 shares of Class A Common Stock outstanding on May 13, 1997.
- (5) Represents potential realizable value for all options granted in fiscal 1997 as compared to the increase in market value of W.H. Brady Co. Class A Common Stock at assumed rates of stock price appreciation.
- (6) The Company disavows the ability of any valuation model to predict or estimate the Company's future stock price or to place a reasonably accurate present value on these options because any model depends on assumptions about the stock's future price movement that the Company is unable to predict.

AGGREGATED OPTION EXERCISES IN FISCAL 1997
AND VALUE OF OPTIONS AT END OF FISCAL 1997

NAME ----	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED OPTIONS AT JULY 31, 1997	
			EXERCISABLE (#)	UNEXERCISABLE (#)
K.M. Hudson.....	0	0	107,000	264,000
R.L. Fisk.....	0	0	40,500	131,000
D.W. Schroeder.....	0	0	24,500	120,000
D.R. Hawke.....	4,000	62,750	29,500	120,000
M.T. Arnold.....	0	0	4,200	13,500

NAME ----	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT JULY 31, 1997(1)	
	EXERCISABLE (\$)	UNEXERCISABLE (\$)
K.M. Hudson.....	1,479,543	1,600,957
R.L. Fisk.....	597,573	778,583
D.W. Schroeder.....	374,010	706,708
D.R. Hawke.....	493,260	706,708
M.T. Arnold.....	34,325	77,844

- (1) Represents the closing price for the Company's Class A Common Stock on July 31, 1997 of \$29.6250 less the exercise price for all outstanding exercisable and unexercisable options for which the exercise price is less than such closing price.

COMMON STOCK PRICE PERFORMANCE GRAPH

The graph below shows a comparison of the cumulative return over the last five fiscal years had \$100 been invested at the close of business on July 31, 1992, in each of W.H. Brady Co. Class A Common Stock, the Standard & Poor's (S&P) 500 Index and the National Association of Securities Dealers' Automated Quotation System (NASDAQ) United States Index.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN
W. H. BRADY CO. VERSUS PUBLISHED INDICES (S&P 500 AND NASDAQ-US)
FISCAL YEAR ENDING JULY 31,

	1992	1993	1994	1995	1996	1997
	----	----	----	----	----	----
Brady	\$100	\$103	\$142	\$214	\$200	\$274
S&P 500	\$100	\$109	\$114	\$144	\$168	\$256
NASDAQ-US	\$100	\$122	\$125	\$176	\$191	\$282

COMPENSATION OF DIRECTORS

Each director who is also an employee of the Company receives no additional compensation for service on the Board or on any committee of the Board. Directors who are not also employees of the Company receive an annual retainer of \$15,000 in addition to \$1,250 plus expenses for each meeting of the Board or any committee thereof which they attend.

TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

In May 1997, the Board approved Change in Control Agreements for certain of its executive officers including Mrs. Hudson, Messrs. Fisk, Schroeder and Hawke and Dr. Arnold. The agreements call for payment of an amount equal to two times the annual salary for Mrs. Hudson and Messrs. Fisk, Schroeder and Hawke, and payment of one time her annual salary for Dr. Arnold in the event of termination or resignation upon a change of control. The agreements also call for reimbursement of any excise taxes imposed and up to \$25,000 of attorney fees to enforce the executive's rights under the agreement. Payments under the agreements will be spread over two years for Mrs. Hudson and Messrs. Fisk, Schroeder and Hawke, and over one year for Dr. Arnold.

In May 1997, the Company created a Supplemental Executive Retirement Plan (SERP) for Mr. Fisk. The Plan calls for the Company to credit a deferred compensation account with \$200,000 on August 1 of each

year beginning August 1, 1997 to and including August 1, 2001, provided Mr. Fisk is employed by the Company as of each of those dates. Interest accrues on the balance in the account at the prime rate in effect on August 1 of each year, but not less than 6% nor more than 10% per annum.

The Company is required to pay Mr. Fisk the balance in the account over a ten year period beginning on August 1 of the year following his termination of employment with the Company. The first payment, and the nine succeeding payments, will equal one-tenth of the balance in the account. Succeeding payments will include interest credited to the account in the interim. The Company may make payments in some other manner provided the payments are neither smaller nor extend beyond such ten year period.

In fiscal 1994 the Company created a Supplemental Executive Retirement Plan (SERP) for Mrs. Hudson. The stated amount of the Plan until January 1, 1999 is \$500,000. The Company credited a deferred compensation account with the net present value of the stated amount in January 1994. The account is credited annually with the current year's increase in the net present value calculation. No interest accrues on the balance in the account until January 1, 1999. After that date, interest will accrue quarterly on the balance in the account at the prime rate in effect at the end of each calendar quarter.

The Company is required to pay Mrs. Hudson the balance in the account over a ten year period beginning January 2009. The first payment will be one-tenth of the balance in the account; the second one-ninth; and so on.

In the event of a change in control of the Company, Mrs. Hudson's SERP may accelerate and become payable in 30 days.

Restricted Stock

In August 1997, the Company granted restricted stock awards to certain key executives. Mrs. Hudson was awarded 50,000 shares of authorized but unissued Class A Common Stock and Messrs. Fisk, Schroeder and Hawke were awarded 25,000 shares each of authorized but unissued Class A Common Stock. The restricted stock awards granted Mrs. Hudson and Mr. Fisk vest on August 1, 2002. The restricted stock awards granted Mr. Schroeder and Mr. Hawke vest 75% on August 1, 2002, with the remaining 25% vesting on August 1, 2003. The executives have the right to receive any cash dividends payable on these shares.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 1997, the Board's Compensation Committee was composed of Messrs. Bemis, Lettenberger (until November 1996) and Peirce. None of these persons has at any time been an employee of the Company or any of its subsidiaries, although Mr. Lettenberger has been and remains Secretary of the Company. Mr. Lettenberger is a partner of Quarles & Brady, which is general counsel to the Company. There are no other relationships among the Company's executive officers, members of the Compensation Committee or entities whose executives serve on the Board that require disclosure under applicable SEC regulations.

PROFIT SHARING AND EMPLOYEE THRIFT PLAN

Substantially all Brady employees in the United States and certain expatriate employees working for its international subsidiaries are eligible to participate in the Company's Money Purchase and Employee Thrift Plan (the "BradyGold Plan"). Under this plan the Company agrees to contribute certain amounts to the BradyGold Plan to the extent of current earnings and profits, or, under certain circumstances, accumulated earnings of the Company. Under the BradyGold Plan, the Company first contributes 4% of the eligible earnings of each person covered by the BradyGold Plan. In addition, participants may elect to have their annual pay reduced by up to an additional 4% and to have the amount of this reduction contributed to the BradyGold Plan by the Company and matched by an additional, equal contribution by the Company. Participants may also elect to have their annual pay reduced by up to an additional 4% and to have the amount of this reduction contributed to the BradyGold Plan by the Company (without an additional matching contribution by the Company). The assets of the BradyGold Plan credited to each participant are invested by the BradyGold Plan trustee as directed in several investment funds as permitted by the BradyGold Plan. The

annual contributions and forfeitures allocated to any participant under all defined contribution plans may not exceed the lesser of \$30,000 or 25% of the participant's base compensation and bonuses. Benefits are generally payable upon the death, disability, or retirement of the participant or upon termination of employment before retirement, although benefits may also be withdrawn from the BradyGold Plan and paid to the participant if required for certain emergencies. Under certain specified circumstances, the BradyGold Plan allows loans to be drawn on a participant's account. The participant is immediately fully vested with respect to the contributions attributable to reductions in pay; all other contributions become fully vested after five years of service.

DEFERRED COMPENSATION ARRANGEMENTS

Directors, executive officers, corporate staff officers and certain key management employees of the Company are permitted to defer portions of their fees, salary and bonus and to invest the deferred amounts in "phantom stock" of the Company. "Phantom Stock" is not actual stock or rights to acquire stock in the Company, but it gives participants the right to share in increases in book value (as defined) of the common stock. At the end of each fiscal year, the deferred compensation balance (with interest) is credited to the purchase of phantom common stock at the then book value of the common stock of the Company, and is thereafter adjusted to reflect stock dividends and other dividends or distributions on the Company's Class A Common Stock.

Upon the retirement, disability, or death of participant, the Company is required to pay, each year for a period of ten years, a portion of the book value of the phantom stock determined by the book value of the corresponding number of common shares as of the end of each fiscal year. The first payment must be one-tenth of the book value; the second one-ninth; and so on, with the number of phantom shares reduced by the equivalent in book value of each payment.

If the participant's employment ends for reasons other than his retirement, disability or death, the book value of his phantom stock will be determined as of the end of the fiscal year following his termination of employment and he will receive one-tenth of such amount each year for a period of ten years, plus interest at a rate 2% less than the Company's short-term borrowing rate. At the request of the participant, the Company may make payments in larger installments or in a lump sum on a discounted or other basis.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's Compensation Committee (the "Committee") is composed entirely of outside directors and is responsible for considering and approving compensation arrangements for senior management of the Company, including the Company's executive officers and the chief executive officer. It is the philosophy of the Committee to establish a total executive compensation program which is competitive with a broad range of companies that it considers to be of comparable size and complexity.

The primary components of the Company's executive compensation program are (i) base salary, (ii) annual shareholder value enhancement plan cash bonuses and (iii) long term incentive compensation in the form of stock options and/or restricted stock. These are designed to align shareholder and management interests, to balance the achievement of annual performance targets with actions that focus on the long-term success of the Company, and to attract, motivate and retain key executives who are important to the continued success of the Company. Decisions made by the Committee relating to the base salary compensation and the annual cash incentive compensation plan are reviewed and approved by the full Board of Directors.

THE COMMITTEE BELIEVES THAT:

- The Company's pay levels are appropriately targeted to attract and retain key executives;
- The Company's incentive plan provides strong incentives for management to increase shareholder value; and
- The Company's total executive compensation program is a cost-effective strategy to increase shareholder value.

Base Salary

Consistent with the Committee's philosophy, base salaries are generally maintained at or modestly above competitive base salary levels. Competitive salary level is defined as the average base salary for similar responsibilities in a group of companies selected by the Committee that the Committee considers to be of comparable size and complexity. In setting base salaries for fiscal 1997, the Committee reviewed compensation survey data and was satisfied that the base salary levels set would achieve the Company's objectives. Specific increases reflect the Committee's subjective evaluation of individual performance.

Annual Shareholder Value Enhancement Plan

The shareholder value enhancement plan (the "Bonus Plan") provides for the annual payment of cash bonuses. When viewed together with the Company's base salary, the purpose of the Bonus Plan is to provide a balance between fixed compensation and variable, results-oriented compensation. The Bonus Plan is 90% objective. It stresses maximization of Company profitability and increasing shareholder value.

Stock Options

In May 1997, the Board approved the W. H. Brady Co. 1997 Omnibus Incentive Stock Plan and the W. H. Brady Co. 1997 Nonqualified Stock Option Plan for Non-Employee Directors (the "Option Plans") under which 2,000,000 shares and 125,000 shares, respectively, of Class A non-Voting Common Stock are available for grant. In 1989 the Board approved the W. H. Brady Co. 1989 Non-Qualified Stock Option Plan (the "Option Plan") under which 1,500,000 shares of Class A Non-Voting Common Stock were available for grant. The Option Plans assist directors, executive officers, corporate staff officers and key management employees in becoming shareholders with an important stake in the Company's future, aligning their personal financial interest with that of all shareholders. Stock options are typically granted annually and have a term of ten years. Generally the options become one-third exercisable one year after the date of the grant and one-third additional in each of the succeeding two years so that at the end of three years after the date of the grant they are fully exercisable. However, special retention options granted in May 1997 to Mrs. Hudson and Messrs. Fisk, Schroeder and Hawke have a five year cliff vesting. All grants under the Option Plans are at market price on the date of the grant and have value only if the price of W. H. Brady Co. Class A Common Stock, after the vesting requirement passes, has increased to a greater value than at the grant date.

Compliance with Tax Regulations Regarding Executive Compensation

Section 162(m) of the Internal Revenue Code, added by the Omnibus Budget Reconciliation Act of 1993, generally disallows a tax deduction to public companies for compensation over \$1 million paid to the corporation's chief executive officer and the other named executive officers. Qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Company's executive compensation program, as currently constructed, is not likely to generate non-deductible compensation in excess of these limits. The Compensation Committee will continue to review these evolving tax regulations as they apply to the Company's executive compensation program. It is the Compensation Committee's intent to preserve the deductibility of executive compensation to the extent reasonably practicable and to the extent consistent with its other compensation objectives.

Compensation of the Chief Executive Officer

Mrs. Hudson received \$390,149 in base salary in fiscal 1997, an increase of 14% over the prior year's base salary. She was paid a bonus attributable to fiscal 1997 of \$305,447, \$130,942 more than the prior year's bonus. The bonus was determined in accordance with the Company's objective Bonus Plan, discussed above. Mrs. Hudson's compensation reflects:

- (i) a sales increase of \$66,539,000, or 19%, a \$3,680,000, or 13%, increase in profits over similar amounts from the prior year; and a stock price increase of 36%, from \$21.75 to \$29.625
- (ii) the successful acquisition of Signals S.A. and the integration of last year's acquisitions

- (iii) continued focus on improved asset utilization (cash increased 33%; inventory increased 10%, less than the increase in sales)
- (iv) continued efforts to focus the Company's resources on sustainable value-enhancing long-term growth
- (v) continued improvement in intercompany teamwork.

During fiscal 1997, Mrs. Hudson was awarded options to purchase 230,000 shares of Class A Common Stock.

The Committee believes these awards are consistent with the objectives of the various plans and with the overall compensation policy of the Board of Directors.

The Compensation Committee believes the executive compensation programs and practices described above are competitive. They are designed to provide increased compensation with improved financial results and provide additional opportunity for capital accumulation, but only if shareholder value is increased.

Roger D. Peirce, Chairman
Richard A. Bemis

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(A) Security Ownership of Certain Beneficial Owners

The following table sets forth the current beneficial ownership of shareholders who are known by the Company to own five percent (5%) of any class of the Company's voting shares on September 30, 1997.

TITLE OF CLASS -----	NAME AND ADDRESS OF BENEFICIAL OWNER -----	AMOUNT OF BENEFICIAL OWNERSHIP -----	PERCENT OF OWNERSHIP -----
Class B Common Stock.....	William H. Brady, Jr.(1) Marital Trust c/o Quarles & Brady Attn: Peter J. Lettenberger 411 East Wisconsin Avenue Milwaukee, WI 53202 William H. Brady, Jr.(1)	1,574,866	89%
	Non-QTIP Marital Trust c/o Quarles & Brady Attn: Peter J. Lettenberger 411 East Wisconsin Avenue Milwaukee, WI 53202	194,448	11%

(1) The trustees of both trusts are Robert C. Buchanan, Irene B. Brady, Roger D. Peirce, Peter J. Lettenberger, and Richard A. Bemis, each of whom shares voting and dispositive power. The vested beneficiary is Irene B. Brady. The contingent remainder beneficiaries are William H. Brady, III and Elizabeth B. Lurie.

(B) Security Ownership of Management

The following table sets forth the current beneficial ownership of each class of equity securities of the Company by each Director or Nominee and by all Directors and Officers of the Company as a group as of September 30, 1997. Except as otherwise indicated, all shares are owned directly.

TITLE OF CLASS -----	NAME OF BENEFICIAL OWNER & NATURE OF BENEFICIAL OWNERSHIP -----	AMOUNT OF BENEFICIAL OWNERSHIP -----	PERCENT OF OWNERSHIP -----
Class A Common Stock.....	Peter J. Lettenberger(1) (2) (3)	3,357,958	16.6%
	Richard A. Bemis(1) (4)	2,619,171	13.0%
	Robert C. Buchanan(1) (5)	2,620,471	13.0%
	Roger D. Peirce(1) (6)	2,618,171	13.0%
	Katherine M. Hudson(7)	195,230	1.0%
	Gary R. Nei	4,500	* %
	Frank W. Harris	2,533	* %
	All Officers and Directors as a Group (15 persons) (8)	3,826,839	19.0%
Class B Common Stock.....	Peter J. Lettenberger(1)	1,769,314	100 %
	Robert C. Buchanan(1)	1,769,314	100 %
	Roger D. Peirce(1)	1,769,314	100 %
	Richard A. Bemis(1)	1,769,314	100 %
	All Officers and Directors as a Group	1,769,314	100 %
6% Cumulative Preferred Stock.....	Peter J. Lettenberger(1) (2)	2,751	69.1%
	Robert C. Buchanan(1)	1,920	48.2%
	Roger D. Peirce(1)	1,920	48.2%
	Richard A. Bemis(1)	1,920	48.2%
	All Officers and Directors as a Group	2,751	69.1%
10% Cumulative 1979 Series Preferred Stock.....	Peter J. Lettenberger(2)	5,529	25.2%
	All Officers and Directors as a Group	5,529	25.2%
6% Cumulative 1972 Series Preferred Stock.....	Peter J. Lettenberger(2)	2,600	100 %
	All Officers and Directors as a Group(2)	2,600	100 %

* Indicates less than one-tenth of one percent

(1) The amount shown includes shares held directly by the William H. Brady, Jr. Marital Trust (the "Marital Trust") and the William H. Brady, Jr. Non-QTIP Marital Trust (the "Non-QTIP Trust") (collectively, the "Trusts"). The Marital Trust owns 1,744,325 shares of Class A Common Stock, 1,574,866 shares of Class B Common Stock, and 1,709 shares of 6% Cumulative Preferred Stock. The Non-QTIP Trust owns 870,846 shares of Class A Common Stock, 194,448 shares of Class B Common Stock, and 211 shares of 6% Cumulative Preferred Stock. The Trustees of both Trusts are Irene B. Brady, Robert C. Buchanan, Roger D. Peirce, Peter J. Lettenberger, and Richard A. Bemis, each of whom shares voting and dispositive power. All of the Trustees except Irene B. Brady disclaim beneficial ownership of these shares. Irene B. Brady is the widow of William H. Brady, Jr. and the vested beneficiary of the Marital Trust.

(2) Peter J. Lettenberger is a director of the W.H. Brady Foundation, Inc. (the "Foundation") which owns 5,529 shares of the 1979 Series, Cumulative Stock, 763 shares of the 6% Cumulative Preferred Stock and 2,600 shares of the 6% Cumulative Preferred Stock, 1972 Series. Mr. Lettenberger is also a trustee of the Irene B. Brady Revocable Trust of 1986 (the "1986 Trust"), which owns 737,823 shares of Class A Common Stock and 68 shares of 6% Cumulative Preferred Stock. He disclaims beneficial ownership of shares held by the Foundation and the 1986 Trust.

- (3) In addition to shares beneficially owned as a trustee of the Trusts and the 1986 Trust and as a director of the Foundation, Mr. Lettenberger owns directly 4,964 shares of Class A Common Stock.
- (4) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Bemis owns 4,000 shares of Class A Common Stock directly.
- (5) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Buchanan owns directly 1,800 shares of Class A Common Stock, 2,000 additional shares through his Keogh plan, and 1,500 additional shares as trustee of a trust.
- (6) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Peirce owns 1,500 shares of Class A Common Stock directly, and 1,500 shares through his Keogh plan.
- (7) Mrs. Hudson owns 56,230 shares of Class A Common Stock directly and holds vested options to acquire an additional 139,000 shares of Class A Common Stock.
- (8) The amount shown for all officers and directors as a group (15 persons) includes options to acquire a total of 314,783 shares of Class A Common Stock which are currently exercisable or will be exercisable within 60 days of September 30, 1997. It does not include other options for Class A Common Stock which have been granted at later dates.

(C) Changes in Control

No arrangements are known to the Company which may, at a subsequent date, result in a change in control of the Company.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14 EXHIBITS, FINANCIAL STATEMENT SCHEDULE, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1) The consolidated financial statements, together with the Independent Auditors' Report thereon of Deloitte & Touche LLP, presented on Pages 19 through 30 of the Company's 1997 Annual Report is incorporated herein by reference.

2) Consolidated Financial Statement Schedule --

Schedule II Valuation and Qualifying Accounts

Independent Auditors' Report on Financial Statement Schedule

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

3) Exhibits -- See Exhibit Index at page IV-2 of this Form 10-K.

(b) Reports on Form 8-K.

None

IV-1

EXHIBIT INDEX

EXHIBIT NUMBER -----	DESCRIPTION -----
3.1	Restated Articles of Incorporation of W.H. Brady Co.(1)
3.2	By-laws of W.H. Brady Co., as amended.(2)
10.2	W.H. Brady Co. BradyGold Plan, as amended.(2)
10.3	Executive Additional Compensation Plan, as amended.(2)
10.4	Form of Executive's Deferred Compensation Agreement, as amended.(2)
10.5	Forms of Director's Deferred Compensation Agreement, as amended.(2)
10.6	W.H. Brady Co. 1989 Non-Qualified Stock Option Plan.(4)
10.7	Shareholder Value Enhancement (SVE) Plan.(6)
10.9	W.H. Brady Co. Automatic Dividend Reinvestment Plan.(4)
10.10	Supplemental Executive Retirement Plan between W. H. Brady Co. and Katherine M. Hudson.(5)
10.12	W.H. Brady Co. 1997 Omnibus Incentive Stock Plan.(7)
10.13	W.H. Brady Co. 1997 Nonqualified Stock Option Plan for Non-Employee Directors.(7)
10.14	Change of Control Agreement dated May 13, 1997 between W. H. Brady Co. and Katherine M. Hudson.(7)
10.15	Change of Control Agreement dated May 13, 1997 between W. H. Brady Co. and David W. Schroeder.(7)
10.16	Change of Control Agreement dated May 13, 1997 between W.H. Brady Co. and Richard L. Fisk.(7)
10.17	Change of Control Agreement dated May 13, 1997 between W.H. Brady Co. and David R. Hawke.(7)
10.18	Change of Control Agreement dated May 13, 1997 between W.H. Brady Co. and Mary T. Arnold.(7)
10.19	Supplemental Executive Retirement Plan dated May 14, 1997 between W.H. Brady Co. and Richard L. Fisk.(7)
10.20	Restricted Stock Agreement dated August 1, 1997 between W.H. Brady Co. and Katherine M. Hudson
10.21	Restricted Stock Agreement dated August 1, 1997 between W.H. Brady Co. and Richard L. Fisk
10.22	Restricted Stock Agreement dated August 1, 1997 between W.H. Brady Co. and David W. Schroeder
10.23	Restricted Stock Agreement dated August 1, 1997 between W.H. Brady Co. and David R. Hawke
13.1	Annual Report to Shareholders for year ended July 31, 1997.
18.1	Letter regarding change in accounting method.(3)
21.1	Subsidiaries of W.H. Brady Co.
23.1	Consent of Deloitte & Touche LLP, Independent Auditor.
27.1	Financial Data Schedule

-
- (1) Incorporated by reference to Registrant's Registration Statement No. 333-04155 on Form S-3.
 - (2) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1989.
 - (3) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 1989.
 - (4) Incorporated by reference to Registrant's Annual Report on form 10-K for the fiscal year ended July 31, 1992.
 - (5) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1994.
 - (6) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1995.
 - (7) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1997

W.H. BRADY CO. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	YEAR ENDED JULY 31,		
	1997	1996	1995
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
Valuation accounts deducted in balance sheet from assets to which they apply --			
Accounts receivable -- allowance for losses:			
Balances at beginning of period.....	\$1,992	\$1,881	\$1,565
Additions -- Charged to expense.....	663	367	463
Due to acquired businesses.....	87	130	--
Deductions -- Bad debts written off, net of recoveries.....	(501)	(386)	(147)
	-----	-----	-----
Balances at end of period.....	\$2,241	\$1,992	\$1,881
	=====	=====	=====

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
W.H. Brady Co.:

We have audited the consolidated financial statements of W.H. Brady Co. and subsidiaries as of July 31, 1997 and 1996 and for each of the three years in the period ended July 31, 1997, and have issued our report thereon dated September 8, 1997; such financial statements and report are included in your 1997 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of W.H. Brady Co. and subsidiaries, listed in Item 14. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin
September 8, 1997

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this twenty-fourth day of October, 1997.

W.H. BRADY CO.

By /s/ F. M. JAEHNERT

F. M. Jaehnert
Vice President & Chief Financial
Officer
(Principal Accounting Officer)
(Principal Financial Officer)

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

/s/ K. M. HUDSON

President and Director

(Principal Executive Officer)

October 24, 1997

K. M. Hudson

/s/ P. J. LETTENBERGER

Director

October 24, 1997

P. J. Lettenberger

/s/ R. A. BEMIS

Director

October 24, 1997

R. A. Bemis

Director

F. W. Harris

Director

R. C. Buchanan

/s/ R. D. PEIRCE

Director

October 24, 1997

R. D. Peirce

Director

G. E. Nei

W. H. BRADY CO.

RESTRICTED STOCK AGREEMENT

(AUGUST 1, 1997)

W. H. Brady Co. (the "Company"), a Wisconsin corporation, hereby grants to Katherine M. Hudson (the "Employee") a Restricted Stock Award (the "Award") with respect to 50,000 shares (the "Shares") of the authorized but unissued Class A Common Stock, \$.01 par value, of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Restrictions. Subject to Section 2 below, the restrictions on the Shares shall lapse, and the Shares shall vest, on August 1, 2002 (the "Vesting Date"), provided that the Employee remains an employee of the Company (or a subsidiary or affiliate) during the entire period (the "Restriction Period") commencing on the Date of Award set forth above and ending on the Vesting Date.

2. Termination of Employment, Etc., During Restriction Period. A. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to death or disability, the Shares shall become unrestricted and fully vested as follows:

If Death or Disability Occurs	August 1, 1998- July 31, 1999 -----	August 1, 1999- July 31, 2000 -----	August 1, 2000- July 31, 2001 -----	August 1, 2001- July 31, 2002 -----	August 1, 2002 -----
Percentage of Shares Vested	10%	25%	50%	75%	100%

For purposes of this Agreement, "Disability" means that the Employee is disabled as a result of sickness or injury, such that she is unable to satisfactorily perform the material duties of her job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it.

B. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to a change in control, the shares shall become unrestricted and fully vested.

For purposes of this Agreement, a "Change of Control" shall occur if any person or group of persons (as defined in Section 13(d)(3) of the Securities and Exchange Act of 1934) other than the members of the family of William H. Brady, Jr. and their descendants, or trusts for their benefit, and the W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

For purposes of this Agreement, a termination due to Change of Control shall occur if within the 12 month period beginning with the date a Change of Control occurs (i) the Employee's employment with the Company is involuntarily terminated (other than by reason of death, disability or cause) or (ii) the Employee's employment with the Company is voluntarily terminated by the Employee subsequent to (A) a 10% or more diminution in the total of the

Employee's annual base salary (exclusive of fringe benefits) and the Employee's target bonus in comparison with the Employee's total of annual base salary and target bonus immediately prior to the date the Change of Control occurs, (B) a significant diminution in the responsibilities or authority of the Employee in comparison with the Employee's responsibility and authority immediately prior to the date the Change of Control occurs or (C) the imposition of a requirement by the Company that the Employee relocate to a principal work location more than 50 miles from the Employee's principal work location immediately prior to the date the Change of Control occurs.

For purposes of this Agreement, Cause means (i) the Employee's willful and continued failure to substantially perform the Employee's duties with the Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Employee by the Company which specifically identifies the manner in which the Company believes the Employee has not substantially performed and a reasonable time to cure has transpired, (ii) the Employee's conviction of (or plea of nolo contendere for the commission of) a felony, or (iii) the Employee's commission of an act of dishonesty or of any willful act of misconduct which results in or could reasonably be expected to result in significant injury (monetarily or otherwise) to the Company, as determined in good faith by the Board of Directors of the Company.

C. In the event of (a) the merger or consolidation of the Company with or into another corporation or corporations in which the Company is not the surviving corporation, (b) the adoption of any plan for the dissolution of the Company, or (c) the sale or exchange of all or substantially all the assets of the Company for cash or for shares of stock or other securities of another corporation, all restrictions imposed on any then-Restricted Stock shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such event in which the Company is not the surviving corporation.

D. If the lapsing of the restrictions, other than under paragraph 2.C., would result in disallowance of any portion of the Company's deduction therefore under Section 162(m) of the Internal Revenue Code, the restrictions shall lapse only as to those shares for which the amount is deductible, with the balance to lapse as soon as deductible by the Company. However, in such event, the Company shall pay the Employee on a quarterly basis an amount of interest based on the prime rate recomputed each quarter and the value as of each quarter of the shares as to which such restriction has not lapsed.

E. If the lapsing of the restrictions would result in any excise tax to the Employee as a result of Section 280(G) of the Code, the Company shall pay the Employee an amount equal to such excise tax.

3. Dividend Rights. The Employee shall have the right to receive any cash dividends otherwise payable with respect to the Shares, as paid, and the Employee shall have all other rights as holder of such Shares, provided, however, the Company shall retain custody of all stock certificates representing shares as to which such restriction has not lapsed.

4. Transfer Restrictions. This Award and the Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Shares shall be forfeited.

5. Withholding Taxes. The Company may require payment of or withhold any tax which it believes is payable as a result of the Shares becoming unrestricted and fully vested, and the Company may defer making delivery with respect to Shares until arrangements satisfactory to the Company have been made with regard to any such withholding obligations. In lieu of part or all of any such payment, the Employee, in satisfaction of all withholding taxes (including, without limitation, Federal income, FICA (Social Security and Medicare) and any state and local income taxes) payable as a result of such vesting, may elect, subject to such rules and regulations as the Company may adopt from time to time,

to have the Company withhold that number of Shares (valued at Fair Market Value on the date of vesting and rounded upward) required to settle such withholding taxes.

6. Death of Employee. If any of the Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee unless the Company shall have theretofore received in writing a beneficiary designation, in which event they shall be registered in the name of the designated beneficiary.

7. Adjustment of Shares. The terms and provisions of this Award (including, without limitation, the terms and provisions relating to the number and class of shares subject to this Award) shall be subject to appropriate adjustment in the event of any recapitalization, merger, consolidation, disposition of property or stock, separation, reorganization, stock dividend, issuance of rights, combination or split-up or exchange of shares, or the like.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of August 1, 1997.

W. H. BRADY CO.

By: Katherine M. Hudson

Attest: Peter J. Lettenberger

Secretary

W. H. BRADY CO.

RESTRICTED STOCK AGREEMENT

(AUGUST 1, 1997)

W. H. Brady Co. (the "Company"), a Wisconsin corporation, hereby grants to Richard L. Fisk (the "Employee") a Restricted Stock Award (the "Award") with respect to 25,000 shares (the "Shares") of the authorized but unissued Class A Common Stock, \$.01 par value, of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Restrictions. Subject to Section 2 below, the restrictions on the Shares shall lapse, and the Shares shall vest, on August 1, 2002 (the "Vesting Date"), provided that the Employee remains an employee of the Company (or a subsidiary or affiliate) during the entire period (the "Restriction Period) commencing on the Date of Award set forth above and ending on the Vesting Date.

2. Termination of Employment, Etc., During Restriction Period. A. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to death or disability, the Shares shall become unrestricted and fully vested as follows:

If Death or Disability Occurs	August 1, 1998- July 31, 1999 -----	August 1, 1999- July 31, 2000 -----	August 1, 2000- July 31, 2001 -----	August 1, 2001- July 31, 2002 -----	August 1, 2002 -----
Percentage of Shares Vested	10%	25%	50%	75%	100%

For purposes of this Agreement, "Disability" means that the Employee is disabled as a result of sickness or injury, such that he is unable to satisfactorily perform the material duties of his job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it.

B. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to a change in control, the shares shall become unrestricted and fully vested.

For purposes of this Agreement, a "Change of Control" shall occur if any person or group of persons (as defined in Section 13(d) (3) of the Securities and Exchange Act of 1934) other than the members of the family of William H. Brady, Jr. and their descendants, or trusts for their benefit, and the W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

For purposes of this Agreement, a termination due to Change of Control shall occur if within the 12 month period beginning with the date a Change of Control occurs (i) the Employee's employment with the Company is involuntarily terminated (other than by reason of death, disability or cause) or (ii) the Employee's employment with the Company is voluntarily terminated by the Employee

subsequent to (A) a 10% or more diminution in the total of the Employee's annual base salary (exclusive of fringe benefits) and the Employee's target bonus in comparison with the Employee's total of annual base salary and target bonus immediately prior to the date the Change of Control occurs, (B) a significant diminution in the responsibilities or authority of the Employee in comparison with the Employee's responsibility and authority immediately prior to the date the Change of Control occurs or (C) the imposition of a requirement by the Company that the Employee relocate to a principal work location more than 50 miles from the Employee's principal work location immediately prior to the date the Change of Control occurs.

For purposes of this Agreement, Cause means (i) the Employee's willful and continued failure to substantially perform the Employee's duties with the Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Employee by the Company which specifically identifies the manner in which the Company believes the Employee has not substantially performed and a reasonable time to cure has transpired, (ii) the Employee's conviction of (or plea of nolo contendere for the commission of) a felony, or (iii) the Employee's commission of an act of dishonesty or of any willful act of misconduct which results in or could reasonably be expected to result in significant injury (monetarily or otherwise) to the Company, as determined in good faith by the Board of Directors of the Company.

C. In the event of (a) the merger or consolidation of the Company with or into another corporation or corporations in which the Company is not the surviving corporation, (b) the adoption of any plan for the dissolution of the Company, or (c) the sale or exchange of all or substantially all the assets of the Company for cash or for shares of stock or other securities of another corporation, all restrictions imposed on any then-Restricted Stock shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such event in which the Company is not the surviving corporation.

D. If the lapsing of the restrictions, other than under paragraph 2.C., would result in disallowance of any portion of the Company's deduction therefore under Section 162(m) of the Internal Revenue Code, the restrictions shall lapse only as to those shares for which the amount is deductible, with the balance to lapse as soon as deductible by the Company. However, in such event, the Company shall pay the Employee on a quarterly basis an amount of interest based on the prime rate recomputed each quarter and the value as of each quarter of the shares as to which such restriction has not lapsed.

E. If the lapsing of the restrictions would result in any excise tax to the Employee as a result of Section 280(G) of the Code, the Company shall pay the Employee an amount equal to such excise tax.

3. Dividend Rights. The Employee shall have the right to receive any cash dividends otherwise payable with respect to the Shares, as paid, and the Employee shall have all other rights as holder of such Shares, provided, however, the Company shall retain custody of all stock certificates representing shares as to which such restriction has not lapsed.

4. Transfer Restrictions. This Award and the Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Shares shall be forfeited.

5. Withholding Taxes. The Company may require payment of or withhold any tax which it believes is payable as a result of the Shares becoming unrestricted and fully vested, and the Company may defer making delivery with respect to Shares until arrangements satisfactory to the Company have been made with regard to any such withholding obligations. In lieu of part or all of any such payment, the Employee, in satisfaction of all withholding taxes (including, without limitation, Federal income, FICA (Social Security and Medicare) and any state and local income taxes) payable as a result of such vesting, may elect, subject to such rules and regulations as the Company may adopt from time to time, to have the Company withhold that number of Shares (valued at Fair Market Value on the date of vesting and rounded upward) required to settle such withholding taxes.

6. Death of Employee. If any of the Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee unless the Company shall have theretofore received in writing a beneficiary designation, in which event they shall be registered in the name of the designated beneficiary.

7. Adjustment of Shares. The terms and provisions of this Award (including, without limitation, the terms and provisions relating to the number and class of shares subject to this Award) shall be subject to appropriate adjustment in the event of any recapitalization, merger, consolidation, disposition of property or stock, separation, reorganization, stock dividend, issuance of rights, combination or split-up or exchange of shares, or the like.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of August 1, 1997.

W. H. BRADY CO.

By: Katherine M. Hudson

Attest: Peter J. Lettenberger

Secretary

W. H. BRADY CO.

RESTRICTED STOCK AGREEMENT

(AUGUST 1, 1997)

W. H. Brady Co. (the "Company"), a Wisconsin corporation, hereby grants to David W. Schroeder (the "Employee") a Restricted Stock Award (the "Award") with respect to 25,000 shares (the "Shares") of the authorized but unissued Class A Common Stock, \$.01 par value, of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Restrictions. Subject to Section 2 below, the restrictions on the Shares shall lapse, and the Shares shall vest to the extent of 75%, on August 1, 2002 and to the extent of the remaining 25% on August 1, 2003 (the "Vesting Dates"), provided that the Employee remains an employee of the Company (or a subsidiary or affiliate) during the entire period (the "Restriction Period") commencing on the Date of Award set forth above and ending on the respective Vesting Dates.

2. Termination of Employment, Etc., During Restriction Period. A. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to death or disability, the Shares shall become unrestricted and fully vested as follows:

If Death or

Disability Occurs	August 1, 1998- July 31, 1999 -----	August 1, 1999- July 31, 2000 -----	August 1, 2000- July 31, 2001 -----	August 1, 2001- July 31, 2002 -----	August 1, 2002 -----
Percentage of Shares Vested	10%	25%	50%	75%	100%

For purposes of this Agreement, "Disability" means that the Employee is disabled as a result of sickness or injury, such that he is unable to satisfactorily perform the material duties of his job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it.

B. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to a change in control, the shares shall become unrestricted and fully vested.

For purposes of this Agreement, a "Change of Control" shall occur if any person or group of persons (as defined in Section 13(d)(3) of the Securities and Exchange Act of 1934) other than the members of the family of William H. Brady, Jr. and their descendants, or trusts for their benefit, and the W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

For purposes of this Agreement, a termination due to Change of Control shall occur if within the 12 month period beginning with the date a Change of Control occurs (i) the Employee's employment with the Company is involuntarily terminated (other than by reason of death, disability or cause) or (ii) the Employee's employment with the Company is voluntarily terminated by the Employee

subsequent to (A) a 10% or more diminution in the total of the Employee's annual base salary (exclusive of fringe benefits) and the Employee's target bonus in comparison with the Employee's total of annual base salary and target bonus immediately prior to the date the Change of Control occurs, (B) a significant diminution in the responsibilities or authority of the Employee in comparison with the Employee's responsibility and authority immediately prior to the date the Change of Control occurs or (C) the imposition of a requirement by the Company that the Employee relocate to a principal work location more than 50 miles from the Employee's principal work location immediately prior to the date the Change of Control occurs.

For purposes of this Agreement, Cause means (i) the Employee's willful and continued failure to substantially perform the Employee's duties with the Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Employee by the Company which specifically identifies the manner in which the Company believes the Employee has not substantially performed and a reasonable time to cure has transpired, (ii) the Employee's conviction of (or plea of nolo contendere for the commission of) a felony, or (iii) the Employee's commission of an act of dishonesty or of any willful act of misconduct which results in or could reasonably be expected to result in significant injury (monetarily or otherwise) to the Company, as determined in good faith by the Board of Directors of the Company.

C. In the event of (a) the merger or consolidation of the Company with or into another corporation or corporations in which the Company is not the surviving corporation, (b) the adoption of any plan for the dissolution of the Company, or (c) the sale or exchange of all or substantially all the assets of the Company for cash or for shares of stock or other securities of another corporation, all restrictions imposed on any then-Restricted Stock shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such event in which the Company is not the surviving corporation.

D. If the lapsing of the restrictions, other than under paragraph 2.C., would result in disallowance of any portion of the Company's deduction therefore under Section 162(m) of the Internal Revenue Code, the restrictions shall lapse only as to those shares for which the amount is deductible, with the balance to lapse as soon as deductible by the Company. However, in such event, the Company shall pay the Employee on a quarterly basis an amount of interest based on the prime rate recomputed each quarter and the value as of each quarter of the shares as to which such restriction has not lapsed.

E. If the lapsing of the restrictions would result in any excise tax to the Employee as a result of Section 280(G) of the Code, the Company shall pay the Employee an amount equal to such excise tax.

3. Dividend Rights. The Employee shall have the right to receive any cash dividends otherwise payable with respect to the Shares, as paid, and the Employee shall have all other rights as holder of such Shares, provided, however, the Company shall retain custody of all stock certificates representing shares as to which such restriction has not lapsed.

4. Transfer Restrictions. This Award and the Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Shares shall be forfeited.

5. Withholding Taxes. The Company may require payment of or withhold any tax which it believes is payable as a result of the Shares becoming unrestricted and fully vested, and the Company may defer making delivery with respect to Shares until arrangements satisfactory to the Company have been made with regard to any such withholding obligations. In lieu of part or all of any such payment, the Employee, in satisfaction of all withholding taxes (including, without limitation, Federal income, FICA (Social Security and Medicare) and any state and local income taxes) payable as a result of such vesting, may elect, subject to such rules and regulations as the Company may adopt from time to time, to have the Company withhold that number of Shares (valued at Fair Market Value on the date of vesting and rounded upward) required to settle such withholding taxes.

6. Death of Employee. If any of the Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee unless the Company shall have theretofore received in writing a beneficiary designation, in which event they shall be registered in the name of the designated beneficiary.

7. Adjustment of Shares. The terms and provisions of this Award (including, without limitation, the terms and provisions relating to the number and class of shares subject to this Award) shall be subject to appropriate adjustment in the event of any recapitalization, merger, consolidation, disposition of property or stock, separation, reorganization, stock dividend, issuance of rights, combination or split-up or exchange of shares, or the like.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of August 1, 1997.

W. H. BRADY CO.

By: Katherine M. Hudson

Attest: Peter J. Lettenberger

Secretary

W. H. BRADY CO.

RESTRICTED STOCK AGREEMENT

(AUGUST 1, 1997)

W. H. Brady Co. (the "Company"), a Wisconsin corporation, hereby grants to David R. Hawke (the "Employee") a Restricted Stock Award (the "Award") with respect to 25,000 shares (the "Shares") of the authorized but unissued Class A Common Stock, \$.01 par value, of the Company (the "Common Stock"), all in accordance with and subject to the following terms and conditions:

1. Restrictions. Subject to Section 2 below, the restrictions on the Shares shall lapse, and the Shares shall vest to the extent of 75%, on August 1, 2002 and to the extent of the remaining 25% on August 1, 2003 (the "Vesting Dates"), provided that the Employee remains an employee of the Company (or a subsidiary or affiliate) during the entire period (the "Restriction Period") commencing on the Date of Award set forth above and ending on the respective Vesting Dates.

2. Termination of Employment, Etc., During Restriction Period. A. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to death or disability, the Shares shall become unrestricted and fully vested as follows:

If Death or Disability Occurs	August 1, 1998- July 31, 1999	August 1, 1999- July 31, 2000	August 1, 2000- July 31, 2001	August 1, 2001- July 31, 2002	August 1, 2002- July 31, 2003	August 1, 2003
-----	-----	-----	-----	-----	-----	-----
Percentage of Shares Vested	10%	20%	30%	50%	75%	100%

For purposes of this Agreement, "Disability" means that the Employee is disabled as a result of sickness or injury, such that he is unable to satisfactorily perform the material duties of his job, as determined by the Board of Directors, on the basis of medical evidence satisfactory to it.

B. In the event of the termination of the Employee's employment with the Company (and any subsidiary or affiliate) prior to the end of the Restriction Period due to a change in control, the shares shall become unrestricted and fully vested.

For purposes of this Agreement, a "Change of Control" shall occur if any person or group of persons (as defined in Section 13(d)(3) of the Securities and Exchange Act of 1934) other than the members of the family of William H. Brady, Jr. and their descendants, or trusts for their benefit, and the W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

For purposes of this Agreement, a termination due to Change of Control shall occur if within the 12 month period beginning with the date a Change of Control occurs (i) the Employee's employment with the Company is involuntarily terminated (other than by reason of death, disability or cause) or (ii) the Employee's employment with the Company is voluntarily terminated by the Employee subsequent to (A) a 10% or more diminution in the total of the

Employee's annual base salary (exclusive of fringe benefits) and the Employee's target bonus in comparison with the Employee's total of annual base salary and target bonus immediately prior to the date the Change of Control occurs, (B) a significant diminution in the responsibilities or authority of the Employee in comparison with the Employee's responsibility and authority immediately prior to the date the Change of Control occurs or (C) the imposition of a requirement by the Company that the Employee relocate to a principal work location more than 50 miles from the Employee's principal work location immediately prior to the date the Change of Control occurs.

For purposes of this Agreement, Cause means (i) the Employee's willful and continued failure to substantially perform the Employee's duties with the Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Employee by the Company which specifically identifies the manner in which the Company believes the Employee has not substantially performed and a reasonable time to cure has transpired, (ii) the Employee's conviction of (or plea of nolo contendere for the commission of) a felony, or (iii) the Employee's commission of an act of dishonesty or of any willful act of misconduct which results in or could reasonably be expected to result in significant injury (monetarily or otherwise) to the Company, as determined in good faith by the Board of Directors of the Company.

C. In the event of (a) the merger or consolidation of the Company with or into another corporation or corporations in which the Company is not the surviving corporation, (b) the adoption of any plan for the dissolution of the Company, or (c) the sale or exchange of all or substantially all the assets of the Company for cash or for shares of stock or other securities of another corporation, all restrictions imposed on any then-Restricted Stock shall terminate (such that any Restricted Stock shall become fully transferable) immediately prior to any such event in which the Company is not the surviving corporation.

D. If the lapsing of the restrictions, other than under paragraph 2.C., would result in disallowance of any portion of the Company's deduction therefore under Section 162(m) of the Internal Revenue Code, the restrictions shall lapse only as to those shares for which the amount is deductible, with the balance to lapse as soon as deductible by the Company. However, in such event, the Company shall pay the Employee on a quarterly basis an amount of interest based on the prime rate recomputed each quarter and the value as of each quarter of the shares as to which such restriction has not lapsed.

E. If the lapsing of the restrictions would result in any excise tax to the Employee as a result of Section 280(G) of the Code, the Company shall pay the Employee an amount equal to such excise tax.

3. Dividend Rights. The Employee shall have the right to receive any cash dividends otherwise payable with respect to the Shares, as paid, and the Employee shall have all other rights as holder of such Shares, provided, however, the Company shall retain custody of all stock certificates representing shares as to which such restriction has not lapsed.

4. Transfer Restrictions. This Award and the Shares (until they become unrestricted pursuant to the terms hereof) are non-transferable and may not be assigned, pledged or hypothecated and shall not be subject to execution, attachment or similar process. Upon any attempt to effect any such disposition, or upon the levy of any such process, the Award shall immediately become null and void and the Shares shall be forfeited.

5. Withholding Taxes. The Company may require payment of or withhold any tax which it believes is payable as a result of the Shares becoming unrestricted and fully vested, and the Company may defer making delivery with respect to Shares until arrangements satisfactory to the Company have been made with regard to any such withholding obligations. In lieu of part or all of any such payment, the Employee, in satisfaction of all withholding taxes (including, without limitation, Federal income, FICA (Social Security and Medicare) and any state and local income taxes) payable as a result of such vesting, may elect, subject to such rules and regulations as the Company may adopt from time to time,

to have the Company withhold that number of Shares (valued at Fair Market Value on the date of vesting and rounded upward) required to settle such withholding taxes.

6. Death of Employee. If any of the Shares shall vest upon the death of the Employee, they shall be registered in the name of the estate of the Employee unless the Company shall have theretofore received in writing a beneficiary designation, in which event they shall be registered in the name of the designated beneficiary.

7. Adjustment of Shares. The terms and provisions of this Award (including, without limitation, the terms and provisions relating to the number and class of shares subject to this Award) shall be subject to appropriate adjustment in the event of any recapitalization, merger, consolidation, disposition of property or stock, separation, reorganization, stock dividend, issuance of rights, combination or split-up or exchange of shares, or the like.

IN WITNESS WHEREOF, this Restricted Stock Agreement has been duly executed as of August 1, 1997.

W. H. BRADY CO.

By: Katherine M. Hudson

Attest: Peter J. Lettenberger

W.H. Brady Co.
Annual Report 1997

Solutions

Brady's Global Groups

Identification Systems & Specialty Tapes Group develops, manufactures and markets high-performance adhesive and topcoated materials, industrial labels, software, printers, label applicators and data-collection systems as well as a variety of precision die-cut and slit materials which are used in everything from cellular phones to semiconductors.

Graphics Group develops, manufactures and markets safety and facility identification products such as signs, pipe markers, lockout/ tagout devices, portable printing systems and tapes as well as various wide-format digital printing systems and materials for everyday presentation and professional graphics markets.

Direct Marketing Group markets more than 20,000 custom-manufactured and stock safety and facility identification products through telemarketing, catalogs and the Internet. The group serves a variety of customers internationally with its broad product line, rapid response and regulatory expertise.

W.H. Brady Co. Locations

United States
W.H. Brady Co.
Brady Financial Co.
Brady International Co.
Brady Precision Tape Co.
Brady Service Co.
Brady USA, Inc.
6555 West Good Hope Road
Milwaukee, WI 53223

Brady Investment Co.
2756 N. Green Valley Parkway
Suite 313
Henderson, NV 89014

Seton
20 Thompson Road
Branford, CT 06405

Varitronic Systems, Inc.
6835 Winnetka Circle
Brooklyn Park, MN 55428

Australia

W.H. Brady Pty. Ltd.
Seton Australia Pty. Ltd.
2 Pat Devlin Close
Chipping Norton
NSW 2170, Australia

Belgium
W.H. Brady N.V.
Industriepark
Lindestraat 20
B9240 Zele, Belgium

Brazil
W.H.B. do Brasil Ltda.
Centro Empresarial Alphaville
Av. Juru, 105- Modulo 4
06455-908-Barueri
Sao Paulo, Brazil

Canada
W.H.B. Identification Solutions, Inc.
56 Leek Crescent
Richmond Hill
Ontario L4B 1H1, Canada

England
Brady Graphic Solutions Limited
Summit House
Brooklands Close
Sunbury on Thames
Middlesex TW16 7EH, England

Seton Limited
Canada Close
Banbury, Oxon
OX16 7RT, England

W.H. Brady Co. Ltd.
Wildmere Industrial Estate
Banbury, Oxfordshire
OX16 7JU, England

France
Seton S.A.
214 Boulevard de Fourmies
59100 Roubaix, France

Signals S.A.
Rond Point de la Republique

Z.I. de la Rochelle
17187 Perigny Cedex, France

W.H. Brady S.A.R.L.
2 Place Marcel Rebuffat
BP 362 Parc de Villejust
91959 Les Ulis Cedex, France

Germany
Seton GmbH
Otto-Hahn-Str. 5-7
63222 Langen, Germany

W.H. Brady GmbH
Lagerstrabe 13
D-64807 Dieburg, Germany

Hong Kong
W.H. Brady Asia-Pacific Pte. Ltd
Unit 1803-04, 18/F
CRE Centre
889 Cheung Sha Wan Road
Kowloon, Hong Kong

Italy
Brady Italia
Seton Italia, Srl
Via Luigi Lazzaroni 7
21047 Saronno VA, Italy

Japan
Nippon Brady K.K.
Sumitomo Fudosan Shin
Yokohama Bldg.
8F 2-5-5 Shin Yokohama
Kohoku-ku, Yokohama
Kanagawa 222, Japan

Malaysia
W.H. Brady Asia-Pacific Pte. Ltd.
15, 1st Floor, Lorong Mayang Pasir 5
Bayan Baru 11950
Penang, Malaysia

Republic of Korea
W.H. Brady Korea Co., Ltd.
130-8 Dongan-Ri
Okcheon-Eup
Okcheon-Gun, Chung Buk

373-800, Korea

Singapore
 W.H. Brady Asia-Pacific Pte. Ltd.
 W.H. Brady Pte. Ltd.
 55 Ayer Rajah
 Crescent #03-25
 Ayer Rajah Industrial Estate
 Singapore

Sweden
 Brady AB
 Karins Vag 5
 S-194 54 Upplands V#sby
 Sweden

Taiwan
 W.H. Brady Asia-Pacific Pte. Ltd.
 4th Floor, No. 4, Alley 4
 Lane 30, Hwan-Shan Road, SEC 3
 Taipei, 114, Taiwan

1997 Sales by Region

[PIE CHART]

USA 57%
 Europe 29%
 Other 14%

W.H. Brady Co. is an international manufacturer of identification, safety, materials and graphics products. Through its team of 2,500 employees, Brady provides a variety of markets with products and services that represent the high quality, innovation and performance that has come to be associated with Brady since its founding in 1914. It is Brady's focus on providing customers with full solutions that has made Brady a world leader in its markets and a company that is always on the move.

Financial Highlights

(Dollars in Thousands, Except Per Share Amounts)	1997	1996	Percent Increase (Decrease)
Net sales	\$426,081	\$359,542	18.5
Income before income taxes	\$51,271	\$45,433	12.9
Pre-tax profit margin	12.0%		12.6%
Net income	\$31,707	\$28,027	13.1
After-tax profit margin	7.4%	7.8%	
Return on average stockholders' investment	16.0%	15.6%	
Net income per Common Share			

Class A Nonvoting	\$1.44	\$1.27	
Class B Voting	\$1.41	\$1.24	
Working capital	\$130,724	\$109,688	19.2
Stockholders' investment	\$206,547	\$189,263	9.1
Research and development	\$16,300	\$11,309	44.1
Capital expenditures	\$8,777	\$10,470	(16.2)
Depreciation and amortization	\$14,151	\$10,602	33.5

Year Ending July 31

Net Sales
(in millions)

[CHART]

93 243
94 256
95 314
96 360
97 426

Net Income
(in millions)

[CHART]

93 17
94 19
95 28
96 28
97 32

Stockholders' investment
(in millions)

[CHART]

93 128
94 145
95 171
96 189
97 207

Contents

1	Financial Highlights
2	Letter to Shareholders
4	Marketing Review
13	Financial Review

Letter to Our Shareholders

W.H. Brady Co. had a record year in 1997, hitting new milestones in financial performance and shareholder value enhancement. And we continued to innovate and expand geographically, further strengthening our service to customers and growing the business.

Katherine Hudson
President and Chief Executive Officer

[PHOTO]

A Record Year

W.H. Brady Co. had double-digit increases in both sales and net income in fiscal 1997, which ended July 31, 1997.

Our sales were \$426.1 million in 1997, up 18.5 percent from the prior year's sales of \$359.5 million. Each of our business groups posted double-digit growth in the year, helped by strong sales of printing systems and related consumable products, such as labels and printer ribbons. Although a strong U.S. dollar led to translation losses of \$4.4 million for the year, Brady's international sales were up 15.5 percent. Now international sales make up about 45 percent of total company sales, including exports.

Net income for fiscal 1997 was \$31.7 million, or \$1.44 per share, up 13.1 percent from \$28 million, or \$1.27 per share, in 1996. Excluding the after-tax effects of an \$895,000 restructuring charge in the fiscal 1997 second quarter and a fiscal 1996 gain of \$950,000 from the sale of a building, net income for fiscal 1997 rose 20.4 percent.

Our efforts to enhance efficiency and reduce overhead proved effective, with operating income for the year rising 22 percent to \$50.4 million. In addition to having a good year, we also achieved our goals for strong long-term growth and shareholder value enhancement. Brady's compound annual growth rate since 1993 is 15 percent for sales and 17 percent for net income. And we achieved strong shareholder value enhancement. Brady's stock appreciation since 1993 amounts to a compound annual growth rate of 26 percent. Looking back to 1984, when Brady went public, our stock has had a compound annual growth rate of 18 percent. Return to shareholders is even higher (about 2 percent higher) when taking into account our dividends, which have increased each year for the past 12 years.

We accomplished much in fiscal 1997, including launching new products, such as BradyTRAXX(R) data-management software, the Bradyprinter(TM) THT Model 1024 thermal-transfer printer, VersaPrinter(TM) Label and Signmaker System, IndustriNotes(TM), pneumatic lockout/tagout devices and the ProImage XL(TM) Poster Printer. Our spending on research and development in the year increased to 3.8 percent of sales. We strive to have about 25 percent of total sales coming from new products, those introduced within the past three years.

To extend our reach internationally, we established a sales and warehouse operation in Brazil, a manufacturing joint venture in South Korea, and sales offices in Malaysia and Taiwan.

We also acquired Signals S.A., France, a direct marketer of safety and facility identification products, for about \$10 million in cash in April 1997. As part of the Direct Marketing Group, Signals is expanding our presence in France while providing synergies with Seton, such as customer list utilization and mailing coordination.

In fiscal 1998 we will continue our emphasis on revenue growth, cost control and re-source utilization. New product development will be our No. 1 growth strategy. We will also continue our geographic expansion by opening new sales offices in countries such as the Philippines and Mexico, and we will be continuing to add distributors in other countries.

We ended fiscal 1997 with \$65 million in cash on our balance sheet. In 1998 we plan to use a good portion of our cash for acquisitions, joint ventures and other investments. For acquisitions, we are looking for companies that will enhance shareholder value while providing Brady a new technology or capability, access to a new market or expanded geographic presence.

Our final growth strategy is doing more where we are. There is still significant opportunity for us in Europe, where we have had a foothold since 1962, as well as Asia/Pacific, North America and other regions. Through activities including enhanced distributor relationships, marketing programs, specialized catalogs and other initiatives, we will continue to spur growth above industry averages.

Also, in 1998 we will expand production capacity through a new \$10-million state-of-the-art coater. The equipment will produce coated materials for internal and external customers.

Our continuous improvement efforts worldwide will be aimed at providing superior service to customers and reducing overhead and administrative costs. We will be stepping up investments in our information technology infrastructure to support these initiatives, to complete Year 2000 compliance, and to advance our efforts in the area of electronic commerce.

The 2,500 members of the Brady team made 1997 a terrific year. That team will continue on the track of revenue growth, cost control and resource utilization to add value for both customers and shareholders in 1998 and beyond.

Thank you for your continued support.

Sincerely,

Katherine M. Hudson
President and Chief Executive Officer

August 1996

Brady forms W.H. Brady Korea Co., Ltd. as a manufacturing joint venture in Okcheon, Chung Buk, South Korea.

October 1996

Seton-U.S. begins marketing into Mexico via a product flyer.

November 1996

A Brady sales office in Penang, Malaysia, is established as W.H. Brady Asia-Pacific Pte. Ltd.

December 1996

Brady enters the professional graphics market by launching outdoor-durable inkjet-printable vinyl material in association with Fujifilm wide-format color inkjet printing systems.

December 1996

A Brady sales office in Taipei, Taiwan, is established as W.H. Brady Asia-Pacific Pte. Ltd.

January 1997

Brady restructures its European operations and Hirol Division operations in the United States to enhance efficiencies and improve service to customers.

March 1997

Seton-France begins marketing into Spain via a product flyer.

April 1997

Brady acquires Signals S.A., a direct marketer of safety and facility identification products in France.

June 1997

Seton-Brazil mails its first catalog in Brazil, a 36-page catalog offering safety signs, barricade tapes and more.

July 1997

Brady becomes a part of the S&P Small Cap 600 Index.

"We provide companies around the world with high-performance identification, safety, graphics, industrial identification and materials solutions."

Research and development investments
(in millions)

[CHART]

93 12
94 10
95 10
96 11
97 16

Record levels of R&D investments reflect the Company's commitment to being a world leader in its markets by providing customers advanced solutions.

Sales from international operations
(in millions)

[CHART]

93 78
94 95
95 129
96 157
97 181

1997 sales from international operations accounted for 42% of sales. Including export sales from the US, international sales in 1997 were 45% of total sales.

Safety and Facility ID

Worldwide, Brady provides full solutions to help companies create safer and more productive work environments. It offers more than 20,000 safety and facility identification products that warn, protect, inform and train employees. These include health and safety signs, pipe markers, labels and tags, lockout/ tagout products, numbers and letters, barricade tapes, safety videos and manuals, software and labeling systems. The company tops off its broad line of products with superior service, including regulatory advice and same-day shipments of products. This customer focus has made Brady the world's leading provider of safety and facility identification.

Locked Out

Brady's safety products are used in a wide variety of businesses and applications, even in remote oil operations. When performing maintenance functions on offshore oil rigs, engineers use Brady's lockout/tagout devices to ensure that others don't turn on equipment while they are making repairs. Signs, barricade tapes and chains, and various other products also help keep people safe by informing them of potential hazards.

[PHOTO]

Powerful Solutions

Houston Lighting & Power Company personnel create safety signs, valve tags, pipe markers and other general safety identification items inside its power plants with Brady's systems and materials. Warning labels with pictograms indicating electricity printed on Brady's Labelizer(R) Plus Printing System adhere to transformers through rain, snow, sun and other conditions.

[PHOTO]

Leading the Way

Mercedes-Benz U.S. International uses facility identification placarding provided by Brady. The placards identify emergency evacuation routes within the manufacturing facility in Tuscaloosa County, Alabama. Other companies use the placards, which can be color-coded and are available in flexible

or rigid laminated material, for energy control and lockout, preventive maintenance and as office directories. The computer-generated placards are custom-made either from drawings sent to Brady or designs by a Brady engineer who toured the customer's facility.

[PHOTO]

Pulp & Paper

Pulp and paper mills depend on the durability of Brady-engineered pipe markers. Created on materials that withstand the exposure to heat and chemicals inside and outside of these facilities, pipe markers and signs are a vital part of assuring that important information is available to facility managers when they need it.

[PHOTO]

A Helping Hand

All types of companies need to be in tune with safety and identification regulations. The SmartTRACSM and Compliance Alliance Groups serve as valuable resources. For example, regulatory information specialists, through www.seton.com or 1-800-420-7572, respond to inquiries about safety compliance laws and industry standards and supply companies with appropriate products to use in their facilities to maintain safe and productive operations. Brady is a one-stop shop for safety solutions.

[PHOTO]

In the Lab

In research and testing laboratories, Brady products from custom signs to Right-to-Know preprinted and formatted labels provide important information regarding experiments in progress and chemicals in use. This helps keep employees safe while they innovate.

[PHOTO]

Behind the Scenes

Brady's safety products can be found in very popular places. In Orlando, Florida, signs alert workers to potential hazards at amusement parks and space centers to help ensure employee safety. Some Brady

products show up on the silver screen as well, such as in the movies Jurassic Park, Robo Cop and Long Kiss Goodnight. Though Jurassic Park is only fiction, the fact that the "Danger 10,000 Volts" Brady sign can hold up in that harsh environment is not!

[PHOTO]

Graphic Solutions

Brady offers a variety of wide- and narrow-format printing systems and materials which provide turnkey solutions for a wide range of customer needs from one-color labels and posters to spectacular full-color outdoor graphics. The systems enable organizations to produce cost-effective yet vivid, high-quality, custom communication pieces on site and on demand. In 1997, Brady made further advancements in its materials offerings to provide high-quality, outdoor-durable inkjet materials that last. Today, as more and more organizations look for graphic solutions that make a difference, they look to Brady.

Courtroom Graphics

In courtrooms, lawyers often use graphic displays to make their case. And Brady's wide- format printing systems are becoming a tool of the trade. Brady's line of one-color poster printers and laminating systems enable people to make their own professional-looking 36-inch-wide posters quickly and cost-effectively. Those desiring large, full-color displays, such as for showing accident scenes, can turn to Brady's color inkjet printing systems.

[PHOTO]

Political Parties

The Brady PostaPix Thermal Poster-Printing System enabled political parties in the 1997 United Kingdom general election to display fresh, high-impact visual messages to their electorate with an urgency not believed possible a few years ago. As candidates dashed from one public meeting to the next, they could quickly print custom posters in their party colors in any quantity, showing images or slogans to suit the speaker's theme or the party's "issues of the day."

[PHOTO]

Trophies

Brady markets narrow-format printing systems into a variety of niche markets. For example, trophy shops use Brady's QuikPlate(R) System as an inexpensive and convenient alternative to traditional trophy-plate engraving. The system allows trophy shops to produce a high volume of great-looking trophy plates faster and at a lower cost than traditional engraving technology allows. QuikPlate material is a durable, scratch-resistant metallic-appearing material with adhesive on the back for easy placement on a trophy base.

[PHOTO]

Making the Grade

Brady's ProImage(R) Poster Printers provide schools with a fast, convenient and cost-effective way to create large, professional-looking charts, banners, signs and posters. Users simply take an 8.5 x 11-inch printout, place it in the ProImage system, press a button and let the system scan and print in seconds to produce 17- to 36-inch-wide output. It prints banners up to 100 feet long and can be connected directly to Mac and PC-compatible computers. For everything from classroom lessons to recognition posters to sports banners, the system rates an "A."

[PHOTO]

Events

At the 1997 National Association of Quick Printers trade show in Atlanta, Georgia, NAQP used Brady's ColorPix Inkjet Printing System for trade show floor and conference signage. The system allows users to cost-effectively print vibrant, large, full-color custom images within minutes. In the past, signage of this type was screen-printed -- a very costly alternative. Brady systems provide flexibility as well as high-quality images.

[PHOTO]

Organizations

Indiana University uses a ColorPix Inkjet Printing System for a variety of signage applications. The system's unique ability to easily change inks and substrates without recalibration allows the university to quickly mark special events like those at its art museum as well as produce backlit directional signage. The system can print with both die-based and pigmented inks on a variety of substrates ranging from ordinary paper to silk to outdoor-durable vinyl.

[PHOTO]

Industrial Identification

Companies' identification needs are diverse, but they all have something in common: they rely on critical information being in place when they need it! And Brady delivers. Brady's high-performance labeling systems are used to identify wires, cables, printed circuit boards, equipment, work-in-process and many other items. Along with high-performance materials, Brady offers a complete line of label-printing systems and software enabling customers to make labels on demand. With strengths in chemistry, materials science, coating, converting, system design and engineering, Brady meets customers' needs for identification solutions that stand up to chemicals, abrasion, weathering, extreme temperatures and other harsh conditions.

[PHOTO]

Flying High

Companies have relied on Brady's industrial identification solutions since the 1940s when Brady introduced labels to mark wires in military equipment. Today, Brady labels and tapes mark wiring and fluid lines in airplanes produced by companies such as The Boeing Company. Brady's wire markers

withstand tremendous heat, crystallizing cold, and the deteriorating effects of grease, hydraulic fluid and airplane fuel while maintaining legible identification.

[PHOTO]

Gone Fishing

Each spool of Trilene fishing line and fly-fishing line (of Berkley Outdoor Technology) comes with a 2.5-inch by 1.5-inch Brady label. Fishing enthusiasts place the labels at the end of the spooled fishing line to prevent the remaining line from unwinding or becoming tangled. The Brady label is repositionable and leaves no residue, so it doesn't interfere with the catch of the day.

[PHOTO]

Semiconductors

Texas Instruments, Inc. is the worldwide leader in digital signal processing solutions and offers a unique breadth of digital and mixed-signal products and technologies, hardware and software development tools, design information services and global support. For parts tracking and shipping, TI is using two-dimensional and linear barcodes produced through Brady printers, labels and software. As the barcodes contain real-time information used for internal quality control and material management, Texas Instruments counts on the reliability of Brady's labeling systems.

[PHOTO]

Automotive

Each day millions of cars and trucks are on the move. Many of them have been touched in some way by a Brady product. Brady products play a role in work-in-process tracking, quality assurance, warranty management and other functions in everything from airbag housings in vehicles to electrical wiring in major manufacturers' stereo equipment. Each label solution is specialized to serve a critical need and stands up as specified through grease, high temperatures and harsh production processes.

[PHOTO]

Medical Applications

Brady products also play a role in the medical arena, such as when Beltone Electronics Corporation, Chicago, Illinois, manufactures hearing aids. During production, the outer shell of the hearing aids is buffed to create a shiny appearance. Removable Brady labels keep debris away from hearing-aid circuitry and the microphone inside by covering vents and other openings in the shell.

[PHOTO]

Pacesetter, Inc., a St. Jude Medical Company based in Sylmar, California, uses custom polyester Brady labels and a clear overlamine on its pacemaker leads, allowing for easy traceability of each lead. Each of the labels contains a serial number and color code.

[PHOTO]

Motion Control, Inc., a division of Filluaer, Inc., is the manufacturer of the Utah Artificial Arm(TM) which operates by using electric signals from remnant muscles. A Brady label inside the arm allows the user to easily identify how to make adjustments for fine-tuning the speed and force of arm movement.

[PHOTO]

Automatic ID and Data Collection

Brady's automatic identification and data-collection systems take industrial identification one step further. They incorporate standard or custom-tailored scanners, verifiers, tracking software and readers into customers' existing infrastructures to increase efficiencies, productivity and quality. Brady engineers work with customers to select the right equipment for their individual applications and even custom design software for existing infrastructures. This consultive approach, coupled with Brady's quality of products, training and follow-up technical support, is what keeps customers coming back to Brady. From today's methods to emerging standards like Data Matrix(TM) symbology and radio-frequency identification, Brady has solutions, and they are working on some of the toughest jobs around the world.

[PHOTO]

Telecommunications

Brady's automatic identification and data-collection systems serve a variety of markets. In the production of cellular phones, for example, Ericsson, Sweden, uses Brady-engineered thermal-transfer printing systems to track components for quality assurance and product identification.

[PHOTO]

Printed Circuit Board Assembly

Unico Technology Berhad assembles printed circuit boards as a subcontractor for many electronics manufacturers. Unico uses a Brady thermal-transfer printer, barcode software and two types of Brady label materials to identify, track and ensure the quality its customers expect.

[PHOTO]

Electronics

Brady scanning systems are integrated in Motorola production lines to read, decode and transmit information from two-dimensional Data Matrix(TM) labels applied to crystals, the frequency-determining element in electronic devices. Motorola produces millions of electronic devices, including telephones, pagers and hand-held radios, every year. Brady's scanners and data-collection devices quickly provide the information needed from the data-matrix label for Motorola to rapidly tune and produce these products.

[PHOTO]

Work-In-Process

Lucent Technologies, a global systems and technology company connecting ideas, commerce and people worldwide, has a work-in-process serialization system that relies on the PAM 5000 Printer Applicator Machine for identification and tracking needs. Brady's custom software feeds Lucent's serialized codes to the PAM 5000 System. Each barcode label is printed and applied to Lucent Technologies circuit boards with a robotic arm at a rate of 10 codes per minute with precision. Once applied, the labels are integrated into process control and work-in-process tracking within Lucent's Columbus Works Wireless product realization facility. By using the PAM 5000 System, Lucent can track product quality and productivity easily and effectively.

As Lucent Technologies grows globally, W.H. Brady Co. is right beside them. Lucent Technologies Network Systems EMEA, headquartered in the Netherlands, with locations in Germany, France, Spain, Poland, China, Russia and Saudi Arabia, uses high-performance Brady labels, thermal-transfer printers and software to identify circuit boards and faceplates of network hardware and packing material.

[PHOTO]

Making Connections

AMP Japan, a subsidiary of AMP Incorporated based in Harrisburg, Pennsylvania, a worldwide leader in electrical connectors and interconnection systems, uses Brady labeling systems for its Client-Server System. These Brady products enable AMP Japan to print 12-digit barcodes on product shipments. The barcodes allow AMP to keep precise track of product and delivery information.

[PHOTO]

Animal Tracking

Y-TEX, an international supplier of animal tags for identifying livestock, uses Brady's radio-frequency products to provide accurate and on-the-spot information about livestock, such as swine and cattle, in a feed-lot environment. Brady RF Tags can be read from a distance in milliseconds -- even through a variety of nonmetallic materials. A quick scan of an ear tag allows for easy monitoring and recording of an animal's information including weight, lean content, growth and vaccinations from birth to processing.

[PHOTO]

Specialty Tapes & Die-Cut Materials

W.H. Brady Co. products and services deliver high quality and performance that customers count on. With in-house research and development, coating and converting operations, Brady assures everything from the chemistry to the printing and shape of a product meets customers' unique needs. Brady chemists and materials scientists develop the formulations of adhesives, inks, topcoats and materials that take into consideration everything from adhesion properties to reactions to various temperatures, moisture, chemicals, abrasion, static electricity and other conditions. Brady has a wide offering of precision die-cut products serving the telecommunications, medical and other markets. From polycarbonate lenses for pager windows to metallic foils for electromagnetic-interference and radio-frequency-interference shielding in electronic devices, Brady applies its converting expertise and advanced manufacturing processes to provide the highest quality of die-cut materials and specialty tapes to customers.

In The Lead

Brady is a global supplier of the high-performance tapes which stabilize and reinforce leads of integrated circuit leadframes. Semiconductor manufacturers find reliability in Brady leadframe tapes that exhibit strong adhesions and consistent quality over a wide range of temperatures.

[PHOTO]

Audio/Video

Data-storage markets look to Brady for a variety of high-performance tapes that become a part of audiocassettes, videocassettes and other items. Brady's printed splicing tape, for example, shows up in millions of movie videos being sold or rented. The tape serves a mechanical purpose in holding the magnetic tape to the leader tape in audio- and videocassettes, but also the printed information on the tape helps blank cassette manufacturers and duplicators perform quality assurance on their processes and videocassettes.

[PHOTO]

Hard Disk Drives

There is an application or potential application of Brady's tape or die-cut materials expertise in just about every industry. While a few years ago, computer hard disk drives were held together by nuts and bolts, today Brady tape seal is holding many of them together around the world. Brady produces about 30 different parts of a hard disk drive -- from clock write seals which cover openings in the drive casing to filter covers which prevent dust and other contaminants from entering the hard disk drive.

Global Solutions

Around the world, Brady is providing solutions through its 30,000 stock and numerous custom solutions of signs, tapes, labels, software, printing systems, safety devices, specialty die-cut materials and other products. At the same time, an international team of 2,500 employees is working to build on the strong Brady foundation with continuous improvement and technological advances to ensure that Brady will provide the highest levels of quality, innovation and service in the future, too. They're working to make sure that when companies think of marking, tracking, locking, protecting, fastening, reinforcing, presenting and sticking to it, they think of Brady.

[PHOTO]

Financial Review

W.H. Brady Co. has demonstrated solid financial performance. Brady's compound annual growth rates for fiscal 1993-1997 were 15 percent for sales and 17 percent for net income. - Brady also generated positive shareholder value, providing a net operating profit after tax that exceeded the Company's cost of capital. The benefit of Brady's internal Shareholder Value Enhancement measure has been to strengthen its financial health and investment strategy and to improve the total return to shareholders. Brady's compound annual return to shareholders -- stock price plus dividends -- for 1993-1997 was 28 percent.

- - With strong fundamentals and excellent growth potential, Brady will continue to focus on long-term shareholder value enhancement through revenue growth + cost control + resource utilization.

Years Ending July 31

Earnings per share

[CHART]

93 .77
94 .85
95 1.27
96 1.27
97 1.44

Earnings per share increased 13.4% in 1997. The Compound Annual Growth Rate of EPS over the last five years was 16.9%.

Annual dividends per share

[CHART]

93 .20
94 .23
95 .27
96 .40
97 .52

In October 1997, dividends increased 15% to \$0.60 per share, making fiscal 1998 the 12th consecutive year of annual dividend increases.

Brady common stock trading range

[CHART]

93 11.08-12.58
94 11.50-16.33
95 15.67-23.83
96 18.00-27.50
97 20.50-30.50

On July 31, 1997, Brady's Class A Common Stock closed at \$29.63.

Five year cumulative total return
(in millions)

[CHART]

93 S&P 500 - 109 Nasdaq - 122 W.H Brady Co. - 103

Investment and other income - net	1,159	4,570	4,609	837	559	239	2,845	4,004	2,380	1,901
Interest expense	(256)	(302)	(555)	(410)	(54)	(219)	(548)	(646)	(356)	(477)
Net other income	903	4,268	4,054	427	505	20	2,297	3,358	2,024	1,424
Income before income taxes, extraordinary item and cumulative effect of changes in accounting principles	51,271	45,433	44,639	29,902	25,829	15,361	22,451	25,616	16,653	17,273
Income taxes	19,564	17,406	16,728	11,362	8,973	6,972	7,054	10,606	6,778	6,968
Income before extraordinary item and cumulative effect of changes in accounting principles	31,707	28,027	27,911	18,540	16,856	8,389	15,397	15,010	9,875	10,305
Extraordinary item: Gain on proceeds of officer's life insurance policies, net	-	-	-	-	-	-	-	-	4,625	-
Income before cumulative effect of changes in accounting principles	31,707	28,027	27,911	18,540	16,856	8,389	15,397	15,010	14,500	10,305
Cumulative effect of changes in accounting principles for:										
Postretirement benefits (net of income taxes of \$2,663)	-	-	-	-	-	(3,995)	-	-	-	-
Income taxes	-	-	-	-	-	661	-	-	-	-
Catalog costs	-	-	-	-	-	-	-	-	1,233	-
Net income	\$31,707	\$28,027	\$27,911	\$18,540	\$16,856	\$5,055	\$15,397	\$15,010	\$115,733	\$110,305
Net income per Common Share:										
Class A Nonvoting	\$1.44	\$1.27	\$1.27	\$.85	\$.77	\$.23	\$.71	\$.70	\$1111.70	\$1111.45
Class B Voting	\$1.41	\$1.24	\$1.24	.81	\$.74	\$.19	\$.67	\$.66	\$1111.67	\$1111.42
Cash dividends on:										
Class A Common Stock	\$.52	\$.40	\$.27	\$.23	\$.20	\$.19	\$.16	\$.13	\$1111.09	\$1111.08
Class B Common Stock	\$.49	\$.37	\$.23	\$.19	\$.17	\$.15	\$.13	\$.10	\$1111.06	\$1111.05
Balance Sheet (at period end)										
Working capital	\$130,724	\$109,688	\$129,938	\$100,023	\$77,943	\$66,093	\$70,883	\$67,797	\$153,056	\$142,492
Total assets	291,662	261,835	230,005	202,509	179,901	173,054	156,812	147,197	129,890	117,201
Long-term debt, less current maturities	3,890	1,809	1,903	1,855	1,978	2,524	1,982	3,298	3,637	3,086
Stockholders' investment	206,547	189,263	170,823	145,129	128,068	119,771	115,260	103,784	89,443	84,987

Management's Discussion and Analysis of Results of Operations and Financial Condition

The following discussion and analysis should be read in conjunction with the consolidated financial statements and related notes appearing in this annual report.

Overview

During fiscal 1994 and 1995, the Company experienced sales growth while reducing cost of products sold and operating expenses as percentages of net sales. It also made significant improvements in productivity and asset utilization through the successful implementation of a team-oriented approach to quality, growth and cost reduction. To further enhance teamwork, in February 1995, the Company's operations were realigned into three global groups, each headed by a Group Vice President. The groups are (i) the Identification Systems and Specialty Tapes Group ("ISST"), (ii) the Direct Marketing Group, formerly the Seton Group, and (iii) the Graphics Group ("Graphics").

During fiscal 1996, to implement the Company's growth strategy discussed below, the Company increased expenditures related to geographic expansion, global information systems and sales and marketing activities. The Company was unable to immediately capitalize those expenditures, and, as a result, selling, general and administrative expenses as a percentage of sales increased to 39.1% for fiscal 1996, compared to 38.1% for fiscal 1995. Management believes these investments will solidify the Company's competitive position and assist the Company in building a base for sustainable long-term

growth. Investments in these key areas continued in fiscal 1997, but selling, general and administrative expenses decreased to 38.8% of sales as the Company leveraged these investments over an increased sales base.

The Company's growth strategy is focused on four key elements: introducing new products for new markets and applications; geographic expansion in selected markets worldwide; strategic acquisitions and joint ventures; and increasing product penetration in existing markets.

The Company introduced several new products in fiscal 1997, including BradyTRAX(TM) data-management software, Bradyprinter(TM) THT Model 1024 thermal-transfer printer, VersaPrinter(TM) Label and Signmaker System, an additional printer applicator system model, IndustriNotes(TM), pneumatic lockout/tagout devices and the ProImageXLTM poster printer.

During fiscal 1997 the Company established sales offices in Malaysia and Taiwan. Catalog sales efforts continued in Brazil during fiscal 1997 and initial mailings were distributed in Mexico.

The Company completed the acquisitions of TechPress II Limited in November 1995, The Hirol Company in January 1996, Varitronic Systems, Inc. in April 1996 and Signals S.A. in April 1997. The Company formed a manufacturing joint venture in South Korea in August 1996.

To increase product penetration in fiscal 1997 the Company continued its investment in sales, marketing and catalog efforts worldwide.

Year Ended July 31, 1997,
Compared to Year Ended July 31, 1996

Sales for fiscal 1997 increased by \$66,539,000 or 18.5% over fiscal 1996. Sales of the Company's international operations increased by 15.5%. Real growth through continued market penetration in Europe and the Far East increased international sales 12.7%. The acquisitions of TechPress II Limited and Signals S.A. and the startup of the Company's Korean joint venture increased international sales 5.7%. These increases were offset by the negative effect of fluctuations in the exchange rates used to translate financial results into U.S. currency which reduced international sales by 2.9%. Sales of the Company's U.S. operations increased 20.8% for the year ended July 31, 1997. The acquisitions of Varitronic Systems, Inc. and The Hirol Company contributed 11.8% of this increase, with growth in the sales of the Company's core products making up the balance.

The cost of products sold as a percentage of sales decreased from 46.3% to 45.6% due to changes in product mix and manufacturing efficiencies from the Company's continuous improvement efforts, offsetting increased depreciation expenses from the acquisitions. Cost of products sold for fiscal 1997 included a charge in the second quarter of \$1,200,000 (\$715,000 after tax) for restructuring the Company's European operations and consolidating The Hirol Company's production operations into the Company's existing operations in the United States and in the United Kingdom. Selling, general and administrative expenses as a percentage of sales decreased slightly from 39.1% to 38.8%, as the Company's continuing cost control efforts more than offset the Company's ongoing investment in building its global information technology infrastructure. Selling, general and administrative expenses for fiscal 1997 included a charge of \$300,000 (\$180,000 after tax) for the restructuring mentioned above. The acquisitions and the Company's commitment to process improvements and new product development resulted in research and development expenses increasing by 44.1% over fiscal 1996. As a percentage of sales, research and development expenses increased from 3.2% to 3.8%.

Operating income increased by \$9,203,000 or 22.4% over fiscal 1996, as the increase in research and development expenses was offset by improved gross margins and the spreading of fixed costs over a larger sales base.

Investment and other income decreased \$3,411,000 from the prior year as a result of lower investment income because of lower cash balances as a result of the acquisitions in the prior year and foreign exchange losses. In addition, investment and other income for fiscal 1996 included \$1,750,000 (\$950,000 after tax) from the gain on the sale of a building in Germany.

Income before income taxes increased to \$51,271,000, an increase of 12.9% compared to fiscal 1996's \$45,433,000. Excluding the 1997 restructuring charges and the 1996 gain on the sale of the German building, income before income taxes increased 20.8% compared to the prior year.

The Company's effective tax rate decreased slightly from 38.3% for fiscal 1996 to 38.2% for fiscal 1997.

Net income was \$31,707,000 for fiscal 1997, compared to \$28,027,000 for fiscal 1996 because of the factors cited above. Excluding the \$895,000 restructuring charge in 1997 and the \$950,000 gain on the sale of the building in Germany in 1996, fiscal 1997 net income increased 20.4% compared to the prior year.

Year Ended July 31, 1996,
Compared to Year Ended July 31, 1995

Sales for fiscal 1996 increased by \$45,180,000 or 14.4% over fiscal 1995. Sales of the Company's international operations increased 21.3% as a result of real growth through continued market penetration in Europe and the Far East, the acquisition of TechPress in November 1995 and fluctuations in the exchange rates used to translate financial results into U.S. currency. Sales of the Company's U.S. operations increased 9.5% due in part to the acquisitions of VSI and Hirol in April 1996 and January 1996, respectively.

The cost of products sold as a percentage of sales increased from 45.7% to 46.3% due to changes in product mix and the acquisitions. Selling, general and administrative expenses as a percentage of sales increased from 38.1% to 39.1% of sales. This increase reflects the Company's ongoing investment in sales and marketing activities and in building its global information technology infrastructure. Research and development expenses increased 8.5% over fiscal 1995, but declined as a percentage of sales.

Operating income increased to \$41,165,000 in fiscal 1996, an increase of 1.4% compared to fiscal 1995's \$40,585,000 as the increase in sales was largely offset by the increased selling, general and administrative expenses and the increased cost of products sold mentioned above.

Investment and other income for fiscal 1996 included \$1,750,000, representing the gain on the sale of a building in Germany. Investment and other income for fiscal 1995 included \$2,033,000, representing the gain on the divestiture of two domestic manufacturing operations and the sale of certain real estate.

Income before income taxes increased to \$45,433,000, an increase of 1.8% compared to fiscal 1995's \$44,639,000.

The effective tax rate increased from 37.5% for fiscal 1995 to 38.3% for fiscal 1996 due to higher tax rates for the Company's international operations and a higher effective state tax rate.

Net income was \$28,027,000 for fiscal 1996, compared to \$27,911,000 for fiscal 1995, because of the factors cited above.

Year Ended July 31, 1995,
Compared to Year Ended July 31, 1994

Sales for fiscal 1995 increased by \$58,521,000 or 22.9% over fiscal 1994. Sales of the Company's international operations increased 36.3%, 24.3% as a result of real growth through continued market penetration in Europe and the Far East and new Seton subsidiaries in Australia and Italy. Translation into U.S. currency resulted in an additional 12.0% increase in international sales due to favorable exchange rates during the year. Sales of the Company's U.S. operations increased 15.0%, primarily from new product introductions such as the I.D. Pro(TM) Wire Marker Printer. This U.S. sales increase was achieved despite the divestiture of two businesses during the year that had sales of \$7,943,000 in fiscal 1995 and \$10,901,000 in fiscal 1994.

The cost of products sold decreased from 46.2% of sales to 45.7% of sales as a result of changes in product mix and manufacturing efficiencies from the Company's continuous-improvement efforts. Selling, general and administrative expenses as a percentage of sales decreased slightly from 38.3% to 38.1% of sales, as the Company's continuing cost-control efforts more than offset the costs associated with new product introductions and the new Seton start-ups. Research and development increased 1.1% over fiscal 1994, but declined as a percentage of sales.

Investment and other income for fiscal 1995 included \$2,033,000 representing the gain on the divestiture of two domestic manufacturing operations and the sale of certain real estate. Interest income increased by \$1,190,000 over fiscal 1994 because of increased levels of investment and higher rates.

Income before income taxes for the two businesses divested in fiscal 1995 was a loss of \$1,098,000 compared to fiscal 1994's full year loss of \$4,283,000.

The Company's income before income taxes increased to \$44,639,000, an increase of 49.3% compared to fiscal 1994's \$29,902,000.

Net income was positively impacted by a decrease in the effective tax rate from 38.0% for fiscal 1994 to 37.5% for fiscal 1995. This was primarily caused by a lower effective state tax rate.

Net income for the year increased 50.5% to \$27,911,000 for fiscal 1995, compared to \$18,540,000 for fiscal 1994, because of the factors cited above.

Liquidity

The Company's liquidity remains strong. Cash and cash equivalents were \$65,329,000 at July 31, 1997, compared to \$49,281,000 at July 31, 1996, and \$89,067,000 at July 31, 1995. The decrease in fiscal 1996 was primarily due to the acquisitions of TechPress II Limited, The Hirol Company and Varitronic Systems, Inc. Working capital increased \$21,036,000 during fiscal 1997 and equaled \$130,724,000 at July 31, 1997.

The Company has maintained significant cash balances due in large part to its strong operating cash flow, which totaled \$39,911,000 for fiscal 1997, \$34,612,000 for fiscal 1996, and \$21,552,000 for fiscal 1995. Capital expenditures were \$8,777,000 in fiscal 1997, \$10,470,000 in fiscal 1996, and \$8,114,000 in fiscal 1995. Financing activities, primarily the payment of dividends to the Company's stockholders, consumed \$9,166,000 of cash in the fiscal 1997, \$13,916,000 in fiscal 1996, and \$4,659,000 in fiscal 1995.

Long-term debt as a percentage of long-term debt plus stockholders' investment was 1.8% at July 31, 1997, compared to 0.9% at July 31, 1996, and 1.1% at July 31, 1995, as a result of borrowing by the Company's new Korean joint venture.

The Company continues to seek opportunities to invest in new products and new markets and in strategic acquisitions and joint ventures which fit its growth strategy. Management believes the Company's cash and cash equivalents and the cash flow it generates from operating activities are adequate to meet the Company's current investing and financing needs.

Inflation

Essentially all of the Company's revenue is derived from the sale of its products in highly competitive markets. Because prices are influenced by market conditions, it is not always possible to fully recover cost increases through pricing. Changes in product mix from year to year and timing differences in instituting price changes make it virtually impossible to accurately define the impact of inflation on profit margins.

Consolidated Balance Sheets (Dollars in Thousands) July 31, 1997 and 1996

	1997	1996
Assets		
Current assets:		
Cash and cash equivalents (Note 1)	\$65,329	\$49,281
Accounts receivable, less allowance for losses (\$2,241 and \$1,992, respectively)	65,450	53,679
Inventories (Note 1):		
Finished products	27,179	24,463
Work-in-process	3,885	3,838
Raw materials and supplies	13,541	12,396
Total inventories	44,605	40,697
Prepaid expenses and other current assets (Notes 1, 3 and 4)	12,585	12,454
Total current assets	187,969	156,111
Other assets:		
Intangibles -- net (Note 1)	36,015	34,212
Other (Note 4)	5,236	5,863
Property, plant and equipment (Notes 1 and 5):		
Cost:		
Land	5,162	4,735
Buildings and improvements	39,159	34,484
Machinery and equipment	79,497	78,680
Construction in progress	2,560	4,383
	126,378	122,282
Less accumulated depreciation	63,936	56,633

Net property, plant and equipment	62,442	65,649
Total	\$291,662	\$261,835
Liabilities and Stockholders' Investment		
Current liabilities:		
Accounts payable	\$17,656	\$ 13,922
Wages and amounts withheld from employees	16,925	14,144
Taxes, other than income taxes	1,960	1,790
Accrued income taxes	8,453	5,419
Other current liabilities (Note 3)	11,687	10,620
Current maturities on long-term debt (Note 5)	564	528
Total current liabilities	57,245	46,423
Long-term debt, less current maturities (Note 5)	3,890	1,809
Other liabilities (Note 3)	23,980	24,340
Total liabilities	85,115	72,572
Stockholders' investment (Notes 1 and 6):		
Preferred Stock (aggregate liquidation preference of \$3,026 at July 31, 1997)	2,855	2,855
Common Stock:		
Class A Nonvoting -- issued and outstanding 20,171,853 and 20,094,100 shares, respectively, aggregate liquidation preference of \$33,687 at July 31, 1997)	202	201
Class B Voting -- issued and outstanding 1,769,314 shares	18	18
Additional paid-in capital	9,573	8,415
Earnings retained in the business	193,602	173,491
Cumulative translation adjustments	297	4,283
Total stockholders' investment	206,547	189,263
Total	\$291,662	\$261,835

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Years Ended July 31, 1997, 1996 and 1995

(Dollars in Thousands, Except Per Share Amounts)

	1997	1996	1995
Net sales	\$426,081	\$359,542	\$314,362
Operating expenses:			
Cost of products sold	194,096	166,426	143,634
Research and development	16,300	11,309	10,426
Selling, general and administrative	165,317	140,642	119,717
Total operating expenses	375,713	318,377	273,777
Operating income	50,368	41,165	40,585
Other income and (expense):			
Investment and other income - net (Note 2)	1,159	4,570	4,609
Interest expense	(256)	(302)	(555)
Net other income	903	4,268	4,054

Income before income taxes	51,271	45,433	44,639
Income taxes (Notes 1 and 4)	19,564	17,406	16,728
Net income	\$31,707	\$28,027	\$27,911
Net income per Common Share (Notes 6 and 8):			
Class A Nonvoting	\$1.44	\$1.27	\$1.27
Class B Voting	\$1.41	\$1.24	\$1.24

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Investment

Years Ended July 31, 1997, 1996 and 1995

(Dollars in Thousands, Except Per Share Amounts)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Earnings Retained in the Business	Cumulative Translation Adjustments
Balances at July 31, 1994	\$2,855	\$72	\$6,768	\$132,271	\$3,163
Net income	-	-	-	27,911	-
Net currency translation adjustment	-	-	-	-	2,372
Issuance of 30,529 shares of Class A Common Stock under stock option plan	-	1	999	-	-
Tax benefit from exercise of stock options	-	-	307	-	-
Cash dividends on Preferred Stock:					
1979 series - \$10 a share	-	-	-	(220)	-
6% and 1972 series - \$6 a share	-	-	-	(39)	-
Cash dividends on Common Stock:					
Class A - \$.27 a share	-	-	-	(4,398)	-
Class B - \$.23 a share	-	-	-	(1,239)	-
Balances at July 31, 1995	2,855	73	8,074	154,286	5,535
Net income	-	-	-	28,027	-
Net currency translation adjustment	-	-	-	-	(1,252)
Issuance of 25,049 shares of Class A Common Stock under stock option plan	-	-	372	-	-
Tax benefit from exercise of stock options	-	-	115	-	-
Common Stock dividend	-	146	(146)	-	-
Cash dividends on Preferred Stock:					
1979 series - \$10 a share	-	-	-	(220)	-
6% and 1972 series - \$6 a share	-	-	-	(39)	-
Cash dividends on Common Stock:					
Class A - \$.40 a share	-	-	-	(7,678)	-
Class B - \$.37 a share	-	-	-	(885)	-
Balances at July 31, 1996	2,855	219	8,415	173,491	4,283
Net income	-	-	-	31,707	-
Net currency translation adjustment	-	-	-	-	(3,986)
Issuance of 77,753 shares of Class A Common Stock	-	-	-	-	-

under stock option plan	-	1	835	-	-
Tax benefit from exercise of stock options	-	-	323	-	-
Cash dividends on Preferred Stock:					
1979 series - \$10 a share	-	-	-	(220)	-
6% and 1972 series - \$6 a share	-	-	-	(39)	-
Cash dividends on Common Stock:					
Class A - \$.52 a share	-	-	-	(10,476)	-
Class B - \$.49 a share	-	-	-	(861)	-
Balances at July 31, 1997	\$2,855	\$220	\$9,573	\$193,602	\$297

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years Ended July 31, 1997, 1996 and 1995

(Dollars in Thousands)	1997	1996	1995
Operating activities:			
Net income	\$31,707	\$28,027	\$27,911
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	12,183	9,978	9,049
Amortization	1,968	624	110
Loss on sale of businesses			
Loss/(Gain) on sale of property, plant and equipment	139	(2,222)	(2,209)
Provision for losses on accounts receivable	663	367	463
Writedown of long-term investment	-	550	-
Changes in operating assets and liabilities (net of effects of business acquisitions and disposals):			
Accounts receivable	(12,796)	(1,786)	(12,554)
Inventory	(4,818)	(3,978)	473
Prepaid expenses and other assets	2,342	(972)	(1,385)
Accounts payable and accrued liabilities	6,147	309	1,361
Income taxes	3,334	1,815	(1,605)
Deferred income taxes	(1,118)	(453)	212
Other liabilities	160	2,353	(687)
Net cash provided by operating activities	39,911	34,612	21,552
Investing activities:			
Acquisitions of businesses, net of cash acquired	(6,724)	(53,167)	-
Purchases of property, plant and equipment	(8,777)	(10,470)	(8,114)
Proceeds from sale of property, plant and equipment	908	4,563	6,227
Proceeds from sale of businesses	-	-	6,315
Other	292	-	(750)
Net cash (used in) provided by investing activities	(14,301)	(59,074)	3,678
Financing activities:			
Payment of dividends	(11,596)	(8,822)	(5,896)

Proceeds from issuance of Common Stock	835	372	1,306
Proceeds from long-term borrowings	2,236	-	-
Principal payments on long-term debt	(641)	(5,466)	(69)
Net cash used in financing activities	(9,166)	(13,916)	(4,659)
Effect of exchange rate changes on cash	(396)	(1,408)	2,389
Net increase (decrease) in cash and cash equivalents	16,048	(39,786)	22,960
Cash and cash equivalents, beginning of year	49,281	89,067	66,107
Cash and cash equivalents, end of year	\$65,329	\$49,281	\$89,067
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$258	\$245	\$116
Income taxes, net of refunds	18,987	15,569	17,174
Acquisitions:			
Fair value of assets acquired, net of cash	\$3,058	\$36,587	
Liabilities assumed	(1,375)	(15,966)	
Goodwill	5,041	32,546	
Net cash paid for acquisitions	\$6,724	\$53,167	

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Years Ended July 31, 1997, 1996 and 1995

1 Summary of Significant Accounting Policies

Principles of Consolidation / The accompanying consolidated financial statements include the accounts of W.H. Brady Co. and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates / The preparation of financial statements in conformity with generally accepted accounting principles 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.

Fair Value of Financial Instruments / The Company believes the carrying amount of its financial instruments (cash and cash equivalents, accounts receivable and accounts payable) is a reasonable estimate of the fair value of these instruments.

Cash Equivalents / The Company considers all highly liquid investments with maturities of three months or less when acquired to be cash equivalents.

Inventories / Inventories are stated at the lower of cost or market. Cost has been determined using the last-in, first-out (LIFO) method for certain domestic inventories (approximately 43% and 49% of total inventories at July 31, 1997 and 1996, respectively) and the first-in, first-out method for other inventories. The difference between the carrying value of domestic inventories stated at LIFO cost and the value of

such inventories stated at replacement cost was \$5,389,000 at July 31, 1997, and \$5,508,000 at July 31, 1996.

Depreciation / The cost of buildings and improvements and machinery and equipment is being depreciated over their estimated useful lives using the straight-line method for financial reporting purposes. **Intangible Assets /** The excess of cost over fair value of the net assets of businesses acquired is amortized using the straight-line method over various periods ranging from 20 to 40 years. The weighted average amortization period is 31 years.

Impairment of Long-Lived Assets / The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed as of July 31, 1997, or July 31, 1996.

Catalog Costs / Catalog costs are initially capitalized and amortized over the estimated useful lives of the publications (generally eight months). At July 31, 1997 and 1996, \$3,800,000 and \$4,619,000, respectively, of prepaid catalog costs were included in prepaid expenses and other current assets. **Foreign Currency Translation /** Foreign currency assets and liabilities are translated into United States dollars at end of period rates of exchange, and income and expense accounts are translated at the weighted average rates of exchange for the period. Resulting translation adjustments are included as a separate component of stockholders' investment.

Hedging / The Company enters into forward foreign exchange contracts to hedge committed intercompany foreign currency transactions. Such exchange contracts generally have maturities of one year. At July 31, 1997, exchange contracts aggregating approximately \$8,953,000, were outstanding. **Income Taxes /** The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Accounting Standards To Be Adopted / In 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 128, "Earnings Per Share." This statement will be adopted by the Company in the fiscal year beginning August 1, 1997. The Company is currently evaluating the impact of this statement on the consolidated financial statements.

In 1997, the FASB also issued SFAS No. 130, "Reporting Comprehensive Income" and SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." Both statements must be adopted by the Company beginning August 1, 1998. However, early adoption is permitted. The Company is currently evaluating the impact of these statements on the consolidated financial statements.

Acquisitions and Disposition of Businesses

During fiscal 1995, the Company sold two businesses and certain real estate which resulted in a gain of \$2,033,000 which is included in other income in the accompanying financial statements.

Effective November 15, 1995, the Company acquired the common stock of TechPress II Limited located in Middlesex, England, a marketer of printing and labeling systems, for cash of \$4,277,000 and a payable of \$389,000.

Effective January 2, 1996, the Company acquired the common stock of The Hirol Company located in Fort Lauderdale, Florida, a manufacturer of die-cut parts for the electronic, telecommunications and medical testing markets, for cash of \$10,800,000.

On April 8, 1996, the Company completed its acquisition of Varitronic Systems, Inc. located in Minneapolis, Minnesota, for cash of \$40,620,000. Varitronic Systems Inc. manufactures and markets supply-consuming lettering, labeling, signage and presentation systems and supplies.

Effective August 29, 1996, the Company entered into a joint venture -- W.H. Brady Korea Co. Ltd., in Okcheon, South Korea. The joint venture manufactures and markets Brady identification and tape products and also sells Markem printers and supplies.

Effective April 30, 1997, the Company acquired the common stock of Signals S.A. located in LaRocheville, France, a marketer of safety and facility identification products, for cash of approximately \$9,600,000. The pro forma results of operations are not significant to the financial statements.

3

Employee Benefit Plans

The Company provides postretirement medical, dental and vision benefits for all regular full- and part- time domestic employees (including spouses) who retire on or after attainment of age 55 with 15 years of credited service. Credited service begins accruing at the later of age 40 or date of hire. All active employees first eligible to retire after July 31, 1992, will be covered by an unfunded, contributory postretirement healthcare plan where employer contributions will not exceed a Defined Dollar Benefit amount, regardless of the cost of the program. Employer contributions to the plan are based on the employee's age and service at retirement.

The Company accounts for postretirement benefits other than pensions in accordance with SFAS No. 106, "Employers" Accounting for Postretirement Benefits Other than Pensions." The Company funds benefit costs on a pay-as-you-go basis. During the years ended July 31, 1997 and 1996, the Company made benefit payments totalling \$282,000 and \$209,000, respectively.

The following table sets forth the plan's status reconciled with amounts recognized in the accompanying consolidated balance sheets at July 31, 1997 and 1996:

(Dollars in Thousands)	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	\$3,112	\$3,251

Fully eligible active plan participants	604	837
Other active plan participants	2,426	2,164
	6,142	6,252
Unrecognized net gain	2,703	2,293
Accrued postretirement benefit cost	\$8,845	\$8,545

Years Ended July 31,
(Dollars in Thousands)

	1997	1996	1995
Net periodic postretirement benefit cost included the following components:			
Service cost - benefits attributed to service during the period	\$260	\$246	\$230
Interest cost on accumulated postretirement benefit obligation	447	478	469
Amortization of (gain)	(187)	(106)	(103)
Periodic postretirement benefit cost prior to curtailment	520	618	596
Effective curtailment (gain) due primarily to disposition of operations	-	-	(93)
Net periodic postretirement benefit cost	\$520	\$618	\$503

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation were 7.5% in 1997 and gradually declining to 5.5% by the year 2000.

The weighted average discount rates used in determining the accumulated postretirement benefit obligation was 7.5% in 1997 and 8% in 1996.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of July 31, 1997, would be increased by \$31,000. The effect of this change on the sum of the service cost and interest cost would not be material.

During 1995, the Company had a curtailment gain which represents the accumulated postretirement benefit obligation of employees who were employed at the disposed operations.

The Company has retirement and profit-sharing plans covering substantially all full-time domestic employees and certain of its foreign subsidiaries. Contributions to the plans are determined annually based on earnings of the respective companies and employee contributions. At July 31, 1997 and 1996, \$4,290,000 and \$3,939,000, respectively, of accrued profit-sharing contributions were included in other current liabilities.

The Company also has deferred compensation plans for directors, officers and key executives utilizing the phantom stock plan concept. At July 31, 1997 and 1996, \$18,324,000 and \$18,080,000, respectively, of deferred compensation was included in current and other long-term liabilities.

The amounts charged to income for the plans described above were \$7,092,000 in 1997, \$6,545,000 in 1996 and \$6,188,000 in 1995.

The Company has a voluntary employee benefit trust for the purpose of funding employee medical benefits and certain other employee benefits. At July 31, 1997 and 1996, \$2,441,000 and \$1,995,000, respectively, of payments to the trust to fund such benefits were included in prepaid expenses and other current assets.

Income Taxes

Income taxes consist of the following:
Years Ended July 31,

(Dollars in Thousands)	1997	1996	1995
Currently payable:			
Federal	\$13,875	\$10,573	\$10,194
Foreign	3,812	5,376	4,518
State	2,995	1,910	1,804
	20,682	17,859	16,516
Deferred (credit):			
Federal	(1,832)	(807)	(382)
Foreign	1,188	469	662
State	(474)	(115)	(68)
	(1,118)	(453)	212
Total	\$19,564	\$17,406	\$16,728

Deferred income taxes result from timing differences in the recognition of revenues and expenses for financial statement and income tax purposes. These differences relate principally to depreciation and certain expenses not deductible for tax reporting until paid.

Pre-tax income consists of the following:

Years Ended July 31, (Dollars in Thousands)	1997	1996	1995
United States	\$38,493	\$31,481	\$32,074
Foreign	12,778	13,952	12,565
Total	\$51,271	\$45,433	\$44,639

The approximate tax effects of temporary differences are as follows:

July 31, 1997 (Dollars in Thousands)	Assets	Liabilities	Total
Inventories	\$2,071	\$-	\$2,071
Prepaid catalog costs	-	(399)	(399)
Employee benefits	-	(678)	(678)
Allowance for doubtful accounts	362	-	362
Other, net	2,753	(530)	2,223
Current	5,186	(1,607)	3,579
Excess of tax over book depreciation	-	(3,298)	(3,298)
Deferred compensation	6,010	-	6,010
Postretirement benefits	3,577	-	3,577
Tax loss carryforwards	3,406	-	3,406
Less valuation allowance	(3,406)	-	(3,406)
Other, net	701	(1,771)	(1,070)
Noncurrent	10,288	(5,069)	5,219
Total	\$15,474	\$ (6,676)	\$8,798

July 31, 1996

(Dollars in Thousands)	Assets	Liabilities	Total
Inventories	\$1,563	\$-	\$1,563
Prepaid catalog costs	-	(660)	(660)
Employee benefits	-	(229)	(229)
Allowance for doubtful accounts	387	-	387
Other, net	1,336	-	1,336
Current	3,286	(889)	2,397
Excess of tax over book depreciation	-	(4,467)	(4,467)
Deferred compensation	5,633	-	5,633
Postretirement benefits	3,445	-	3,445
Tax loss carryforwards	3,920	-	3,920
Less valuation allowance	(3,920)	-	(3,920)
Other, net	654	-	654
Noncurrent	9,732	(4,467)	5,265
Total	\$13,018	\$ (5,356)	\$7,662

At July 31, 1997 and 1996, \$3,579,000 and \$2,397,000, respectively, of net deferred tax assets were included in prepaid expenses and other current assets. At July 31, 1997 and 1996, \$5,219,000 and \$5,265,000, respectively, of net deferred tax assets were included in other assets.

A reconciliation of the tax computed by applying the statutory U.S. Federal income tax rate to income before income taxes to the total income tax provision is as follows:

Year Ended July 31,

(Dollars in Thousands)	1997	1996	1995
Tax at statutory rate	\$17,945	\$15,902	\$15,624
State income taxes, net of tax benefit	2,248	1,505	1,177
International losses with no related tax benefits	1,196	664	613
International rate differential	(668)	138	169
Rate variances arising from foreign subsidiary distributions	(155)	(493)	(558)
Other, net	(1,002)	(310)	(297)
Total income tax provision	\$19,564	\$17,406	\$16,728
Effective tax rate	38.2%	38.3%	37.5%

The Company's policy is to remit earnings from foreign subsidiaries only to the extent any resultant foreign income taxes are creditable in the United States. Accordingly, the Company does not currently provide for the additional United States and foreign income taxes which would become payable upon remission of undistributed earnings of foreign subsidiaries.

The cumulative undistributed earnings of such companies at July 31, 1997 amounted to approximately \$36,360,000. If all such undistributed earnings were remitted, no additional provision for foreign income taxes would be required.

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Long-term Debt

Long-term debt consists of the following:

July 31, (Dollars in Thousands)	1997	1996
6.25% Industrial Development Revenue Bonds payable on December 1, 2001	\$1,000	\$1,000
6.75% Industrial Development Revenue Bonds paid in fiscal 1997	-	140
Other	3,454	1,197
	4,454	2,337
Less current maturities	564	528
	\$3,890	\$1,809

The Industrial Development Revenue Bonds are collateralized by first mortgages on certain property with a net carrying amount of approximately \$4,605,000 at July 31, 1997. The Company's long-term debt approximates fair value.

Maturities on long-term debt are as follows:

Year Ending July 31,	(Dollars in Thousands)
1998	\$564
1999	356
2000	2,062
2001	99
2002	1,100
Thereafter	273

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Stockholders' Investment

On November 17, 1995, at a Special Meeting of Shareholders, the Company's shareholders approved a proposal to amend the Company's Restated Articles of Incorporation to increase the number of authorized shares of Class A Common Stock from 10,000,000 shares to 100,000,000 shares. Also on November 17, 1995, the shareholders approved, and the Board of Directors declared, a common stock dividend of two shares of Class A Common Stock on each outstanding share of Class A Common Stock and Class B Common Stock. The common stock dividend was paid on December 15, 1995, to shareholders of record at the close of business on December 1, 1995. Accordingly, net income per share amounts, dividends per share and weighted average shares included in the accompanying consolidated financial statements have been adjusted to reflect the common stock dividend.

Information as to the Company's capital stock at July 31, 1997, is as follows:

(Dollars in Thousands)	Shares Authorized	Shares Outstanding	Amount
Preferred Stock, \$.01 par value	5,000,000	0	\$0
Cumulative Preferred Stock:			
6% Cumulative	5,000	3,984	399
1972 Series 10,000	2,600	260	
1979 Series	30,000	21,963	2,196
			\$2,855
Common Stock, \$.01 par value:			

34				
Class A Nonvoting	100,000,000	20,171,853	\$202	
Class B Voting	10,000,000	1,769,314	18	\$220

Each share of \$100 par value Cumulative Preferred Stock is entitled to receive cumulative cash dividends and may be redeemed, under certain circumstances, by the Company at par value plus accrued dividends plus a premium of 6% of the par value. Such shares, which are held by the initial holder thereof, are subject to redemption only if the holder consents thereto.

Before any dividend may be paid on the Class B Common Stock, holders of the Class A Common Stock are entitled to receive an annual, noncumulative cash dividend of \$.0333 per share. Thereafter, any further dividend in that fiscal year must be paid on each share of Class A Common Stock and Class B Common Stock on an equal basis.

Holders of the Class A Common Stock are not entitled to any vote on corporate matters, unless, in each of the three preceding fiscal years, the \$.0333 preferential dividend described above has not been paid in full. Holders of the Class A Common Stock are entitled to one vote per share for the entire fiscal year immediately following the third consecutive fiscal year in which the preferential dividend is not paid in full. Holders of Class B Common Stock are entitled to one vote per share for the election of directors and for all other purposes.

Upon liquidation, dissolution or winding up of the Company, and after distribution of any amounts due to holders of Cumulative Preferred Stock, holders of the Class A Common Stock are entitled to receive the sum of \$1.67 per share before any payment or distribution to holders of the Class B Common Stock. Thereafter, holders of the Class B Common Stock are entitled to receive a payment or distribution of \$1.67 per share. Thereafter, holders of the Class A Common Stock and Class B Common Stock share equally in all payments or distributions upon liquidation, dissolution or winding up of the Company. The preferences in dividends and liquidation rights of the Class A Common Stock over the Class B Common Stock will terminate at any time that the voting rights of Class A Common Stock and Class B Common Stock become equal.

The Company's Nonqualified Stock Option Plans allow the granting of stock options to various officers, directors and other employees of the Company at prices equal to fair market value at the date of grant. The Company has reserved 1,500,000 and 2,125,000 shares of Class A Nonvoting Common Stock for issuance under the 1989 and 1997 Plans, respectively. Options granted prior to 1992 become exercisable once the employees have been continuously employed for six months after the grant date. Generally, options granted in 1992 and thereafter will not be exercisable until one year after the date of grant, to the extent of one-third per year.

Under the 1997 plan, 125,000 shares of Class A Nonvoting Common Stock have been reserved for issuance on August 1, 1997, under restricted stock agreements with certain officers. Changes in the Options are as follows:

	Option Price	Options Outstanding	Weighted Average Exercise Price
Balance, August 1, 1994	\$6.83-\$14.33	536,400	\$11.33
Options granted	\$15.67	114,750	15.67
Options exercised	\$6.83-\$12.38	(91,587)	10.91

Options cancelled	\$9.94-\$15.67	(41,406)	12.43
Balance, July 31, 1995	\$6.83-\$15.67	518,157	\$8.62
Options granted	\$23.83-\$25.17	330,000	25.05
Options exercised	\$6.83-\$15.67	(33,449)	11.13
Options cancelled	\$12.17-\$25.17	(6,600)	22.81
Balance, July 31, 1996	\$6.83-\$25.17	808,108	\$17.46
Options granted	\$21.75-\$23.88	777,700	23.51
Options exercised	\$6.83-\$25.17	(77,753)	10.75
Options cancelled	\$6.83-\$25.17	(46,302)	18.15
Balance, July 31, 1997	\$6.83-\$25.17	1,461,753	\$21.01
(470,520 options exercisable)			
Available for grant after July 31, 1997		1,675,908	

The following table summarizes information about stock options outstanding at July 31, 1997:

Range of Exercise Prices	Shares Outstanding at July 31, 1997	Options Outstanding		Options Exercisable	
		Average Remaining Contractual Life - Years	Weighted Average Exercise Price	Shares Exercisable at July 31, 1997	Weighted Average Exercise Price
\$ 6.83-\$12.00	78,650	3.2	\$ 8.83	78,650	\$ 8.83
\$12.01-\$18.00	306,002	6.4	13.86	272,002	13.63
\$18.01-\$25.17	1,077,101	9.1	23.94	119,868	24.79
\$ 6.83-\$25.17	1,461,753	8.2	\$21.01	470,520	\$15.67

In October 1995, SFAS No. 123 "Accounting for Stock-Based Compensation" was issued. SFAS No. 123 established a fair value based method of accounting for stock-based compensation; however, it allows entities to continue accounting for employee stock-based compensation under the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees." SFAS No. 123 requires certain disclosures, including pro forma net income and earnings per share as if the fair value based accounting method had been used for employee stock-based compensation cost. The Company has decided to adopt SFAS No. 123 through disclosure with respect to employee stock-based compensation.

If the Company had elected to recognize compensation cost for the Stock Option Plans based on the fair value at the grant dates for awards under those plans, consistent with the method prescribed by SFAS No. 123, net income and net income per common share would have been changed to the pro forma amounts indicated below:

	1997	1996
Net income:		
As Reported	\$31,707	\$28,027
Pro Forma	31,305	28,027
Net Income per Class A Common Share:		
As Reported	\$1.44	\$1.27
Pro Forma	\$1.42	\$1.27

The fair value of stock options used to compute pro forma net income and net income per common share disclosure is the estimated present value at grant date using the Black-Scholes option-pricing model with weighted average assumptions for fiscal years 1997 and 1996 as follows:

Risk-free interest rate	6.3%
Expected volatility	27.1%
Dividend yield	2.1%
Expected option life	4.1 years

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Domestic and Foreign Operations

The Company operates predominantly in a single industry as a manufacturer and distributor of identification products. Operations are conducted in the United States and through subsidiaries located in Canada, Europe, Australia, Brazil, Japan, Korea and Singapore. Transfers between geographic areas primarily represent intercompany export sales of U.S.-produced goods and are based on established sales prices between the related corporations. In computing operating income for non-U.S. subsidiaries, no allocations of general corporate expenses, interest or income taxes have been made.

Identifiable assets of subsidiaries are those assets related to the operations of those subsidiaries. Corporate assets consist primarily of cash and cash equivalents.

Information with respect to operations located outside the United States which have been translated into U.S. dollars are as follows:

Years Ended July 31, (Dollars in Thousands)	1997	1996	1995
Current assets	\$74,279	\$60,570	\$48,812
Other assets	8,912	4,012	470
Property, plant and equipment	11,902	11,087	11,656
Total assets	\$95,093	\$75,669	\$60,938
Current liabilities	\$37,905	\$29,158	\$26,342
Other liabilities	29,584	18,367	15,510
Stockholders' investment	27,604	28,144	19,086
Total liabilities and stockholders' investment	\$95,093	\$75,669	\$60,938
Net sales	\$181,357	\$156,943	\$129,267
W.H. Brady Co. equity in net income	\$7,776	\$8,266	\$7,385

(Dollars in Thousands)	United States	Europe	Other	Corporate Assets and Eliminations	Consolidated
Year ended July 31, 1997:					
Sales to unaffiliated customers	\$245,013	\$123,284	\$57,784	\$-	\$426,081
Transfers between geographic areas	31,952	245	250	(32,447)	-
Net sales	\$275,965	\$123,529	\$58,034	\$(32,447)	\$426,081
Operating income (loss)	\$36,811	\$13,963	\$(100)	\$(306)	\$50,368
Identifiable assets	\$207,562	\$52,243	\$24,666	\$7,191	\$291,662
Year ended July 31, 1996:					
Sales to unaffiliated customers	\$202,780	\$110,312	\$46,450	\$-	\$359,542

Transfers between geographic areas	24,104	204	96	(24,404)	-
Net sales	\$226,884	\$110,516	\$46,546	\$ (24,404)	\$359,542
Operating income (loss)	\$28,313	\$12,420	\$ (40)	\$472	\$41,165
Identifiable assets	\$172,760	\$43,450	\$16,947	\$28,678	\$261,835
Year ended July 31, 1995:					
Sales to unaffiliated customers	\$185,123	\$88,723	\$40,516	\$-	\$314,362
Transfers between geographic areas	20,975	197	100	(21,272)	-
Net sales	\$206,098	\$88,920	\$40,616	\$ (21,272)	\$314,362
Operating income (loss)	\$27,693	\$12,509	\$545	\$ (162)	\$40,585
Identifiable assets	\$103,031	\$34,112	\$16,147	\$76,715	\$230,005

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Net Income per Common Share

Net income per Common Share is computed by dividing net income (after deducting the applicable Preferred Stock dividends and preferential Class A Common Stock dividends) by the weighted average Common Shares outstanding of 21,908,318 for 1997; 21,847,180 for 1996; 21,799,929 for 1995. The preferential dividend on the Class A Common Stock of \$.0333 per share has been added to the net income per Class A Common Share for all years presented.

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Commitments

The Company has entered into various noncancellable operating lease agreements. Rental expense charged to operations was \$7,357,000 for 1997; \$4,689,000 in 1996; and \$3,057,000 in 1995. Future minimum lease payments required under such leases in effect at July 31, 1997, are as follows (by fiscal year):

Year Ending July 31,	(Dollars)
1998	\$6,726,000
1999	4,428,000
2000	2,901,000
2001	1,541,000
2002	1,137,000
Thereafter	2,242,000

Independent Auditors' Report

To the Board of Directors and Stockholders of W.H. Brady Co.:

We have audited the accompanying consolidated balance sheets of W.H. Brady Co. and subsidiaries as of July 31, 1997 and 1996, and the related consolidated statements of income, stockholders' investment and cash flows for each of the three years in the period ended July 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at July 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 1997, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Milwaukee, Wisconsin
September 8, 1997

Shareholder Services

Common Shares

W.H. Brady Co. Class A Nonvoting Common Stock trades on the NASDAQ National Market under the symbol BRCOA. Trading information is carried by the National Association of Securities Dealers. As of September 12, 1997, there were 469 Class A Nonvoting Common Stock shareholders of record and several thousand beneficial shareholders. There are two Class B Voting Common Stock shareholders.

Brady Information

Brady's site on the Internet, www.whbrady.com, contains the Company's 10K and 10Q filings, annual reports, quarterly reports, news releases, stock prices, brochures, and a variety of other information about Brady and its products. You can obtain faxed copies of recent Brady financial news releases by calling Company News On Call at 1-800-758-5804 and entering code 952350. If you would like the 1997 Annual Report on Form 10-K or other information mailed to you, without charge, please contact: Investor Relations, W.H. Brady Co., P.O. Box 571, Milwaukee, WI 53201-0571, 414-358-6600.

Investor and Media Inquiries

If you have any questions about W.H. Brady Co., please contact Laurie Bernardy, vice president - corporate communications, at 414-358-6600.

Annual Meeting

The W.H. Brady Co. Annual Meeting will be at 9 a.m., Friday, November 21, 1997, at the Wyndham Milwaukee Center, 139 E. Kilbourn Ave., Milwaukee, Wis.

Quarterly Stock Data

1997	1996	1995
------	------	------

	High	Low	High	Low	High	Low
4th Quarter	\$30.50	\$22.00	\$26.75	\$20.00	\$23.83	\$17.58
3rd Quarter	\$27.75	\$22.50	\$25.50	\$19.00	\$17.67	\$15.67
2nd Quarter	\$24.75	\$20.50	\$27.00	\$21.00	\$16.17	\$15.67
1st Quarter	\$25.25	\$21.50	\$24.52	\$23.67	\$16.33	\$15.67

Stock Transfer Agent

Firststar Trust Company, 1555 North RiverCenter Drive, Suite 301, Milwaukee, WI 53212

Dividends

Dividends are normally paid on the last day of October, January, April and July. The Board of Directors voted a quarterly dividend of 15 cents per share of Class A Nonvoting Common Stock to shareholders of record on October 3, 1997.

Shareholders of record may have their dividends reinvested in Brady stock. For more information, call the Investor Services Unit of Firststar Trust Company at 1-800-637-7549.

Corporate Data

Board of Directors

* Katherine M. Hudson, 50, joined W.H. Brady Co. in January 1994 as president, chief executive officer and director. Before joining Brady, she was a vice president at Eastman Kodak Company and general manager of its Professional, Printing and Publishing Imaging Division. Her 24 years at Eastman Kodak Company included positions in finance, communication and public affairs, information systems and the management of instant photography and printing. She is also a director of Case Corporation and serves on the Alverno College Board of Trustees, the Advisory Council for the Indiana University School of Business, and the Medical College of Wisconsin Board.

* Peter J. Lettenberger, 60, has served as a director and secretary of Brady since January 1977. He is a partner of Quarles & Brady, Milwaukee, Wisconsin, and serves as general counsel to Brady. He joined Quarles & Brady in 1964.

Robert C. Buchanan, 57, has been a director of Brady since November 1987. He has been president and CEO of the Fox Valley Corporation, Appleton, Wisconsin, since November 1980.

Roger D. Peirce, 60, has served as a Brady director since September 1988. A private investor and consultant, he was formerly president of Super Steel Products Corp., Milwaukee, Wisconsin. Prior to that he was a managing partner for Arthur Andersen & Co., independent certified public accountants.

Richard A. Bemis, 56, has been a director of Brady since January 1990. He is president and CEO of Bemis Manufacturing Company, a manufacturer of molded plastic products in Sheboygan Falls, Wisconsin.

Dr. Frank W. Harris, 55, has been a director of Brady since November 1991. He is a professor of polymer science and biomedical engineering at the Institute of Polymer Science, University of Akron, where he has been on the faculty since 1983.

Gary E. Nei, 53, has been a director of Brady since November 1992. He is chairman of B&B Publishing, a publishing company in Walworth, Wisconsin. He is also a director of Uroquest, Inc. and Hawk Medical Supply, Chicago.

Corporate Officers and Executives

*Mary T. Arnold
vice president - research and development

Laurie Bernardy
vice president - corporate communications

*Richard L. Fisk
vice president - Direct Marketing Group

*David R. Hawke
vice president - Graphics Group

*Katherine M. Hudson
president and chief executive officer

*Frank M. Jaehnert
vice president and chief financial officer

Gary L. Johnson
vice president - corporate development

*Peter J. Lettenberger
secretary (partner, Quarles & Brady)

*Michael O. Oliver
vice president - human resources

*Donald E. Rearic
treasurer and assistant secretary

*Thomas E. Scherer
vice president, controller and assistant secretary

*David W. Schroeder
vice president - Identification Systems and Specialty Tapes Group

David B. Winter
vice president and chief information officer

*Officers for the purposes of Section 16 of the Securities Exchange Act of 1934.

Executive Team: From left standing: Laurie Bernardy, David Winter, Michael Oliver, David Hawke, Mary Arnold and Richard Fisk. Seated: Frank Jaehnert, Katherine Hudson and David Schroeder.

[PHOTO]

W.H. Brady Co.
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[414] 358-6600
www.whbrady.com

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In keeping with W.H. Brady Co.'s policy of environmental stewardship, this entire brochure is recyclable.

SCHEDULE OF SUBSIDIARIES OF W.H. BRADY CO.

Name of Company -----	State (Country) of Incorporation -----	Percentage of Voting Securities Owned -----
W. H. Brady Co.	Wisconsin	Parent
Brady Financial Co.	Delaware	100%
Tricor Direct Inc.- Doing Business As: Seton Seton Name Plate Company D&G Sign and Label Co. Seton Identification Products The Hirol Company	Delaware	100%
Worldmark of Wisconsin Inc.	Delaware	100%
Varitronic Systems, Inc.	Minnesota	100%
Brady Investment Co.	Nevada	100%
Brady International Sales, Inc.	U.S. Virgin Islands	100%
Brady International Co.	Wisconsin	100%
Brady Precision Tape Co.	Wisconsin	100%
Brady Service Co.	Wisconsin	100%
Brady USA, Inc.	Wisconsin	100%
Teklynx International Co.	Wisconsin	100%
W.H. Brady Pty. Ltd.	Australia	100%
Seton Australia Pty. Ltd.	Australia	100%
W.H. Brady, N.V.	Belgium	100%
W.H.B. do Brasil Ltda.	Brazil	100%
W.H. Brady Identification Solutions, Inc. 1167232 Ontario, Inc.	Canada Canada	100% 100%
W.H. Brady Co. Ltd.	England	100%
Seton Limited	England	100%
Brady Graphic Solutions Limited	England	100%
W.H. Brady S.A.R.L.	France	100%
Tricor Group, S.A. - Doing Business As: Seton Division Signals Division	France France	100% 100%
W.H. Brady GmbH	Germany	100%
Seton GmbH	Germany	100%
Seton Italia, SRL	Italy	100%
Nippon Brady K.K.	Japan	100%
W. H. Brady Korea Co., Ltd.	Korea	70%

Name of Company -----	State (Country) of Incorporation -----	Percentage of Voting Securities Owned -----
Hirol UK Ltd.	Scotland	100%
W. H. Brady Asia-Pacific Pte. Ltd.	Singapore	100%
W.H. Brady Pte. Ltd.	Singapore	100%
Brady AB	Sweden	100%
Seton Scandinavia AB	Sweden	100%

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors and Stockholders of
W.H. Brady Co.:

We consent to the incorporation by reference in Registration Statement No. 33-30258 of W.H. Brady Co. on Form S-8 of our reports dated September 8, 1997, appearing in and incorporated by reference in the Annual Report on Form 10-K of W.H. Brady Co. for the year ended July 31, 1997.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin
October 24, 1997

YEAR		
	JUL-31-1997	
	AUG-01-1996	
	JUL-31-1997	65,329
		0
		67,691
		2,241
		44,605
	187,969	126,378
		63,936
	57,245	291,662
	2,855	3,890
		0
		220
		203,472
291,662		426,081
	426,081	194,096
		194,096
	181,617	
		0
	256	
	51,271	
		19,564
	31,707	
		0
		0
		0
		31,707
		1.44
		1.44