

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended April 30, 2013

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from to

Commission File Number 1-14959

BRADY CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin
(State or other jurisdiction of
incorporation or organization)

39-0178960
(I.R.S. Employer
Identification No.)

6555 West Good Hope Road, Milwaukee, Wisconsin
(Address of principal executive offices)

53223
(Zip Code)

(414) 358-6600
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

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

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of June 6, 2013, there were 48,135,711 outstanding shares of Class A Nonvoting Common Stock and 3,538,628 shares of Class B Voting Common Stock. The Class B Voting Common Stock, all of which is held by affiliates of the Registrant, is the only voting stock.

FORM 10-Q
BRADY CORPORATION
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)

	April 30, 2013	July 31, 2012
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77,034	\$ 305,900
Accounts receivable — net	177,343	199,006
Inventories:		
Finished products	62,995	64,740
Work-in-process	14,908	15,377
Raw materials and supplies	21,703	25,407
Total inventories	99,606	105,524
Assets held for sale	108,623	—
Prepaid expenses and other current assets	41,461	40,424
Total current assets	504,067	650,854
Other assets:		
Goodwill	841,449	676,791
Other intangible assets	174,583	84,119
Deferred income taxes	6,305	45,356
Other	20,915	20,584
Property, plant and equipment:		
Cost:		
Land	9,081	8,651
Buildings and improvements	100,504	101,962
Machinery and equipment	278,233	292,130
Construction in progress	9,358	10,417
	397,176	413,160
Less accumulated depreciation	263,527	283,145
Property, plant and equipment — net	133,649	130,015
Total	\$ 1,680,968	\$ 1,607,719
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
Current liabilities:		
Notes payable	\$ 58,658	\$ —
Accounts payable	75,204	86,646
Wages and amounts withheld from employees	36,840	54,629
Liabilities held for sale	34,684	—
Taxes, other than income taxes	7,603	9,307
Accrued income taxes	10,650	14,357
Other current liabilities	34,396	40,815
Current maturities on long-term debt	61,265	61,264
Total current liabilities	319,300	267,018
Long-term obligations, less current maturities	218,378	254,944
Other liabilities	109,635	76,404
Total liabilities	647,313	598,366
Stockholders' investment:		
Class A nonvoting common stock — Issued 51,261,487 and 51,261,487 shares, respectively and outstanding 47,972,270 and 47,630,926 shares, respectively	513	513
Class B voting common stock — Issued and outstanding, 3,538,628 shares	35	35
Additional paid-in capital	312,905	313,008
Earnings retained in the business	725,682	732,290
Treasury stock — 2,974,218 and 3,245,561 shares, respectively of Class A nonvoting common stock, at cost	(79,996)	(92,600)
Accumulated other comprehensive income	76,439	59,411
Other	(1,923)	(3,304)
Total stockholders' investment	1,033,655	1,009,353
Total	\$ 1,680,968	\$ 1,607,719

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Dollars in Thousands, Except Per Share Amounts)

	Three months ended April 30, (Unaudited)		Nine months ended April 30, (Unaudited)	
	2013	2012	2013	2012
Net sales	\$ 305,737	\$ 275,388	\$ 856,408	\$ 813,573
Cost of products sold	146,031	123,641	403,888	367,330
Gross margin	159,706	151,747	452,520	446,243
Operating expenses:				
Research and development	8,062	8,200	24,162	25,657
Selling, general and administrative	112,148	98,614	321,909	293,518
Restructuring charges	8,540	1,977	10,487	1,977
Total operating expenses	128,750	108,791	356,558	321,152
Operating income	30,956	42,956	95,962	125,091
Other income and (expense):				
Investment and other income	1,131	1,108	2,427	1,719
Interest expense	(4,185)	(4,735)	(12,755)	(14,715)
Earnings from continuing operations before income taxes	27,902	39,329	85,634	112,095
Income taxes	6,064	11,290	47,965	27,767
Earnings from continuing operations	\$ 21,838	\$ 28,039	\$ 37,669	\$ 84,328
(Loss) from discontinued operations, net of income taxes	(17,605)	(387)	(14,933)	(113,898)
Net earnings (loss)	<u>\$ 4,233</u>	<u>\$ 27,652</u>	<u>\$ 22,736</u>	<u>\$ (29,570)</u>
Earnings from continuing operations per Class A Nonvoting Common Share				
Basic	\$ 0.42	\$ 0.53	\$ 0.73	\$ 1.60
Diluted	\$ 0.42	\$ 0.53	\$ 0.73	\$ 1.59
Earnings from continuing operations per Class B Voting Common Share:				
Basic	\$ 0.42	\$ 0.53	\$ 0.72	\$ 1.59
Diluted	\$ 0.42	\$ 0.53	\$ 0.71	\$ 1.57
(Loss) from discontinued operations per Class A Nonvoting Common Share:				
Basic	\$ (0.34)	\$ —	\$ (0.29)	\$ (2.17)
Diluted	\$ (0.34)	\$ (0.01)	\$ (0.29)	\$ (2.16)
(Loss) from discontinued operations per Class B Voting Common Share:				
Basic	\$ (0.34)	\$ —	\$ (0.30)	\$ (2.17)
Diluted	\$ (0.34)	\$ (0.01)	\$ (0.29)	\$ (2.15)
Net earnings (loss) per Class A Nonvoting Common Share:				
Basic	\$ 0.08	\$ 0.53	\$ 0.44	\$ (0.57)
Diluted	\$ 0.08	\$ 0.52	\$ 0.44	\$ (0.57)
Dividends	\$ 0.19	\$ 0.185	\$ 0.57	\$ 0.555
Net earnings (loss) per Class B Voting Common Share:				
Basic	\$ 0.08	\$ 0.53	\$ 0.42	\$ (0.58)
Diluted	\$ 0.08	\$ 0.52	\$ 0.42	\$ (0.58)
Dividends	\$ 0.19	\$ 0.185	\$ 0.553	\$ 0.538
Weighted average common shares outstanding (in thousands):				
Basic	51,415	52,513	51,210	52,539
Diluted	52,041	53,003	51,685	52,946

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in Thousands)

	Three months ended April 30, (Unaudited)		Nine months ended April 30, (Unaudited)	
	2013	2012	2013	2012
Net earnings (loss)	\$ 4,233	\$ 27,652	\$ 22,736	\$ (29,570)
Other comprehensive income:				
Foreign currency translation adjustments	(8,752)	(2,313)	19,318	(36,323)
Net investment hedge translation adjustments	4,461	(281)	(5,270)	12,971
Long-term intercompany loan translation adjustments	(79)	(1,291)	1,510	(3,532)
Cash flow hedges:				
Net gain (loss) recognized in other comprehensive income	330	(400)	(668)	1,328
Reclassification adjustment for losses (gains) included in net earnings	9	(382)	(548)	252
	339	(782)	(1,216)	1,580
Pension and other post-retirement benefits:				
Gain recognized in other comprehensive income	—	—	—	1,105
Actuarial gain amortization	(12)	(63)	(35)	(127)
Prior service credit amortization	(50)	(68)	(152)	(135)
	(62)	(131)	(187)	843
Other comprehensive (loss) income, before tax	(4,093)	(4,798)	14,155	(24,461)
Income tax (expense) benefit related to items of other comprehensive (loss) income	(943)	(29)	2,873	(9,005)
Other comprehensive (loss) income, net of tax	(5,036)	(4,827)	17,028	(33,466)
Comprehensive (loss) income	<u>\$ (803)</u>	<u>\$ 22,825</u>	<u>\$ 39,764</u>	<u>\$ (63,036)</u>

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	Nine Months Ended April 30,	
	(Unaudited)	
	2013	2012
Operating activities:		
Net earnings (loss)	\$ 22,736	\$ (29,570)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	36,037	32,921
Non-cash portion of restructuring charges	3,701	458
Non-cash portion of stock-based compensation expense	6,964	7,592
Impairment charge	—	115,688
Loss on write-down of assets held for sale	15,658	—
Loss (gain) on sales of businesses	3,138	—
Deferred income taxes	33,780	(3,192)
Changes in operating assets and liabilities (net of effects of business acquisitions/divestitures):		
Accounts receivable	(6,410)	11,050
Inventories	(91)	(5,595)
Prepaid expenses and other assets	541	(4,386)
Accounts payable and accrued liabilities	(22,226)	(39,472)
Income taxes	(4,198)	15,101
Net cash provided by operating activities	89,630	100,595
Investing activities:		
Purchases of property, plant and equipment	(26,082)	(14,498)
Payments of remaining consideration	—	(2,580)
Settlement of net investment hedges	—	(797)
Acquisition of business, net of cash acquired	(301,157)	(3,039)
Sales of businesses, net of cash retained	10,178	—
Other	(1,245)	(1,536)
Net cash used in investing activities	(318,306)	(22,450)
Financing activities:		
Payment of dividends	(29,344)	(29,235)
Proceeds from issuance of common stock	10,246	3,624
Purchase of treasury stock	(5,121)	(12,309)
Proceeds from borrowing on notes payable	220,000	—
Repayment of borrowing on notes payable	(173,000)	—
Proceeds from borrowings on line of credit	11,491	—
Principal payments on debt	(42,514)	(42,514)
Debt issuance costs	—	(961)
Income tax benefit from the exercise of stock options and deferred compensation distributions, and other	1,794	754
Net cash used in financing activities	(6,448)	(80,641)
Effect of exchange rate changes on cash	6,258	(13,050)
Net decrease in cash and cash equivalents	(228,866)	(15,546)
Cash and cash equivalents, beginning of period	305,900	389,971
Cash and cash equivalents, end of period	\$ 77,034	\$ 374,425
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest, net of capitalized interest	\$ 13,194	\$ 15,746
Income taxes, net of refunds	26,786	19,959
Acquisitions:		
Fair value of assets acquired, net of cash	\$ 169,830	\$ 2,395
Liabilities assumed	(57,860)	(583)
Goodwill	189,187	1,227
Net cash paid for acquisitions	\$ 301,157	\$ 3,039

See Notes to Condensed Consolidated Financial Statements.

BRADY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Nine Months Ended April 30, 2013
(Unaudited)
(In thousands, except share and per share amounts)

NOTE A — Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Brady Corporation and subsidiaries (the "Company," "Brady," "we," or "our") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the foregoing statements contain all adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial position of the Company as of April 30, 2013 and July 31, 2012, and its results of operations, comprehensive income, and cash flows for the three and nine months ended April 30, 2013 and 2012. The condensed consolidated balance sheet as of July 31, 2012, has been derived from the audited consolidated financial statements of that date. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from the estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statement presentation. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K for the year ended July 31, 2012.

During the three months ended April 30, 2013, the Company implemented a plan to divest its Die-Cut Asia business. As a result, the assets and liabilities of the business were presented in accordance with the authoritative literature on assets held for sale in the condensed consolidated balance sheet as of April 30, 2013. The results of operations of the Company's Die-Cut Asia business have been reported as discontinued operations within the condensed consolidated statements of earnings for all periods presented. In accordance with the authoritative literature, the Company has elected to not separately disclose the cash flows related to the Die-Cut Asia discontinued operations. Refer to Note N, "Discontinued Operations" for further discussion regarding the business.

NOTE B — Goodwill and Intangible Assets

Changes in the carrying amount of goodwill for the nine months ended April 30, 2013, were as follows:

	Americas	EMEA	Asia-Pacific	Total
Balance as of July 31, 2012	\$ 417,886	\$ 174,868	\$ 84,037	\$ 676,791
Current year acquisitions	189,187	—	—	189,187
Current year divestitures	(2,882)	—	—	(2,882)
Reclassification to assets held for sale	—	—	(29,673)	(29,673)
Translation adjustments	408	6,848	770	8,026
Balance as of April 30, 2013	\$ 604,599	\$ 181,716	\$ 55,134	\$ 841,449

Goodwill increased \$164,658 during the nine months ended April 30, 2013. Of the \$164,658 increase, \$189,187 was due to the acquisition of Precision Dynamics Corporation ("PDC"), and \$8,026 was due to the positive effects of foreign currency translation. These increases were partially offset by the divestitures of the Precision Converting, LLC ("Brady Medical") and the Varitronics businesses during the first quarter of fiscal 2013, which decreased goodwill by \$863 and \$2,019, respectively. In addition, the assets and liabilities of the Die-Cut Asia business are classified as held for sale as of April 30, 2013, which resulted in a decrease of \$29,673 for the goodwill balance associated with the disposal group. Refer to Note K, "Acquisitions and Divestitures" and Note N, "Discontinued Operations" for further discussion.

Other intangible assets include patents, trademarks, customer relationships, non-compete agreements and other intangible assets with finite lives being amortized in accordance with the accounting guidance for other intangible assets. The net book value of these assets was as follows:

	April 30, 2013				July 31, 2012			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized other intangible assets:								
Patents	5	\$ 10,818	\$ (9,481)	\$ 1,337	5	\$ 10,418	\$ (9,058)	\$ 1,360
Trademarks and other	5	15,283	(7,765)	7,518	7	8,945	(7,094)	1,851
Customer relationships	8	264,501	(141,102)	123,399	7	164,392	(128,805)	35,587
Non-compete agreements and other	4	15,681	(15,285)	396	4	15,988	(15,417)	571
Unamortized other intangible assets:								
Trademarks	N/A	41,933	—	41,933	N/A	44,750	—	44,750
Total		<u>\$ 348,216</u>	<u>\$ (173,633)</u>	<u>\$ 174,583</u>		<u>\$ 244,493</u>	<u>\$ (160,374)</u>	<u>\$ 84,119</u>

The value of goodwill and other intangible assets in the condensed consolidated balance sheets at April 30, 2013, differs from the value assigned to them in the original allocation of purchase price due to the effect of fluctuations in the exchange rates used to translate the financial statements into the United States Dollar between the date of acquisition and April 30, 2013. The acquisition of PDC increased customer relationships and amortized trademarks by \$102,500 and \$6,800, respectively.

Amortization expense on intangible assets was \$6,597 and \$3,944 for the three months ended April 30, 2013 and 2012, respectively, and \$15,759 and \$12,102 for the nine months ended April 30, 2013 and 2012, respectively. The amortization over each of the next five fiscal years is projected to be \$19,934, \$19,134, \$16,934, \$13,608 and 12,241 for the fiscal years ending July 31, 2014, 2015, 2016, 2017 and 2018, respectively.

NOTE C — Net Earnings per Common Share

Reconciliations of the numerator and denominator of the basic and diluted per share computations for the Company's Class A and Class B common stock are summarized as follows:

	Three months ended April 30,		Nine months ended April 30,	
	2013	2012	2013	2012
Numerator: (in thousands)				
Earnings from continuing operations	\$ 21,838	\$ 28,039	\$ 37,669	\$ 84,328
Less:				
Restricted stock dividends	(60)	(57)	(179)	(172)
Numerator for basic and diluted earnings from continuing operations per Class A Nonvoting Common Share	<u>\$ 21,778</u>	<u>\$ 27,982</u>	<u>\$ 37,490</u>	<u>\$ 84,156</u>
Less:				
Preferential dividends	—	—	(797)	(818)
Preferential dividends on dilutive stock options	—	—	(5)	(5)
Numerator for basic and diluted earnings from continuing operations per Class B Voting Common Share	<u>\$ 21,778</u>	<u>\$ 27,982</u>	<u>\$ 36,688</u>	<u>\$ 83,333</u>
Denominator: (in thousands)				
Denominator for basic earnings from continuing operations per share for both Class A and Class B	51,415	52,513	51,210	52,539
Plus: Effect of dilutive stock options	626	490	475	407
Denominator for diluted earnings from continuing operations per share for both Class A and Class B	<u>52,041</u>	<u>53,003</u>	<u>51,685</u>	<u>52,946</u>
Earnings from continuing operations per Class A Nonvoting Common Share:				
Basic	\$ 0.42	\$ 0.53	\$ 0.73	\$ 1.60
Diluted	\$ 0.42	\$ 0.53	\$ 0.73	\$ 1.59
Earnings from continuing operations per Class B Voting Common Share:				
Basic	\$ 0.42	\$ 0.53	\$ 0.72	\$ 1.59
Diluted	\$ 0.42	\$ 0.53	\$ 0.71	\$ 1.57
(Loss) from discontinued operations per Class A Nonvoting Common Share:				
Basic	\$ (0.34)	\$ —	\$ (0.29)	\$ (2.17)
Diluted	\$ (0.34)	\$ (0.01)	\$ (0.29)	\$ (2.16)
(Loss) from discontinued operations per Class B Voting Common Share:				
Basic	\$ (0.34)	\$ —	\$ (0.30)	\$ (2.17)
Diluted	\$ (0.34)	\$ (0.01)	\$ (0.29)	\$ (2.15)
Net earnings (loss) per Class A Nonvoting Common Share:				
Basic	\$ 0.08	\$ 0.53	\$ 0.44	\$ (0.57)
Diluted	\$ 0.08	\$ 0.52	\$ 0.44	\$ (0.57)
Net earnings (loss) per Class B Voting Common Share:				
Basic	\$ 0.08	\$ 0.53	\$ 0.42	\$ (0.58)
Diluted	\$ 0.08	\$ 0.52	\$ 0.42	\$ (0.58)

Options to purchase approximately 2,591,000 and 3,182,000 shares of Class A Nonvoting Common Stock for the three months ended April 30, 2013 and 2012, respectively, were not included in the computation of diluted net earnings per share because the impact of the inclusion of the options would have been anti-dilutive. Options to purchase approximately 3,560,000 and 4,013,000 shares of Class A Nonvoting Common Stock for the nine months ended April 30, 2013 and 2012, respectively, were not included in the computation of diluted net earnings (loss) per share as the impact of the inclusion of the options would have been anti-dilutive.

NOTE D — Segment Information

The Company evaluates short-term segment performance based on segment profit or loss and customer sales. Segment profit or loss does not include certain administrative costs, such as the cost of finance, information technology, human resources, and

executive leadership, which are managed as global functions. Restructuring charges, impairment charges, equity compensation costs, interest expense, investment and other income (expense) and income taxes are also excluded when evaluating segment performance. Intersegment sales and transfers are recorded at cost plus a standard percentage markup.

Through April 30, 2013, the Company is organized and managed on a geographic basis by region. Each of these regions, Americas, EMEA and Asia-Pacific, has a President that reports directly to the Company's chief operating decision maker, its Chief Executive Officer. Each region has its own distinct operations, is managed locally by its own management team, maintains its own financial reports and is evaluated based on regional segment profit. The Company has determined that these regions comprise its operating and reportable segments based on the information used by the Chief Executive Officer to allocate resources and assess performance. Effective May 1, 2013, the Company will reorganize into two global product-based business platforms: Identification Solutions and Workplace Safety, which is known as Direct Marketing through the quarter ended April 30, 2013.

Following is a summary of segment information for the three and nine months ended April 30, 2013 and 2012:

	Americas	EMEA	Asia-Pacific	Total Region	Corporate and Eliminations	Totals
Three months ended April 30, 2013						
Revenues from external customers	\$ 178,559	\$ 94,044	\$ 33,134	\$ 305,737	\$ —	\$ 305,737
Segment profit	42,942	22,993	5,485	71,420	(1,282)	70,138
Three months ended April 30, 2012						
Revenues from external customers	\$ 143,083	\$ 94,136	\$ 38,169	\$ 275,388	\$ —	\$ 275,388
Segment profit	39,181	25,566	6,080	70,827	(388)	70,439
Nine months ended April 30, 2013						
Revenues from external customers	\$ 470,418	\$ 279,420	\$ 106,570	\$ 856,408	\$ —	\$ 856,408
Segment profit	119,179	70,568	15,793	205,540	(5,049)	200,491
Nine months ended April 30, 2012						
Revenues from external customers	\$ 419,862	\$ 279,506	\$ 114,205	\$ 813,573	\$ —	\$ 813,573
Segment profit	118,871	78,432	18,411	215,714	(6,010)	209,704

Following is a reconciliation of segment profit to net earnings (loss) for the three and nine months ended April 30, 2013 and 2012:

	Three months ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Total profit from reportable segments	\$ 71,420	\$ 70,827	\$ 205,540	\$ 215,714
Corporate and eliminations	(1,282)	(388)	(5,049)	(6,010)
Unallocated amounts:				
Administrative costs	(30,642)	(25,506)	(94,042)	(82,636)
Restructuring charges	(8,540)	(1,977)	(10,487)	(1,977)
Investment and other income	1,131	1,108	2,427	1,719
Interest expense	(4,185)	(4,735)	(12,755)	(14,715)
Earnings from continuing operations before income taxes	27,902	39,329	85,634	112,095
Income taxes	(6,064)	(11,290)	(47,965)	(27,767)
Earnings from continuing operations	21,838	28,039	37,669	84,328
(Loss) from discontinued operations, net of income taxes	(17,605)	(387)	(14,933)	(113,898)
Net earnings (loss)	\$ 4,233	\$ 27,652	\$ 22,736	\$ (29,570)

Following is a summary of sales by business platform for the three and nine months ended April 30, 2013 and 2012:

	Three months ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Identification Solutions	\$ 212,799	\$ 180,414	\$ 576,233	\$ 531,188
Direct Marketing	88,004	90,528	266,109	267,785
Die-Cut	4,934	4,446	14,066	14,600
Total	\$ 305,737	\$ 275,388	\$ 856,408	\$ 813,573

NOTE E – Stock-Based Compensation

The Company has an incentive stock plan under which the Board of Directors may grant nonqualified stock options to purchase shares of Class A Nonvoting Common Stock or restricted shares of Class A Nonvoting Common Stock to employees and non-employee directors. The options have an exercise price equal to the fair market value of the underlying stock at the date of grant and generally vest ratably over a three-year period, with one-third becoming exercisable one year after the grant date and one-third additional in each of the succeeding two years. Options issued under the plan, referred to herein as “service-based” options, generally expire 10 years from the date of grant. The Company also grants stock options to certain executives and key management employees that vest upon meeting certain financial performance conditions over the vesting schedule described above. These options are referred to herein as “performance-based” options. Performance-based stock options expire 10 years from the date of grant.

Restricted shares issued under the plan have an issuance price equal to the fair market value of the underlying stock at the date of grant. The restricted shares granted in fiscal 2008 were amended in fiscal 2011 to allow for vesting after either a five-year period or a seven-year period based upon both performance and service conditions. The restricted shares granted in fiscal 2011 vest ratably at the end of years 3, 4 and 5 upon meeting certain performance and service conditions. These shares are referred to herein as “performance-based restricted shares.” Restricted shares granted in fiscal 2013 vest at the end of a three-year period based upon service conditions. These shares are referred to herein as “cliff-vested restricted shares.”

The Company also grants restricted stock units to certain executives and key management employees that vest upon meeting certain financial performance conditions over a specified vesting period, referred to herein as “performance-based restricted stock units.” The performance-based restricted stock units granted in fiscal 2013 vest over a two-year period upon meeting both performance and service conditions.

As of April 30, 2013, the Company has reserved 6,205,350 shares of Class A Nonvoting Common Stock for outstanding stock options and restricted shares and 4,198,516 shares of Class A Nonvoting Common Stock remain for future issuance of stock options and restricted shares under the active plans. The Company uses treasury stock or will issue new Class A Nonvoting Common Stock to deliver shares under these plans.

The Company recognizes the compensation cost of all share-based awards on a straight-line basis over the vesting period of the award. Total stock-based compensation expense recognized by the Company during the three months ended April 30, 2013 and 2012, was \$155 (\$94 net of taxes) and \$2,102 (\$1,282 net of taxes), respectively, and expense recognized during the nine months ended April 30, 2013 and 2012 was \$6,964 (\$4,248 net of taxes), and \$7,592 (\$4,631 net of taxes), respectively. The decrease in stock-based compensation expense in the quarter ended April 30, 2013 was due to a reversal of \$2,186. The reversal consisted of \$1,286 of stock-based compensation expense on performance-based stock options that will not meet the financial performance conditions, and \$900 of stock compensation expense on performance-based restricted shares for which the original service conditions will not be met.

As of April 30, 2013, total unrecognized compensation cost related to share-based compensation awards was \$11,484 pre-tax, net of estimated forfeitures, which the Company expects to recognize over a weighted-average period of 1.7 years.

The Company has estimated the fair value of its service-based and performance-based stock option awards granted during the nine months ended April 30, 2013 and 2012, using the Black-Scholes option valuation model. The weighted-average assumptions used in the Black-Scholes valuation model are reflected in the following table:

	Nine months ended April 30, 2013		Nine months ended April 30, 2012	
	Service-Based Option Awards	Performance- Based Option Awards	Service-Based Option Awards	Performance- Based Option Awards
Black-Scholes Option Valuation Assumptions				
Expected term (in years)	5.94	—	5.89	6.57
Expected volatility	38.68%	—	39.41%	39.21%
Expected dividend yield	2.21%	—	2.07%	1.99%
Risk-free interest rate	0.90%	—	1.16%	2.05%
Weighted-average market value of underlying stock at grant date	\$ 30.54	\$ —	\$ 27.05	\$ 29.55
Weighted-average exercise price	\$ 30.54	\$ —	\$ 27.05	\$ 29.55
Weighted-average fair value of options granted during the period	\$ 9.05	\$ —	\$ 8.42	\$ 10.01

The Company uses historical data regarding stock option exercise behaviors to estimate the expected term of options granted based on the period of time that options granted are expected to be outstanding. Expected volatilities are based on the historical volatility of the Company's stock. The expected dividend yield is based on the Company's historical dividend payments and historical yield. The risk-free interest rate is based on the U.S. Treasury yield curve in effect on the grant date for the length of time corresponding to the expected term of the option. The market value is calculated as the average of the high and the low stock price on the date of the grant.

The Company granted 5,000 cliff-vested restricted shares in December 2012, with a grant price and fair value of \$32.99. The Company granted 10,000 shares of performance-based restricted stock units in September 2012, with a grant price and fair value of \$30.21. The Company granted 100,000 shares of performance-based restricted stock in August of 2010, with a grant price and fair value of \$28.35, and 210,000 shares in fiscal 2008, with a grant price and fair value of \$32.83. As of April 30, 2013, 5,000 cliff-vested restricted shares were outstanding, 10,000 performance-based restricted stock units were outstanding and 310,000 performance-based restricted shares were outstanding.

The Company granted 815,450 service-based stock options during the nine months ended April 30, 2013, with a weighted average exercise price of \$30.54 and a weighted average fair value of \$9.05. There were no performance-based stock options granted during the nine months ended April 30, 2013.

A summary of stock option activity under the Company's share-based compensation plans for the nine months ended April 30, 2013 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at July 31, 2012	6,253,751	\$ 29.24		
New grants	815,450	\$ 30.54		
Exercised	(642,579)	\$ 21.22		
Forfeited or expired	(519,272)	\$ 30.52		
Outstanding at April 30, 2013	5,907,350	\$ 30.18	6.5	\$ 25,094
Exercisable at April 30, 2013	3,736,320	\$ 30.70	4.9	\$ 15,728

There were 3,736,320 and 3,848,048 options exercisable with a weighted average exercise price of \$30.70 and \$29.67 at April 30, 2013 and 2012, respectively. The cash received from the exercise of options during the three months ended April 30, 2013 and 2012, was \$5,837 and \$1,441, respectively. The cash received from the exercise of options during the nine months ended April 30, 2013 and 2012, was \$10,246 and \$3,624, respectively. The tax benefit on stock options exercised during the three months ended April 30, 2013 and 2012, was \$495 and \$166, respectively. The tax benefit on stock options exercised during the nine months ended April 30, 2013 and 2012, was \$1,760 and \$761, respectively.

The total intrinsic value of options exercised during the nine months ended April 30, 2013 and 2012, based upon the average market price at the time of exercise during the period, was \$7,360 and \$2,987, respectively. The total fair value of stock options vested during the nine months ended April 30, 2013 and 2012, was \$10,860 and \$8,035, respectively.

NOTE F — Stockholders' Equity

On September 9, 2011, the Company's Board of Directors authorized a share repurchase program for up to two million shares of the Company's Class A Nonvoting Common Stock. The plan may be implemented by purchasing shares in the open market or in privately negotiated transactions, with repurchased shares available for use in connection with the Company's stock-based plans and for other corporate purposes. As of July 31, 2012, there remained 334,940 shares to purchase in connection with this share repurchase plan.

On September 6, 2012, the Company's Board of Directors authorized an additional share repurchase program for up to two million additional shares of the Company's Class A Nonvoting Common Stock. During the nine months ended April 30, 2013, the Company purchased 188,167 shares of its Class A Nonvoting Common Stock for \$5,121. As of April 30, 2013, there remained 2,146,773 shares to purchase in connection with these plans.

NOTE G — Employee Benefit Plans

The Company provides postretirement medical benefits for eligible regular full and part-time domestic employees (including spouses) outlined by the plan. Postretirement benefits are provided only if the employee was hired prior to April 1, 2008, and

retires 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, are 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 funds benefit costs on a pay-as-you-go basis. There have been no changes to the components of net periodic benefit cost or the amount that the Company expects to fund in fiscal 2013 from those reported in Note 3 to the consolidated financial statements included in the Company's latest annual report on Form 10-K for the year ended July 31, 2012.

NOTE H — Fair Value Measurements

In accordance with fair value accounting guidance, the Company's assets and liabilities measured at fair market value are classified in one of the following categories:

Level 1 — Assets or liabilities for which fair value is based on quoted market prices in active markets for identical instruments as of the reporting date.

Level 2 — Assets or liabilities for which fair value is based on valuation models for which pricing inputs were either directly or indirectly observable.

Level 3 — Assets or liabilities for which fair value is based on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

The following tables set forth by level within the fair value hierarchy, our financial assets and liabilities that were accounted for at fair value on a recurring basis at April 30, 2013, and July 31, 2012, according to the valuation techniques the Company used to determine their fair values.

	Inputs Considered As		Fair Values	Balance Sheet Classifications
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)		
April 30, 2013				
Trading securities	\$ 14,614	\$ —	\$ 14,614	Other assets
Foreign exchange contracts	—	1,242	1,242	Prepaid expenses and other current assets
Total Assets	\$ 14,614	\$ 1,242	\$ 15,856	
Foreign exchange contracts	\$ —	\$ 438	\$ 438	Other current liabilities
Foreign currency denominated debt	—	108,001	108,001	Long term obligations, less current maturities
Total Liabilities	\$ —	\$ 108,439	\$ 108,439	
July 31, 2012				
Trading securities	\$ 12,676	\$ —	\$ 12,676	Other assets
Foreign exchange contracts	—	1,234	1,234	Prepaid expenses and other current assets
Total Assets	\$ 12,676	\$ 1,234	\$ 13,910	
Foreign exchange contracts	\$ —	\$ 281	\$ 281	Other current liabilities
Foreign currency denominated debt	—	99,081	99,081	Long term obligations, less current maturities
Total Liabilities	\$ —	\$ 99,362	\$ 99,362	

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Trading securities: The Company's deferred compensation investments consist of investments in mutual funds. These investments were classified as Level 1 as the shares of these investments trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Foreign exchange contracts: The Company's foreign exchange contracts were classified as Level 2, as the fair value was based on the present value of the future cash flows using external models that use observable inputs, such as interest rates, yield curves and foreign exchange rates. See Note J, "Derivatives and Hedging Activities" for additional information.

Foreign currency denominated debt: The Company's foreign currency denominated debt designated as a net investment hedge was classified as Level 2, as the fair value was based on the present value of the future cash flows using external models that use observable inputs, such as interest rates, yield curves and foreign currency exchange rates. See Note J, "Derivatives and Hedging Activities" for additional information.

There have been no transfers of assets or liabilities between the fair value hierarchy levels, outlined above, during the three or nine months ended April 30, 2013 and 2012. In addition, the Company had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition during the three and nine months ended April 30, 2013.

During the three months ended April 30, 2013, the Company implemented a plan to divest its Die-Cut Asia business. As such, the assets and liabilities of the Die-Cut Asia disposal group were recorded at approximate fair value less cost to sell and classified as "Assets held for sale" and "Liabilities held for sale." This resulted in a loss on the write-down of the disposal group of \$15,658 recorded within discontinued operations for the three and nine months ended April 30, 2013. Fair value was determined utilizing a combination of external market factors, internal projections, and other relevant Level 3 measurements.

During the three months ended January 31, 2012, goodwill with a carrying amount of \$163,702 in the former North/South Asia reporting unit was written down to its estimated implied fair value of \$48,014, resulting in a non-cash impairment charge of \$115,688. In order to arrive at the implied fair value of goodwill, the Company assigned the fair value to all of the assets and liabilities of the reporting unit as if the reporting unit had been acquired in a business combination. Intangible assets consisted of customer lists, and were valued using the income approach based upon customers in existence at the valuation date. After assigning fair value to the assets and liabilities of the reporting unit, the result was the implied fair value of goodwill of \$48,014, which represented a Level 3 asset measured at fair value on a nonrecurring basis subsequent to its original recognition.

The Company's financial instruments, other than those presented in the disclosures above, include cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and short-term and long-term debt. The fair values of cash and cash equivalents, accounts receivable, notes payable, accounts payable, and accrued liabilities approximated carrying values because of the short-term nature of these instruments.

The estimated fair value of the Company's short-term and long-term debt obligations, including notes payable, based on the quoted market prices for similar issues and on the current rates offered for debt of similar maturities, was \$359,427 and \$338,668 at April 30, 2013 and July 31, 2012, respectively, as compared to the carrying value of \$338,301 and \$316,208 at April 30, 2013 and July 31, 2012, respectively.

The Company drew down on its revolving loan agreement during the nine months ended April 30, 2013, in order to fund the acquisition of PDC. There was \$47,000 outstanding on the revolving loan agreement at April 30, 2013. In addition, the Company entered into a USD-denominated line of credit facility with Bank of America in China in the amount of \$26,200, of which \$11,658 was drawn during the three months ended April 30, 2013, in order to fund working capital and operations for the Company's Chinese entities. These outstanding balances are classified as "Notes Payable" in the amount of \$58,658 on the condensed consolidated balance sheets, and the fair value approximates carrying value due to the short-term nature of the instruments.

NOTE I — Restructuring

During the three months ended April 30, 2013, the Company announced a restructuring action to reduce approximately 5-7% of its global workforce in order to address its cost structure. In connection with this restructuring action, the Company incurred restructuring charges of \$8,540 and \$10,487 in continuing operations during the three and nine months ended April 30, 2013, respectively. Of the \$10,487 recognized in continuing operations during the nine months ended April 30, 2013, \$1,947 was incurred during the second quarter ended January 31, 2013, and related primarily to restructuring costs incurred as part of the acquisition of PDC.

The three months restructuring charges of \$8,540 consisted of \$2,863 of employee separation costs, \$3,423 of long-lived asset write-offs, and \$2,254 of other facility closure related costs. Of the \$8,540 of restructuring charges recorded during the quarter, \$5,067 was incurred in the Americas and \$3,473 was incurred in EMEA.

The year-to-date restructuring charges of \$10,487 consisted of \$4,829 of employee separation costs, \$3,423 of long-lived asset write-offs, and \$2,235 of other facility closure related costs. Of the \$10,487 of restructuring charges recorded during fiscal 2013, \$6,534 was incurred in the Americas, \$3,816 was incurred in EMEA, and \$137 was incurred in Asia-Pacific. The Company expects to incur approximately an additional \$13-\$16 million in restructuring in the fourth quarter of fiscal 2013 associated with this plan, which includes tradename write-offs in conjunction with brand consolidation. The charges for employee separation costs consisted of severance pay, outplacement services, medical and other benefits. The costs related to these restructuring activities were recorded on the condensed consolidated statements of earnings as restructuring charges. The Company expects the majority of the remaining cash payments to be made during the next twelve months.

During the three months ended April 30, 2012, the Company took various measures to address its cost structure in response to weaker sales forecasts across the Company. As a result of these actions, the Company recorded restructuring charges of \$1,977, which consisted of \$1,006 of employee separation costs, \$458 of fixed asset write-offs, and \$513 of other facility closure related costs. Of the \$1,977 of restructuring charges recorded during the three months ended April 30, 2012, \$1,709 was incurred in the Americas, \$258 was incurred in EMEA, and \$10 was incurred in Asia-Pacific.

A reconciliation of the Company's restructuring liability is as follows:

	Employee Related	Asset Write-offs	Other	Total
Beginning balance, July 31, 2012	\$ 8,809	\$ —	\$ 265	\$ 9,074
Restructuring charges in continuing operations	4,829	3,423	2,235	10,487
Restructuring charges in discontinued operations	1,337	283	1,344	2,964
Non-cash write-offs	—	(3,706)	—	(3,706)
Cash payments	(10,239)	—	(1,946)	(12,185)
Ending balance, April 30, 2013	\$ 4,736	\$ —	\$ 1,898	\$ 6,634

NOTE J — Derivatives and Hedging Activities

The Company utilizes forward foreign exchange currency contracts to reduce the exchange rate risk of specific foreign currency denominated transactions. These contracts typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date, with maturities of less than 18 months, which qualify as cash flow hedges or net investment hedges under the accounting guidance for derivative instruments and hedging activities. The primary objective of the Company's foreign currency exchange risk management is to minimize the impact of currency movements due to transactions in other than the respective subsidiaries' functional currency and to minimize the impact of currency movements on the Company's net investment denominated in a currency other than the U.S. Dollar. To achieve this objective, the Company hedges a portion of known exposures using forward foreign exchange currency contracts. As of April 30, 2013 and July 31, 2012, the notional amount of outstanding forward exchange contracts was \$170,641 and \$61,169, respectively.

The Company hedges a portion of known exposure using forward exchange contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Malaysian Ringgit and Singapore Dollar. Generally, these risk management transactions will involve the use of foreign currency derivatives to minimize the impact of currency movements on non-functional currency transactions.

Hedge effectiveness is determined by how closely the changes in fair value of the hedging instrument offset the changes in the fair value or cash flows of the hedged item. Hedge accounting is permitted only if the hedging relationship is expected to be highly effective at the inception of the hedge and on an on-going basis. Gains or losses on the derivative related to hedge ineffectiveness are recognized in current earnings.

Cash Flow Hedges

The Company has designated a portion of its foreign exchange contracts as cash flow hedges and recorded these contracts at fair value on the condensed consolidated balance sheets. For these instruments, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income ("OCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. At April 30, 2013, unrealized gains of \$132 have been included in OCI. As of April 30, 2012, unrealized gains of \$46 were included in OCI. These balances are expected to be reclassified from OCI to earnings during the next twelve months when the hedged transactions impact earnings. For the three months ended April 30, 2013 and 2012, the Company reclassified losses of \$9 and gains \$382 from OCI into earnings, respectively. For the nine months ended April 30, 2013 and 2012, the Company reclassified gains of \$548 and losses of \$252 from OCI into earnings, respectively. At April 30, 2013 and July 31, 2012, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled \$11,632 and \$39,458, respectively, including contracts to sell Euros, Canadian Dollars, Australian Dollars, British Pounds and U.S. Dollars.

Net Investment Hedges

The Company has also designated intercompany and third party foreign currency denominated debt instruments as net investment hedges. At April 30, 2013, the Company designated £25,036 of intercompany loans as net investment hedges to hedge portions of its net investment in British foreign operations. At July 31, 2012, the Company designated €4,581 of intercompany loans as net investment hedges to hedge portions of its net investment in European foreign operations. On May 13, 2010, the Company completed the private placement of €75.0 million aggregate principal amount of senior unsecured notes to accredited

institutional investors. This Euro-denominated debt obligation was designated as a net investment hedge to selectively hedge portions of its net investment in European foreign operations. The Company's foreign denominated debt obligations are valued under a market approach using publicized spot prices.

Additionally, the Company utilizes forward foreign exchange currency contracts designated as hedge instruments to hedge portions of the Company's net investments in foreign operations. The net gains or losses attributable to changes in spot exchange rates are recorded in other comprehensive income. Recognition in earnings of amounts previously recorded in cumulative translation is limited to circumstances such as complete or substantially complete liquidation of the net investment in the hedged foreign operation. At April 30, 2013 and July 31, 2012, the U.S dollar equivalent of these outstanding forward foreign exchange contracts totaled \$7,399 and \$10,650, respectively. As of April 30, 2013 and 2012, the Company recognized in OCI gains of \$24 and \$3,228, respectively, on its net investment hedges.

Non-Designated Hedges

For the three and nine months ended April 30, 2013, the Company recognized losses of \$520 and \$478, respectively, in "Investment and other income" on the condensed consolidated statements of earnings related to non-designated hedges. For the three and nine months ended April 30, 2012, the Company recognized a loss of \$227 and a gain of \$188, respectively.

Fair values of derivative instruments in the condensed consolidated balance sheets were as follows:

	Asset Derivatives				Liability Derivatives			
	April 30, 2013		July 31, 2012		April 30, 2013		July 31, 2012	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Cash flow hedges								
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 149	Prepaid expenses and other current assets	\$ 1,156	Other current liabilities	\$ 57	Other current liabilities	\$ 210
Net investment hedges								
Foreign exchange contracts	Prepaid expenses and other current assets	\$ —	Prepaid expenses and other current assets	\$ —	Other current liabilities	\$ 26	Other current liabilities	\$ 71
Foreign currency denominated debt	Prepaid expenses and other current assets	\$ —	Prepaid expenses and other current assets	\$ —	Long term obligations, less current maturities	\$ 98,228	Long term obligations, less current maturities	\$ 99,081
Total derivatives designated as hedging instruments		\$ 149		\$ 1,156		\$ 98,311		\$ 99,362
Derivatives not designated as hedging instruments								
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 1,093	Prepaid expenses and other current assets	\$ 78	Other current liabilities	\$ 355	Other current liabilities	\$ —
Total derivatives not designated as hedging instruments		\$ 1,093		\$ 78		\$ 355		\$ —

NOTE K — Acquisitions and Divestitures

In August 2012, the Company sold all of its assets of Precision Converting, LLC, doing business as Brady Medical, in Mesquite, Texas. Brady Medical specialized in manufacturing and converting die-cut products for the medical and diagnostic industry. Brady Medical had operations in the Company's Americas segment. The Company received proceeds of \$3,378 for this business, of which \$3,018 was in cash and \$360 was in non-cash consideration. The non-cash consideration consisted of an escrow account to be released upon the terms of the agreement, which is classified within "Other Long Term Assets" on the Condensed Consolidated Balance Sheets. The transaction resulted in a pre-tax loss of (\$3,675), which was accounted for during the three month period ended October 31, 2012.

In October 2012, the Company sold certain assets of its Varitronics business, an education technology solutions business. Varitronics had operations in the Company's Americas segment. The Company received proceeds of \$8,410 for this business, of which \$7,160 was in cash and \$1,250 was in the form of a promissory note, which is classified as a long-term asset. The transaction resulted in a pre-tax gain of \$237, which was accounted for during the three month period ended October 31, 2012.

The Brady Medical and Varitronics divestitures are part of the Company's continued long-term strategy to focus resources on businesses with a clear path to sustainable organic growth and profitability.

On December 28, 2012, the Company acquired all of the outstanding shares of Precision Dynamics Corporation ("PDC"), a manufacturer of identification products primarily for the healthcare sector headquartered in Valencia, California. PDC is reported within the Company's Americas segment. Net sales and net earnings attributable to PDC for the three months ended April 30, 2013 were \$40,682 and \$1,865, respectively. Net sales and net earnings attributable to PDC from the acquisition date through April 30, 2013 were approximately \$56,750 and \$626, respectively. Financing for this acquisition consisted of \$220,000 from the Company's revolving loan agreement with a group of six banks, and the balance from cash on hand. As of April 30, 2013, the Company repaid \$173,000 of the borrowing on the credit facility with cash on hand. The Company incurred \$3,600 in acquisition-related expenses during the nine months ended April 30, 2013.

The Company acquired PDC to create an anchor position in the healthcare sector, consistent with the Company's mission to identify and protect premises, products and people. PDC's large customer base, strong channels to market, and broad product offering provide a strong foundation to build upon PDC's market position.

The table below details a preliminary allocation of the PDC purchase price:

Fair values:	April 30, 2013
Cash and cash equivalents	\$ 12,904
Accounts receivable — net	21,178
Total inventories	16,788
Prepaid expenses and other current assets	3,915
Goodwill	189,187
Other intangible assets	109,300
Other assets	483
Property, plant and equipment	18,165
Accounts payable	(10,386)
Wages and amounts withheld from employees	(4,234)
Taxes, other than income taxes	(600)
Accrued income taxes	(57)
Other current liabilities	(4,704)
Other long-term liabilities	(37,878)
	314,061
Less: cash acquired	(12,904)
Fair value of total consideration	\$ 301,157

The final purchase price allocation is subject to completion of final valuation of the assets acquired and liabilities assumed. The final valuation is expected to be completed as soon as is practicable but no later than 12 months after the closing date of the acquisition. The intangible assets consist of a customer relationship of \$102,500, which is being amortized over a life of 10 years, and a definite-lived trademark of \$6,800, which is being amortized over a life of 3 years. The goodwill acquired of \$189,187 is not tax deductible.

The following table reflects the unaudited pro forma operating results of the Company for the three and nine months ended April 30, 2013 and 2012, which give effect to the acquisition of PDC as if it had occurred at the beginning of fiscal 2012, after giving effect to certain adjustments, including amortization of intangible assets, interest expense on acquisition debt, and income tax effects. The pro forma results have been prepared for comparative purposes only and are not necessarily indicative of the results of operations which may occur in the future or that would have occurred had the acquisitions been effected on the date indicated, nor are they necessarily indicative of the Company's future results of operations.

	Three months ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Net sales, as reported	\$ 305,737	\$ 275,388	\$ 856,408	\$ 813,573
Net sales, pro forma	305,737	319,077	924,832	938,774
Earnings from continuing operations, as reported	21,838	28,039	37,669	84,328
Earnings from continuing operations, pro forma	21,838	29,893	42,553	83,271
Basic earnings from continuing operations per Class A Common Share, as reported	0.42	0.53	0.73	1.60
Basic earnings from continuing operations per Class A Common Share, pro forma	0.42	0.57	0.83	1.58
Diluted earnings from continuing operations per Class A Common Share, as reported	0.42	0.53	0.73	1.59
Diluted earnings from continuing operations per Class A Common Share, pro forma	0.42	0.56	0.82	1.57

Pro forma results for the nine months ended April 30, 2012, were adjusted to include \$3,600 of acquisition-related expenses, \$1,530 of nonrecurring expense related to the fair value adjustment to acquisition-date inventory, \$720 in interest expense on acquisition debt, and (\$827) in income tax benefit.

Pro forma results for the nine months ended April 30, 2013, were adjusted to exclude \$3,600 of acquisition-related expenses and \$1,530 of nonrecurring expense related to the fair value adjustment to acquisition-date inventory, and were adjusted to include \$529 in interest expense on acquisition debt and (\$135) in income tax benefit.

Pro forma results for the nine months ended April 30, 2013 and 2012 includes \$5,141 and \$9,313 of pretax amortization expense related to intangible assets, respectively.

NOTE L - Notes Payable

In December 2012, the Company drew down \$220,000 from its revolving loan agreement with a group of six banks to fund a portion of the purchase price of the acquisition of PDC. Prior to April 30, 2013, the Company repaid \$173,000 of the borrowing with cash on hand. The Company intends to repay the remainder of the borrowing within 12 months of the current period end, as such, the borrowing is classified as "Notes Payable" within current liabilities on the Condensed Consolidated Balance Sheets. During the nine months ended April 30, 2013, the maximum amount outstanding on the revolving loan agreement was \$220,000. As of April 30, 2013, the outstanding balance on the credit facility was \$47,000 and there was \$253,000 available for future borrowing under the credit facility, which can be increased to \$403,000 at the Company's option, subject to certain conditions.

In February 2013, the Company entered into a USD-denominated line of credit facility with in China. The facility supports USD-denominated borrowing to fund working capital and operations for the Company's Chinese entities. During the nine months ended April 30, 2013, the maximum amount outstanding was \$11,658 which was the balance outstanding at April 30, 2013. As of April 30, 2013, there was \$14,542 available for future borrowing under this credit facility.

As of April 30, 2013, borrowings on the revolving loan agreement and China line of credit are as follows:

	Interest Rate	April 30, 2013
USD-denominated borrowing on revolving loan agreement	1.3000%	\$ 47,000
USD-denominated borrowing on China line of credit	1.1332%	11,658
Notes payable	1.2000%	58,658

NOTE M - Income Taxes

During the nine months ended April 30, 2013, the Company recorded a \$25,630 non-cash tax charge for the repatriation of approximately \$208,000 of cash associated with the funding of the acquisition of PDC. The Company does not provide for U.S.

deferred taxes on cumulative earnings of non-U.S. affiliates and associated companies that have been reinvested indefinitely. The remaining earnings continue to be reinvested indefinitely as of April 30, 2013, and it is impracticable to estimate the amount of such remaining earnings on an interim basis.

NOTE N — Discontinued Operations

During the three months ended April 30, 2013, the Company implemented a plan to divest its Die-Cut Asia business. As a result, the business has been classified as assets and liabilities held for sale in accordance with the authoritative literature as of April 30, 2013. The disposal group has been recorded based on the estimated fair value less cost to sell, which resulted in a write down of \$15,658. The operating results have been reported as discontinued operations for the comparative periods ended April 30, 2013 and 2012, including the operating results of the following three previously divested businesses:

Divestitures	Segment	Date Completed
Etimark	EMEA	July 2012
Precision Converting, LLC (“Brady Medical”)	Americas	August 2012
Varitronics	Americas	October 2012

The following table summarizes the operating results of discontinued operations for the three and nine months ended April 30, 2013 and 2012:

	Three Months Ended April 30,		Nine Months Ended April 30,	
	2013	2012	2013	2012
Net sales	\$ 44,653	\$ 56,241	\$ 155,811	\$ 188,148
(Loss) on write-down of disposal group	(15,658)	—	(15,658)	—
(Loss) earnings from operations of discontinued businesses	(417)	(2,002)	4,463	(112,246)
Income tax (expense) benefit	(1,530)	1,615	(3,738)	(1,652)
(Loss) from discontinued operations, net of income tax	\$ (17,605)	\$ (387)	\$ (14,933)	\$ (113,898)

The following table details assets and liabilities of the Die-Cut Asia disposal group classified as held for sale as of April 30, 2013:

	April 30, 2013
Accounts receivable—net	\$ 50,564
Total inventories	19,889
Prepaid expenses and other current assets	2,119
Total current assets	72,572
Other assets:	
Goodwill	29,673
Other intangible assets	491
Other	1,985
Property, plant and equipment—net	19,560
Total assets	\$ 124,281
Current liabilities:	
Accounts payable	\$ 30,403
Wages and amounts withheld from employees	3,119
Other current liabilities	1,162
Total current liabilities	34,684
Net assets of disposal group	89,597
Less: write-down on disposal group	(15,658)
Net assets of disposal group at fair value	\$ 73,939

In accordance with authoritative literature, accumulated other comprehensive income will be reclassified to the statement of earnings upon liquidation or substantial liquidation of the disposal group.

NOTE O — New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2011-05, “Presentation of Comprehensive Income,” which eliminates the option to present components of other comprehensive income (“OCI”) as part of the statement of changes in stockholders’ equity. The amendments in this standard require that all non-owner changes in stockholders’ equity be presented in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Subsequently, in December 2011, the FASB issued ASU 2011-12, “Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income,” which indefinitely defers the requirements in ASU 2011-05 to present on the face of the financial statements adjustments for items that are reclassified from OCI to net earnings in the statement where the components of net earnings and the components of OCI are presented. The ASU does not change the items that must be reported in OCI. The Company has provided the required statements of comprehensive income beginning with the first quarter of fiscal 2013.

In January 2013, the FASB issued ASU 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities," which clarified that the scope of the disclosures under U.S. GAAP is limited to derivatives, including bifurcated embedded derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and securities lending transactions that are offset either in accordance with ASC 210 or ASC 815. Entities with other types of financial assets and financial liabilities subject to a master netting arrangement or similar agreement are no longer subject to the disclosure requirements in ASU 2011-11. The guidance is effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. Disclosures are to be provided retrospectively for all periods presented. The adoption of this update will not have a material impact on the financial statements of the Company.

In February 2013, the FASB issued ASU 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income," which requires entities to disclose additional information for items reclassified out of accumulated other comprehensive income (AOCI). For items reclassified out of AOCI and into net earnings in their entirety, entities are required to disclose the effect of the reclassification in each affected line in the statement of earnings. For AOCI reclassification items that are not reclassified in their entirety into net earnings, a cross reference to other required U.S. GAAP disclosures is required. This information may be provided either in the notes or parenthetically on the face of the statement that reports net earnings as long as all the information is disclosed in a single location. However, an entity is prohibited from providing this information parenthetically on the face of the statement that reports net earnings if it has items that are not reclassified in their entirety into net earnings. The guidance is effective for annual and interim reporting periods beginning after December 15, 2012. The adoption of this update will not have a material impact on the financial statements of the Company.

In March 2013, the FASB issued ASU 2013-05, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity," which applies to the release of the cumulative translation adjustment into net earnings when a parent either sells a part or all of its investment in a foreign entity, or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. The guidance requires that a parent deconsolidate a subsidiary or derecognize a group of assets that is a business if the parent ceases to have a controlling financial interest in that group of assets, and resolves the diversity in practice for the treatment of business combinations achieved in stages involving a foreign entity. The guidance is effective for annual and interim reporting periods beginning after December 15, 2013. The adoption of this update will not have a material impact on the financial statements of the Company.

NOTE P — Subsequent Events

On May 15, 2013, the Board of Directors declared a quarterly cash dividend to shareholders of the Company’s Class A and Class B Common Stock of \$0.19 per share payable on July 31, 2013 to shareholders of record at the close of business on July 10, 2013.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Brady Corporation was incorporated under the laws of the state of Wisconsin in 1914. Brady Corporation is an international manufacturer of identification solutions and specialty materials that identify and protect premises, products and people. The ability to provide customers with a broad range of proprietary, customized, and diverse products for use in various applications, along with a commitment to quality and service, a global footprint and multiple sales channels, have made Brady a world leader in many of its markets.

The Company operates in Australia, Belgium, Brazil, Canada, the Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Thailand, Turkey, the United Arab Emirates, the United Kingdom and the United States. Brady sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in Russia, Taiwan, Central Europe, the Middle East, Africa and South America.

Through April 30, 2013, the Company is organized and managed on a geographic basis within three regions: Americas, EMEA (Europe, the Middle East and Africa), and Asia-Pacific, which are the reportable segments. Across these regions, the Company operates three primary business platforms: Identification Solutions ("ID Solutions"), Direct Marketing and Die-Cut. Refer to Item 1 of the Company's fiscal 2012 Form 10-K for additional information regarding the business platforms. Effective May 1, 2013, the Company will reorganize into two global product-based business platforms: Identification Solutions and Workplace Safety, which is known as Direct Marketing through the quarter ended April 30, 2013.

Results of Operations

During the three months ended April 30, 2013, the Company implemented a plan to divest its Die-Cut Asia business. This is a part of the Company's ongoing efforts to shift its portfolio of businesses into more stable industries that are supported by macro-economic trends. The Die-Cut Asia business platform primarily consists of the sale of high performance products such as gaskets, meshes, heat dissipation materials, antennae, dampers, filters, and similar products sold into the electronics industries including the mobile handset and hard-disk drive industries. The business has shown many signs of improvement and has recently secured several new orders; however, management no longer considers the business to be core to the overall strategy and believes that customers and employees will be better served being owned by a company in which die-cut is a core product offering. As such, the assets and liabilities of the business were classified as held for sale in the condensed consolidated balance sheet as of April 30, 2013, and its operating results are reflected as discontinued operations in the condensed consolidated statements of earnings for the three and nine months ended April 30, 2013 and 2012.

The Company's continuing operations were affected by continued global economic weakness primarily in Europe, Brazil and Australia during the three and nine months ended April 30, 2013. In addition, the continued decline in the Direct Marketing Americas business impacted results as the growth in e-commerce sales have only partially offset the decline in the traditional catalog model sales. In December 2012, the Company made a strategic acquisition with the purchase of Precision Dynamics Corporation ("PDC"), a leader in the U.S. healthcare identification sector, moving into faster growing end markets. The purchase price paid for PDC on December 28, 2012, was \$301.2 million, and annual revenue for PDC for calendar year 2012 was \$173 million. This acquisition contributed 15% to our sales growth for the three months and 7% for the nine months ended April 30, 2013. In addition to acquisitions, we are focused on the following initiatives in order to create growth:

- Expanding our business in emerging geographies, or geographies where we are under-penetrated
- Developing and introducing new products
- Expanding globally in selected vertical markets, such as Aerospace and Mass Transit, Chemical, Oil & Gas, and Food & Beverage
- Commitment to customer conversion, and
- Expanding our on-line capabilities to deliver the best buying experience for our customers

The comparability of the operating results for the three and nine months ended April 30, 2013, to the prior year has been impacted by the following acquisitions completed in fiscal 2013 and fiscal 2012:

Fiscal 2013

Acquisitions	Segment	Date Completed
Precision Dynamics Corporation ("PDC")	Americas	December 2012

Fiscal 2012

Acquisitions	Segment	Date Completed
Grafo Wiremarkers Africa (“Grafo”)	EMEA	March 2012
Runelandhs Försäljnings AB (“Runelandhs”)	EMEA	May 2012
Pervaco AS (“Pervaco”)	EMEA	May 2012

Sales for the three months ended April 30, 2013, increased 11.0% to \$305.7 million, compared to \$275.4 million in the same period of the last fiscal year. Of the 11.0% increase in sales, organic sales decreased by 4.7%, and fluctuations in the exchange rates used to translate financial results into the United States dollar decreased sales by 1.1%. Acquisitions increased sales by 16.8% during the three months ended April 30, 2013. The decrease in organic sales for the three months ended April 30, 2013, was comprised of a 2.9% decrease in the Americas, and 4.8% and 11.6% declines in sales in the EMEA and Asia-Pacific segments, respectively. Net earnings from continuing operations for the three months ended April 30, 2013 and 2012, were \$21.8 million and \$28.0 million, respectively.

Sales for the nine months ended April 30, 2013, increased 5.3% to \$856.4 million, compared to \$813.6 million in the same period of the last fiscal year. Organic sales declined 2.7%, acquisitions increased sales by 9.3% and the effects of fluctuations in the exchange rates used to translate financial results into the United States dollar decreased sales by 1.3%. Net earnings from continuing operations for the nine months ended April 30, 2013, were \$37.7 million, which includes a non-cash tax charge of \$25.0 million due to the repatriation of cash in order to fund the PDC acquisition. Net earnings from continuing operations for the nine months ended April 30, 2012, were \$84.3 million.

Gross margin as a percentage of sales decreased to 52.2% from 55.1% for the three months and decreased to 52.8% from 54.8% for the nine months ended April 30, 2013, compared to the same periods of the prior year. Excluding the acquisition of PDC, gross margin as a percentage of sales decreased to 53.8% from 55.1% for the three months and decreased to 54.0% from 54.8% for the nine months ended April 30, 2013. As PDC is a lower gross margin business compared to the remainder of the ID Solutions platform, the year-over-year decline is expected to continue through the second quarter of next fiscal year. The remaining decline in gross margin was primarily due to the challenging global economy, as we have passed limited cost increases on to our customers.

Research and development (“R&D”) expenses decreased 1.7% to \$8.1 million for the three months ended April 30, 2013, compared to \$8.2 million for the same period in the prior year, and decreased 5.8% to \$24.2 million for the nine months ended April 30, 2013, compared to \$25.7 million for the same period in the prior year. The Company’s R&D expenditures are primarily related to the organic ID Solutions business platform. As a percentage of organic ID Solutions sales, R&D expense was consistent year over year at 4.7% and 4.5% for the three months ended April 30, 2013 and 2012, respectively, and 4.7% and 4.8% for the nine months ended April 30, 2013 and 2012, respectively.

Selling, general and administrative (“SG&A”) expenses increased 13.7% to \$112.1 million for the three months ended April 30, 2013, compared to \$98.6 million for the same period in the prior year, and increased 9.7% to \$321.9 million for the nine months ended April 30, 2013, compared to \$293.5 million for the same period in the prior year. As a percentage of sales, SG&A expenses increased to 36.0% from 35.8% for the three months and increased to 37.6% from 36.1% for the nine months ended April 30, 2013, compared to the same period of the prior year, respectively. The increase was primarily due to the addition of PDC SG&A expense of \$14.5 million and \$19.7 million during the three and nine months ended April 30, 2013, as well as acquisition-related expenses for PDC of \$3.6 million during the nine month period. The remaining increase for the three and nine months was related to investments to fund key growth initiatives as well as other general expense increases.

Restructuring charges were \$8.5 million and \$10.5 million for the three and nine months ended April 30, 2013, respectively. The charges for the quarter relate primarily to employee separation costs associated with restructuring announcements made in February 2013. In addition to employee costs, \$3.2 million relates to a non-cash write-off of tradenames as a result of brand consolidation efforts that took place during the quarter. Of the \$10.5 million in restructuring charges recognized during the nine months ended April 30, 2013, \$2.0 million was recorded during the second quarter and was primarily related to employee separation costs associated with the acquisition of PDC. In February, the Company announced that the total restructuring charges expected to be incurred as part of the restructuring plan were \$15 million to \$18 million, with corresponding annual savings of approximately \$25 million to \$30 million. The Company expects to reinvest approximately \$10 million to \$15 million of the savings into ongoing business initiatives.

Other income remained consistent for the three months ended April 30, 2013, compared to the same period in the prior year, and increased to \$2.4 million from \$1.7 million for the nine months ended April 30, 2013, compared to the same period in the

prior year. The increase in other income in the current year was primarily due to a larger foreign exchange loss realized in the prior year.

Interest expense decreased to \$4.2 million from \$4.7 million for the three months, and to \$12.8 million and \$14.7 million for the nine months ended April 30, 2013, compared to the same periods in the prior year. The decrease was due to the Company's declining principal balance under its outstanding debt agreements, along with changes in its debt structure reducing the Company's weighted average interest rate.

The Company's effective tax rate on continuing operations was 21.8% for the three months, and 56.0% for the nine months ended April 30, 2013. The Company's effective tax rate on continuing operations was 28.7% and 24.8% for the same periods in the prior year. The decrease in the three month tax rate was primarily due to a benefit from the release of tax reserves as a result of the expiration of statutes of limitation. The increase in the nine month tax rate was primarily driven by the \$25.0 million non-cash tax charge recorded in the second quarter ended January 31, 2013, associated with the repatriation of cash to fund the acquisition of PDC. Excluding the impact of the PDC charge, the nine month tax rate was 25.9%, which was consistent with the same period in the prior year.

The Company's earnings from continuing operations, net of income taxes, were \$21.8 million for the three months and \$37.7 million for the nine months ended April 30, 2013, compared to earnings from continuing operations, net of income taxes, of \$28.0 million and \$84.3 million for the same periods in the prior year, respectively. The decline in the three months ended April 30, 2013, was primarily due a decline in organic sales as well as an increase of \$6.5 million in restructuring charges. Excluding the non-cash tax charge of \$25 million recognized in the nine months ended April 30, 2013, earnings from continuing operations, net of income taxes, were \$62.7 million, a decline of \$21.6 million from the prior year. This decline was primarily due to the organic sales decline of 2.7% and an increase in restructuring charges of \$8.5 million compared to the same period in the prior year.

Discontinued Operations

Discontinued operations consist of the divestitures of Etimark in the EMEA segment in July 2012, Brady Medical in the Americas segment in August 2012, Varitronics in the Americas segment in October 2012, and the Die-Cut Asia business, based primarily in the Asia-Pacific segment which was classified as held for sale as of April 30, 2013. The loss from discontinued operations net of income taxes was \$17.6 million for the three months, and \$14.9 million for the nine months ended April 30, 2013, compared to \$0.4 million and \$113.9 million in the same periods in the prior year, respectively. The loss in the three months ended April 30, 2013, primarily related to a \$15.7 million write-down of the disposal group to estimated fair value less cost to sell. The loss in the nine months ended April 30, 2012 primarily related to the \$115.7 million goodwill impairment charge recorded during the second quarter of fiscal 2012, which was related to the disposal group.

Depreciation and amortization recognized within discontinued operations during the three and nine months ended April 30, 2013, were \$2.8 million and \$8.4 million, respectively, compared to \$2.5 million and \$9.1 million in the same periods of the prior year. EBITDA for discontinued operations was \$2.4 million and \$12.9 million for the three and nine months ended April 30, 2013, and \$0.5 million and \$12.5 million for the three and nine months ended April 30, 2012.

Business Segment Operating Results

The Company is organized and managed on a geographic basis by region. Each of these regions, Americas, EMEA and Asia-Pacific, has a President that reports directly to the Company's chief operating decision maker, its Chief Executive Officer. Each region has its own distinct operations, is managed locally by its own management team, maintains its own financial reports and is evaluated based on regional segment profit. The Company has determined that these regions comprise its operating and reportable segments based on the information used by the Chief Executive Officer to allocate resources and assess performance.

The segment results have been adjusted to reflect continuing operations in all periods presented. The sales and profit of discontinued operations have been excluded from the following information.

Following is a summary of segment information for the three and nine months ended April 30, 2013 and 2012:

(in thousands)	Americas		EMEA		Asia-Pacific		Total Region		Corporate and Eliminations		Total	
SALES TO EXTERNAL CUSTOMERS												
Three months ended:												
April 30, 2013	\$	178,559	\$	94,044	\$	33,134	\$	305,737	—	\$	305,737	
April 30, 2012		143,083		94,136		38,169		275,388	—		275,388	
Nine months ended:												
April 30, 2013	\$	470,418	\$	279,420	\$	106,570	\$	856,408	—	\$	856,408	
April 30, 2012		419,862		279,506		114,205		813,573	—		813,573	
SALES INFORMATION												
Three months ended April 30, 2013:												
Organic		(2.9)%		(4.8)%		(11.6)%		(4.7)%	—		(4.7)%	
Currency		(0.7)%		(1.3)%		(1.6)%		(1.1)%	—		(1.1)%	
Acquisitions		28.4 %		6.0 %		0.0 %		16.8 %	—		16.8 %	
Total		24.8 %		(0.1)%		(13.2)%		11.0 %	—		11.0 %	
Nine months ended April 30, 2013:												
Organic		(0.7)%		(4.2)%		(6.8)%		(2.7)%	—		(2.7)%	
Currency		(0.8)%		(2.5)%		0.1 %		(1.3)%	—		(1.3)%	
Acquisitions		13.5 %		6.7 %		— %		9.3 %	—		9.3 %	
Total		12.0 %		— %		(6.7)%		5.3 %	—		5.3 %	
SEGMENT PROFIT												
Three months ended:												
April 30, 2013	\$	42,942	\$	22,993	\$	5,485	\$	71,420	\$	(1,282)	\$	70,138
April 30, 2012		39,181		25,566		6,080		70,827		(388)		70,439
Percentage change		9.6 %		(10.1)%		(9.8)%		0.8 %				(0.4)%
Nine months ended:												
April 30, 2013	\$	119,179	\$	70,568	\$	15,793	\$	205,540	\$	(5,049)	\$	200,491
April 30, 2012		118,871		78,432		18,411		215,714		(6,010)		209,704
Percentage change		0.3 %		(10.0)%		(14.2)%		(4.7)%				(4.4)%
NET EARNINGS RECONCILIATION (in thousands)												
					Three Months Ended April 30,		Nine Months Ended April 30,					
					2013		2012		2013		2012	
Total profit for reportable segments					\$	71,420	\$	70,827	\$	205,540	\$	215,714
Corporate and eliminations						(1,282)		(388)		(5,049)		(6,010)
Unallocated amounts:												
Administrative costs						(30,642)		(25,506)		(94,042)		(82,636)
Restructuring charges						(8,540)		(1,977)		(10,487)		(1,977)
Investment and other income						1,131		1,108		2,427		1,719
Interest expense						(4,185)		(4,735)		(12,755)		(14,715)
Earnings from continuing operations before income taxes						27,902		39,329		85,634		112,095
Income taxes						6,064		11,290		47,965		27,767
Net earnings from continuing operations						21,838		28,039		37,669		84,328
(Loss) from discontinued operations, net of tax						(17,605)		(387)		(14,933)		(113,898)
Net earnings (loss)					\$	4,233	\$	27,652	\$	22,736	\$	(29,570)

The Company evaluates short-term segment performance based on segment profit or loss and customer sales. Segment profit or loss does not include certain administrative costs, such as the cost of finance, information technology, human resources, and executive leadership, which are managed as global functions. Restructuring charges, impairment charges, equity compensation costs, interest expense, investment and other income and income taxes are also excluded when evaluating performance.

The Company considers a reporting unit's fair value to be substantially in excess of its carrying value at 20% or greater. All reporting units had a fair value substantially in excess of carrying value at the fiscal 2012 annual goodwill impairment assessment date. The reporting unit with the least amount of fair value excess over carrying value was Direct Marketing Americas. No triggering events have occurred since this date that would require an interim test for impairment.

Americas:

Americas sales increased 24.8% to \$178.6 million for the three months and 12.0% to \$470.4 million for the nine months ended April 30, 2013, compared to \$143.1 million and \$419.9 million, respectively, for the same periods in the prior year. Organic sales declined 2.9% and declined 0.7% during the three and nine months, respectively, as compared to the same periods in the prior year. Fluctuations in the exchange rates used to translate financial results into the United States dollar resulted in a negative impact on sales of 0.7% in the three month and 0.8% in the nine month periods. The acquisition of PDC in the second quarter increased sales by 28.4% in the three month and 13.5% in the nine month periods.

Organic sales declined 2.9% for the three months and the 0.7% for the nine months ended April 30, 2013. The sales declines in Brazil and the Direct Marketing business platform were consistent during the three and nine month periods. During the first six months of the fiscal year, sales growth within the North Americas ID Solutions business offset the declines in Brazil and Direct Marketing. However, the North Americas ID Solutions platform sales declined 0.6% in the quarter ended April 30, 2013, which is discussed further below.

In Brazil, organic sales declined by approximately 9% for the three and nine month periods due to the continued weakness in the OEM business. In the Direct Marketing Americas business, organic sales declined by approximately 6% for three and nine month periods. Although sales over the internet increased as noted above, it was not sufficient to offset the decline in sales generated through the traditional catalog model. Our focus is to grow sales with four primary strategies: expansion and improvement of our presence on the internet, broadening our line of safety and MRO products, optimizing our pricing, and focusing on the critical safety requirements of our target markets.

In the three months ended April 30, 2013, the North Americas ID solutions business declined slightly as we experienced contractions in inventories at some of our major distributors, resulting in reduced orders. We continue to focus on launching innovative new products and improving our presence on the internet. Sales over the internet increased by more than 15% for the three and nine months within North America, and we experienced a positive response to our recent new product launches. New products launched include the BBP85 printer, the continuous-sleeving wire identification system for high volume applications in the electrical and aerospace markets, and three new high performance materials to address the changing requirements for identification of printed circuit boards and electronic components.

Segment profit increased 9.6% to \$42.9 million from \$39.2 million for the three months, and increased 0.3% to \$119.2 million from \$118.9 million for the nine months ended April 30, 2013, compared to the same periods in the prior year. As a percentage of sales, segment profit decreased to 24.0% from 27.4% for the three months, and decreased to 25.3% from 28.3% for the nine months ended April 30, 2013. The increase in segment profit for the three months was driven by the acquisition of PDC. Excluding PDC for the three and nine months, segment profit declined primarily due to the sales decline in the Direct Marketing business platform.

The Company has identified five reporting units within its three reporting segments for purposes of the annual goodwill impairment analysis. The Americas reporting segment has two reporting units: Brady Americas and Direct Marketing Americas. The sales decline and the segment profit decrease within the Americas region is primarily related to the Direct Marketing Americas reporting unit. The Company last completed its annual impairment testing of goodwill in the fourth quarter of fiscal 2012. The methodologies for valuing goodwill are applied consistently on a year-over-year basis, and the assumptions used in performing the 2012 impairment calculations were evaluated in light of market and business conditions. The Company continues to believe that the discounted cash flow model and market multiples model provide a reasonable and meaningful fair value estimate based upon the reporting units' projections of future operating results and cash flows and replicates how market participants would value the Company's reporting units. The projections of future operating results are based on both past performance and the projections and assumptions used in the Company's current and long-range operating plans. The Company's estimates could be impacted if the direct marketing strategy is unsuccessful.

The Direct Marketing Americas reporting unit had goodwill of \$183.1 million as of April 30, 2013. This reporting unit has experienced a decline in sales for the last five quarters primarily due to reduced sales generated from catalogs as customers move to the internet, as well as a slowdown in the U.S. economy. Although our sales in e-commerce have increased, the shift is not sufficient to entirely compensate for the lost sales from the traditional catalog model. The Company is addressing this via investments in digital capabilities and focused emphasis on growing the customer base, and we anticipate returning to single digit sales growth over the next several years. The annual goodwill impairment analysis performed as of May 1, 2012, resulted in a significant fair value excess over carrying value. However, if management concluded that the current trend of declining sales was not temporary, this reporting unit could face the risk of a material goodwill impairment charge, which may adversely affect earnings in the period in which the charge is recorded.

EMEA:

EMEA sales decreased 0.1% to \$94.0 million for the three months and remained flat at \$279.4 million for the nine months ended April 30, 2013, compared to \$94.1 million and \$279.5 million for the same periods in the prior year. Organic sales decreased 4.8% and 4.2% for the three and nine month periods, respectively, compared to the same periods in the prior year. Fluctuations in the exchange rates used to translate financial results into the United States dollar resulted in a negative impact on sales of 1.3% and 2.5% for the three and nine month periods, respectively, compared to the same periods in the prior year. The fiscal 2012 acquisitions of Grafo, Pervaco and Runelandhs, increased sales by 6.0% and 6.7% for the three and nine month periods, respectively, compared to the same periods in the prior year.

The decrease in organic sales of 4.8% and 4.2% for the three and nine months ended April 30, 2013, was primarily due to continued difficult economic circumstances in the European economy. The decline in the business is consistent with that experienced in prior quarters. The Direct Marketing platform was down 6% for the quarter and down 5% for the nine months, and the ID Solutions platform was down approximately 3% for the quarter and nine months. The decline in the ID Solutions business platform was partially offset by our increased presence in emerging geographies, new and differentiated product launches, and our drive to increase share in specific vertical markets. Our targeted product offering to the specific needs of vertical markets such as the chemical, oil, and gas industries, as well as our targeted Strategic Account Management programs are resulting in customer wins in these focused industries which demand high-performance identification products.

Segment profit decreased 10.1% to \$23.0 million from \$25.6 million for the three months, and decreased 10.0% to \$70.6 million from \$78.4 million for the nine months ended April 30, 2013, compared to the same periods in the prior year. As a percentage of sales, segment profit decreased to 24.4% from 27.2% for the three months and decreased to 25.3% from 28.1% for the nine months ended April 30, 2013, compared to the same periods in the prior year. The segment profit decline for the three and nine months was primarily a result of the decline in organic sales in addition to the sales mix. The Direct Marketing business platform has higher gross margins, and organic sales declined by approximately 6% for the three and nine months ended April 30, 2013. In the ID solutions platform, the profit decline was due to both the organic sales decline as well as increased investment in new geographies.

Asia-Pacific:

The current quarter change in the financial statements to report discontinued operations had the most significant impact upon the Asia-Pacific reporting segment. The majority of the discontinued sales relate to the Die-Cut Asia business, which was classified as held for sale as of April 30, 2013, and represented the majority of the operating results within the Asia-Pacific segment. Excluding the Die-Cut Asia business, the Asia-Pacific reporting segment consists of Australia and the ID Solutions businesses, which represent approximately 60% and 40% of sales, respectively.

Asia-Pacific sales decreased 13.2% to \$33.1 million from \$38.2 million for the three months, and decreased 6.7% to \$106.6 million from \$114.2 million for the nine months ended April 30, 2013, compared to the same periods in the prior year. Organic sales decreased 11.6% in the three month and decreased 6.8% in the nine month periods, compared to the same periods in the prior year. Fluctuations in the exchange rates used to translate financial results into the U.S. dollar decreased sales within the segment by 1.6% in the three month and increased sales by 0.1% in the nine month periods ended April 30, 2013.

The decrease in organic sales of 11.6% in Asia-Pacific for the three months ended April 30, 2013, was primarily due to the continued weakness in the Australian economy, which began in the fourth quarter of fiscal 2012. Overall, organic sales in Australia declined by approximately 17%. Our business in Australia includes sales into multiple end markets, but with a concentration in markets tied to manufacturing, non-residential construction, and mining, all of which have declined over the last 12 months. The ID Solutions business platform experienced a modest decline during the three months, while realizing modest growth in the nine month period. Key geographies such as China continue to evolve, and our strategy of strengthening and expanding our distribution network is providing increased channels for our portfolio of differentiated products. In addition to growing this distribution base,

we are developing and launching new products specifically designed for the Asian market. For the nine months ended April 30, 2013, the organic sales decline within the Asia-Pacific region was entirely due to Australia.

Segment profit decreased 9.8%, from \$6.1 million to \$5.5 million for the three months, and decreased 14.2%, from \$18.4 million to \$15.8 million for the nine months ended April 30, 2013, compared to the same periods in the prior year. As a percentage of sales, segment profit increased to 16.6% from 15.9% in the three months, and decreased to 14.8% from 16.1% for the nine month period, compared to the same periods in the prior year.

The decline in segment profit for the three and nine months was due to Australia. Australia is our most profitable business in the region, and the segment profit decline was due to a combination of reduced sales and one-time costs associated with the relocation of its facility. This decline was partially offset by the ID Solutions platform, which experienced improved profit percentages for the three and nine month periods. The ID Solutions profit percentage continued to grow on a quarter and year-to-date basis, however, it was significantly below the Company's more developed ID Solutions platforms in the Americas and EMEA segments. Although management expects the profit percentage to continue to improve, it is anticipated to remain below the corresponding businesses in other geographies in the near-term.

Financial Condition

Cash and cash equivalents were \$77.0 million at April 30, 2013, a decrease of \$228.9 million compared to \$305.9 million at July 31, 2012. The decline was primarily due to investing activities, which included the purchase of PDC in the second quarter for \$301.2 million.

(Dollars in thousands)	Nine months ended April 30,	
	2013	2012
Net cash flow provided by (used in):		
Operating activities	\$ 89,630	\$ 100,595
Investing activities	(318,306)	(22,450)
Financing activities	(6,448)	(80,641)
Effect of exchange rate changes on cash	6,258	(13,050)
Net decrease in cash and cash equivalents	\$ (228,866)	\$ (15,546)

Net cash provided by operating activities was \$89.6 million during the nine months ended April 30, 2013, compared to \$100.6 million during the same period in the prior year. The decline primarily relates to a use of cash due to accounts receivable and income taxes, partially offset by an improvement in accounts payable and accrued liabilities. The use of cash associated with account receivable was primarily driven by the Die-Cut Asia business. The Die-Cut Asia business comprises the majority of the Asia-Pacific segment, which has a greater days sales outstanding ("DSO") of approximately 75 days compared to the total Company average of approximately 50 days. During the three months ended April 30, 2013, the Die-Cut Asia business realized positive sales growth while the remainder of the Company experienced sales declines. The use of cash associated with income taxes was due to the timing of payments as a result of higher U.S. profits in the prior year which were paid during the current year. These declines in operating cash flow were partially offset by the improvement in accounts payable and accrued liabilities, which was primarily due to working capital management initiatives during fiscal 2013.

Net cash used in investing activities was \$318.3 million during the nine months ended April 30, 2013, compared to net cash used in investing activities of \$22.4 million during the same period in the prior year. The increase in cash used in investing activities of \$295.9 million was primarily due to the purchase of PDC in the second quarter of fiscal 2013 for \$301.2 million, and an increase in capital expenditures of \$11.6 million for machinery in Brazil and new facilities in Thailand and Australia. This was partially offset by cash received of \$10.2 million due to the sales of the Brady Medical and Varitronics businesses in the first quarter of 2013.

Net cash used in financing activities was \$6.4 million during the nine months ended April 30, 2013, compared to net cash used in financing activities of \$80.6 million during the same period in the prior year. The decrease in cash used in financing activities was due to a net draw on the Company's credit revolver and Chinese line of credit, which provided \$58.5 million in cash. In addition, cash provided by the issuance of common stock increased by \$6.6 million, while cash used to repurchase common shares decreased by \$7.2 million compared to the same period of the prior year.

During fiscal 2004 through fiscal 2007, the Company completed three private placement note issuances totaling \$500 million in ten-year fixed rate notes with varying maturity dates to institutional investors at interest rates varying from 5.14% to 5.33%.

The notes must be repaid equally over seven years, with initial payment due dates ranging from 2008 to 2011, with interest payable on the notes due semiannually on various dates throughout the year, which began in December 2004. The private placements were exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date.

On May 13, 2010, the Company completed a private placement of €75.0 million aggregate principal amount of senior unsecured notes to accredited institutional investors. The €75.0 million of senior notes consists of €30.0 million aggregate principal amount of 3.71% Series 2010-A Senior Notes, due May 13, 2017 and €45.0 million aggregate principal amount of 4.24% Series 2010-A Senior Notes, due May 13, 2020, with interest payable on the notes semiannually. This private placement was exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to maturity. The notes have been fully and unconditionally guaranteed on an unsecured basis by the Company's domestic subsidiaries. These unsecured notes were issued pursuant to a note purchase agreement, dated May 13, 2010.

On February 1, 2012, the Company and certain of its subsidiaries entered into an unsecured \$300 million multi-currency revolving loan agreement with a group of six banks that replaced and terminated the Company's previous credit agreement that had been entered into on October 5, 2006, and amended on March 18, 2008. Under the revolving loan agreement, which has a final maturity date of February 1, 2017, the Company has the option to select either a base interest rate (based upon the higher of the federal funds rate plus one-half of 1% or the prime rate of Bank of America plus a margin based upon the Company's consolidated leverage ratio) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company's consolidated leverage ratio). At the Company's option, and subject to certain conditions, the available amount under the revolving loan agreement may be increased from \$300 million up to \$450 million.

In December 2012, the Company drew down \$220 million from its revolving loan agreement to fund a portion of the purchase price of the acquisition of PDC. The borrowings bear interest at LIBOR plus 1.125% per annum, which will be reset from time to time based upon changes in the LIBOR rate. Prior to April 30, 2013, the Company repaid approximately \$173 million of the borrowing with cash on hand. During the nine months ended April 30, 2013, the maximum amount outstanding on the revolving loan agreement was \$220 million. As of April 30, 2013, the outstanding balance on the credit facility was \$47 million and there was \$253 million available for future borrowing under the credit facility, which can be increased to \$403 million at the Company's option, subject to certain conditions.

In February 2013, the Company entered into a USD-denominated line of credit facility with Bank of America in China. The facility supports USD-denominated borrowing to fund working capital and operations for the Company's Chinese entities. During the nine months ended April 30, 2013, the maximum amount outstanding was \$11.7 million, which was the balance outstanding at period end. As of April 30, 2013, there was \$14.5 million available for future borrowing under the credit facility.

The Company's debt and revolving loan agreements require it to maintain certain financial covenants. The Company's June 2004, February 2006, March 2007, and May 2010 private placement debt agreements require the Company to maintain a ratio of debt to the trailing 12 month EBITDA, as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). The revolving loan agreement dated February 1, 2012, requires the Company to maintain a ratio of debt to trailing 12 month EBITDA, as defined by the debt agreement, of not more than a 3.25 to 1.0 ratio. The agreement requires the Company's trailing 12 month EBITDA to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of April 30, 2013, the Company was in compliance with the financial covenants of the debt and revolving loan agreements, with the ratio of debt to EBITDA, as defined by the agreements, equal to 1.6 to 1.0 and the interest expense coverage ratio equal to 9.0 to 1.0.

Long-term obligations as a percentage of long-term obligations plus stockholders' investment were 17.4% at April 30, 2013, 2013 and 20.2% at July 31, 2012. Long-term obligations decreased by \$36.6 million from July 31, 2012 to April 30, 2013, due to the principal payment on debt of \$42.5 million, partially offset by the positive impact of foreign currency translation on the Company's Euro-denominated debt of \$5.9 million.

Stockholders' investment increased \$24.3 million during the nine months ended April 30, 2013, primarily due to the positive effects of foreign currency translation of \$19.3 million, nine-month net earnings of \$22.7 million and a reduction in treasury stock of \$12.6 million, offset by dividend payments of \$29.3 million.

The Company's cash balances are generated and held in numerous locations throughout the world. At April 30, 2013 and July 31, 2012, approximately 88% and 78% of the Company's cash and cash equivalents were held outside the United States, respectively. The Company's growth has historically been funded by a combination of cash provided by operating activities and debt financing.

The Company believes that its cash flow from operating activities, in addition to its borrowing capacity, are sufficient to fund its anticipated requirements for working capital, capital expenditures, restructuring activities, acquisitions, common stock repurchases, scheduled debt repayments, and dividend payments. During the nine months ended April 30, 2013, the Company's cash needs required the repatriation of cash to the United States from foreign jurisdictions, which resulted in a \$25.0 million non-cash tax charge recognized during the period. The Company believes that its current credit arrangements are sound and that the strength of its balance sheet will allow financial flexibility to respond to both internal growth opportunities and those available through acquisition. However, future cash needs could require the Company to repatriate additional cash to the U.S. from foreign jurisdictions, which could result in material tax charges recognized in the period in which the transactions occur.

Subsequent Events Affecting Financial Condition

On May 15, 2013, the Board of Directors declared a quarterly cash dividend to shareholders of the Company's Class A and Class B Common Stock of \$0.19 per share payable on July 31, 2013, to shareholders of record at the close of business on July 10, 2013.

Off-Balance Sheet Arrangements

The Company does not have material off-balance sheet arrangements or related-party transactions. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risk factors described in this and other Company filings. However, the following additional information is provided to assist those reviewing the Company's financial statements.

Operating Leases — The leases generally are entered into for investments in facilities such as manufacturing facilities, warehouses and office space, computer equipment and Company vehicles.

Purchase Commitments — The Company has purchase commitments for materials, supplies, services, and property, plant and equipment as part of the ordinary conduct of its business. In the aggregate, such commitments are not in excess of current market prices and are not material to the financial position of the Company. Due to the proprietary nature of many of the Company's materials and processes, certain supply contracts contain penalty provisions for early termination. The Company does not believe a material amount of penalties will be incurred under these contracts based upon historical experience and current expectations.

Other Contractual Obligations — The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity.

Related-Party Transactions — Based on an evaluation for the period ended April 30, 2013, the Company does not have material related party transactions that affect the results of operations, cash flow or financial condition.

Forward-Looking Statements

In this quarterly report on Form 10-Q, statements that are not reported financial results or other historic information may be "forward-looking statements." These forward-looking statements relate to, among other things, the Company's future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations.

The use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," "project" or "plan" or similar terminology are generally intended to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions, and other factors, some of which are beyond Brady's control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from:

- The length or severity of the current worldwide economic downturn or timing or strength of a subsequent recovery;
- Increased usage of e-commerce allowing for ease of price transparency;
- Future financial performance of major markets Brady serves, which include, without limitation, telecommunications, hard disk drive, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, and transportation;
- Future competition;
- Changes in the supply of, or price for, parts and components;
- Increased price pressure from suppliers and customers;
- Brady's ability to retain significant contracts and customers;
- Fluctuations in currency rates versus the U.S. dollar;
- Risks associated with international operations;
- Difficulties associated with exports;
- Risks associated with obtaining governmental approvals and maintaining regulatory compliance;
- Risks associated with product liability, warranty, and recall claims;
- Brady's ability to develop and successfully market new products;
- Risks associated with identifying, completing, and integrating acquisitions;

- Risks associated with divestitures and businesses held for sale;
- Risks associated with restructuring plans;
- Environmental, health and safety compliance costs and liabilities;
- Technology changes and potential security violations to the Company’s information technology systems;
- Brady’s ability to maintain compliance with its debt covenants;
- Increase in our level of debt;
- Potential write-offs of Brady’s substantial intangible assets;
- Unforeseen tax consequences; and
- Numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive, and regulatory nature contained from time to time in Brady’s U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the “Risk Factors” section within Item 1A of Part I of the Form 10-K.

These uncertainties may cause Brady’s actual future results to be materially different than those expressed in its forward-looking statements. Brady does not undertake to update its forward-looking statements except as required by law.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's business operations give rise to market risk exposure due to changes in foreign exchange rates. To manage that risk effectively, the Company enters into hedging transactions, according to established guidelines and policies that enable it to mitigate the adverse effects of this financial market risk.

The global nature of the Company's business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global scale, the Company has assets, liabilities and cash flows in currencies other than the U.S. Dollar. The objective of the Company's foreign currency exchange risk management is to minimize the impact of currency movements on non-functional currency transactions and minimize the foreign currency translation impact on the Company's operations. To achieve this objective, the Company hedges a portion of known exposures using forward contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Malaysian Ringgit, and Singapore Dollar. As of April 30, 2013 and July 31, 2012, the notional amount of outstanding forward contracts designated as cash flow hedges was \$11.6 million and \$39.5 million, respectively. The Company uses Euro-denominated debt of €75.0 million designated as a hedge instrument to hedge portions of the Company's net investments in its European foreign operations.

The Company also faces exchange rate risk from transactions with customers in countries outside the United States and from intercompany transactions between affiliates. Although the Company has a U.S. dollar functional currency for reporting purposes, it has manufacturing sites throughout the world and the majority of its sales are generated in foreign currencies. Costs incurred and sales recorded by subsidiaries operating outside of the United States are translated into U.S. dollars using exchange rates effective during the respective period. As a result, the Company is exposed to movements in the exchange rates of various currencies against the U.S. dollar. In particular, the Company has more sales in European currencies than it has expenses in those currencies. Therefore, when European currencies strengthen or weaken against the U.S. dollar, operating profits are increased or decreased, respectively.

Currency exchange rates reduced sales by 1.1% for the three months ended April 30, 2013, as compared to a decline in sales of 1.6% in the same period of the prior year. Currency exchange rates reduced sales by 1.3% for the nine months ended April 30, 2013, as compared to an increase in sales of 0.3% in the same period of the prior year. During the current quarter, the primary cause of currency fluctuation was weakening of the Euro and British Pound against the U.S. Dollar. The year to date decline in sales due to currency was a result of first quarter 2013 and third quarter 2013 strengthening of the U.S. Dollar against most major currencies, when compared to the prior year.

The Company could be exposed to interest rate risk through its corporate borrowing activities. The objective of the Company's interest rate risk management activities is to manage the levels of the Company's fixed and floating interest rate exposure to be consistent with the Company's preferred mix. The interest rate risk management program allows the Company to enter into approved interest rate derivatives if there is a desire to modify the Company's exposure to interest rates. As of April 30, 2013, the Company had no interest rate derivatives.

The Company is subject to the risk of changes in foreign currency exchange rates due to its operations in foreign countries. The Company has manufacturing facilities and sells and distributes its products throughout the world. As a result, the Company's financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the Company manufactures, distributes and sells its products. The Company's operating results are principally exposed to changes in exchange rates between the U.S. dollar and the Australian dollar, the Canadian dollar, the Singapore dollar, the Euro, the British Pound, the Brazilian Real, the Korean Won, and the Chinese Yuan. Changes in foreign currency exchange rates for the Company's foreign subsidiaries reporting in local currencies are generally reported as a component of stockholders' investment. The Company's currency translation adjustments recorded for the three and nine months ended April 30, 2013 were \$8.8 million unfavorable, and \$19.3 million favorable, respectively. Currency translation adjustments recorded for the three and nine months ended April 30, 2012, were \$2.3 million and \$36.3 million unfavorable, respectively. As of April 30, 2013 and 2012, the Company's foreign subsidiaries had net current assets (defined as current assets less current liabilities) subject to foreign currency translation risk of \$245.8 million and \$435.8 million, respectively. The potential decrease in net current assets as of April 30, 2013, from a hypothetical 10 percent adverse change in quoted foreign currency exchange rates would be \$24.6 million. This sensitivity analysis assumes a parallel shift in all major foreign currency exchange rates versus the U.S. dollar. Exchange rates rarely move in the same direction relative to the U.S. dollar due to positive and negative correlations of the various global currencies. This assumption may overstate the impact of changing exchange rates on individual assets and liabilities denominated in a foreign currency.

ITEM 4. CONTROLS AND PROCEDURES

Brady Corporation maintains a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports filed by the Company under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports the Company files under the Exchange Act is accumulated and communicated to the Company’s management, including the Company’s principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of its management, including its President and Chief Executive Officer and its Senior Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Company’s President and Chief Executive Officer and Senior Executive Vice President and Chief Financial Officer concluded that the Company’s disclosure controls and procedures are effective as of the end of the period covered by this report.

Other than the acquisition of PDC, there were no changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

During the nine months ended April 30, 2013, the Company acquired PDC for approximately \$301 million. As part of its ongoing integration activities, the Company is continuing to incorporate its controls and procedures into this recently acquired business and to augment its Company-wide controls to reflect the risks inherent in an acquisition of this magnitude and complexity.

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our financial position, results of operations and cash flows are subject to various risks. The following risk factor is an addition to the risk factors discussed in Item 1A, Risk Factors, in our Form 10-K for the fiscal year ended July 31, 2012, and Part II, Item 1A, Risk Factors, in our Form 10-Q for the quarter ended January 31, 2013.

Divestitures could negatively impact our business, and contingent liabilities from businesses that we have sold could adversely affect our financial statements.

We continually assess the strategic fit of our existing businesses and may divest businesses that are deemed not to fit with our strategic plan or are not achieving the desired return on investment. Divestitures pose risks and challenges that could negatively impact our business. For example, when we decide to sell a business or assets, we may be unable to do so on satisfactory terms and within our anticipated timeframe, and even after reaching a definitive agreement to sell a business the sale is typically subject to satisfaction of pre-closing conditions which may not become satisfied. In addition, the impact of the divestiture on our revenue and net earnings may be larger than projected, it may have other adverse accounting impacts and distract management, and disputes may arise with buyers. In addition, we have retained responsibility for and have agreed to indemnify buyers against some unknown contingent liabilities related to a number of businesses that we have recently sold. The resolution of these contingencies has not had a material effect on our financial statements but we cannot be certain that this favorable pattern will continue.

ITEM 6. EXHIBITS

(a) Exhibits

- 10.1 Change of Control Agreement, dated as of February 28, 2013, entered into with Louis T. Bolognini
- 10.2 Severance Agreement, dated as of March 25, 2013, entered into with Peter C. Sephton
- 10.3 Change of Control Agreement, amended as of May 22, 2013, entered into with Scott Hoffman
- 31.1 Rule 13a-14(a)/15d-14(a) Certification of Frank M. Jaehnert
- 31.2 Rule 13a-14(a)/15d-14(a) Certification of Thomas J. Felmer
- 32.1 Section 1350 Certification of Frank M. Jaehnert
- 32.2 Section 1350 Certification of Thomas J. Felmer
- 101 Interactive Data File

Pursuant to the requirements 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.

SIGNATURES

BRADY CORPORATION

Date: June 6, 2013

/s/ FRANK M. JAEHNERT

Frank. M. Jaehnert
President & Chief Executive Officer

Date: June 6, 2013

/s/ THOMAS J. FELMER

Thomas J. Felmer
Senior Vice President & Chief Financial Officer
(Principal Financial Officer)

BRADY CORPORATION
CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of February 28, 2013, between Brady Corporation, a Wisconsin corporation, ("Corporation") and Louis T. Bolognini.

WHEREAS, the Executive is now serving as an executive of the Corporation in a position of importance and responsibility; and

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Corporation and its policies, markets and financial and human resources, and the Executive has acquired certain confidential information and data with respect to the Corporation; and

WHEREAS, the Corporation wishes to continue to receive the benefit of the Executive's knowledge and experience and, as an inducement for continued service, is willing to offer the Executive certain payments due to severance as a result of change of control as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Executive and Corporation agree as follows:

SECTION 1. DEFINITIONS.

(a) Change of Control. For purposes of this Agreement, a "Change of Control" shall occur if and when 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 William H. Brady, Jr. Family Trust, collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Corporation.

(b) Termination Due to Change of Control. A "Termination Due to Change of Control" shall occur if within the 24 month period beginning with the date a Change of Control occurs (i) the Executive's employment with the Corporation is involuntarily terminated (other than by reason of death, disability or Cause) or (ii) the Executive's employment with the Corporation is voluntarily terminated by the Executive subsequent to (A) any reduction in the total of the Executive's annual base salary (exclusive of fringe benefits) and the Executive's target bonus in comparison with the Executive's 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 Executive in comparison with the Executive's responsibility and authority immediately prior to the date the Change of Control occurs or (C) the imposition of a requirement by the Corporation that the Executive relocate to a principal work location more than 50 miles from the Executive's principal work location immediately prior to the date the Change of Control occurs.

(c) "Cause" means (i) the Executive's willful and continued failure to substantially perform the Executive's duties with the Corporation (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Executive by the Corporation which specifically identifies the manner in which the Corporation believes the Executive has not substantially performed and a reasonable time to cure has transpired, (ii) the Executive's conviction of (or plea of nolo contendere for the commission of) a felony, or (iii) the Executive'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 Corporation, as determined in good faith by the Board of Directors of the Corporation.

(d) "Beneficiary" means any one or more primary or secondary beneficiaries designated in writing by the Executive on a form provided by the Corporation to receive any benefits which may become payable under this Agreement on or after the Executive's death. The Executive shall have the right to name, change or revoke the Executive's designation of a Beneficiary on a form provided by the Corporation. The designation on file with the Corporation at the time of the Executive's death shall be controlling. Should the Executive fail to make a valid Beneficiary designation or leave no named Beneficiary surviving, any benefits due shall be paid to the Executive's spouse, if living; or if not living, then to the Executive's estate.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

SECTION 2. PAYMENTS UPON TERMINATION DUE TO CHANGE OF CONTROL.

(a) Following Termination Due to Change of Control, the Executive shall be paid an amount equal to two times the annual base salary paid the Executive by the Corporation in effect immediately prior to the date the Change of Control occurs, and two times the average bonus payment received in the three years immediately prior to the date the Change of Control occurs. Such amount shall be paid in 24 monthly installments beginning on the 15th day of the month following the month in which the Executive's employment with the Corporation terminates.

(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Corporation's deduction therefore under Section 162(m) of the Code, the payments called for under paragraph (a) shall be limited to the amount which is deductible, with the balance to be paid during the first taxable year in which the Corporation reasonably anticipates that the deduction of such payment is not barred by Section 162(m). However, in such event, the Corporation shall pay the Executive on a quarterly basis an amount of interest based on the prime rate recomputed each quarter on the unpaid scheduled payments.

(c) It is intended that (A) each payment or installment of payments provided under this Section 2 is a separate "payment" for purposes of Code Section 409A and (B) that the payments satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A, including those provided under Treasury Regulations 1.409A-1(b)(4) (regarding short-term deferrals), 1.409A-1(b)(9)(iii) (regarding the two-times, two year exception), and 1.409A-1(b)(9)(v) (regarding reimbursements and other separation pay). Notwithstanding anything to the contrary in this Agreement, if the Corporation determines that on the Termination Due to Change of Control the Executive is a "specified employee" (as such term is defined under Treasury Regulation 1.409A-1(i)(1)) of the Corporation and that any payments to be provided to Executive are or may become subject to the additional tax under Code Section 409A(a)(1)(B) or any other taxes or penalties imposed under Code Section 409A ("Section 409A Taxes"), then such payments shall be delayed until the date that is six (6) months after the Termination Due to Change of Control. Any delayed payments shall be made in a lump sum on the first day of the seventh month following the Termination Due to Change of Control, or such earlier date that, as determined by the Corporation, is sufficient to avoid the imposition of any Section 409A Taxes on Executive.

SECTION 3. EXCISE TAX, ATTORNEY FEES.

(a) If the payments under Section 2 in combination with any other payments which the Executive has the right to receive from the Corporation (the "Total Payments") would result in the Executive incurring an excise tax as a result of Section 280(G) of the Code, the Executive will be solely responsible for such excise tax.

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement and the Executive prevails in such lawsuit, the Corporation will reimburse the Executive for attorney fees incurred up to a maximum of \$25,000.00.

SECTION 4. DEATH AFTER THE EXECUTIVE HAS BEGUN RECEIVING PAYMENTS.

Should the Executive die after Termination Due to Change of Control, but before receiving all payments due the Executive hereunder, any remaining payments due shall be made to the Executive's Beneficiary.

SECTION 5. CONFIDENTIAL INFORMATION AGREEMENT.

The Executive has obligations under the separate Confidential Information Agreement between the Executive and the Corporation which continue beyond the Executive's termination of employment. The payments to be made hereunder are conditioned upon the Executive's compliance with the terms of the Confidential Information Agreement. The payments made hereunder shall be reduced by any payments the Corporation makes to the Executive under Section 3 of the Confidential Information Agreement. In the event the Executive violates the provisions of the Confidential Information Agreement, no further payments shall be due hereunder and the Executive shall be obligated to repay all previous payments received hereunder in the same manner as provided in Section 4 of the Confidential Information Agreement.

SECTION 6. MISCELLANEOUS.

(a) Non-Assignability. This Agreement is personal to the Executive and, without the prior written consent of the Corporation, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors and assigns and shall also be enforceable by the Executive's legal representatives.

(b) Successors. The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would have been required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" shall mean both the Corporation as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(c) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Wisconsin, without reference to principles of conflict of laws, to the extent not preempted by federal law. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(d) Notices. All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Louis T. Bolognini

If to the Corporation: Brady Corporation
6555 West Good Hope Road

Milwaukee, Wisconsin 53223

Attention: CFO

or to such other address as either party furnishes to the other in writing in accordance with this paragraph. Notices and communications shall be effective when actually received by the addressee.

(e) Construction. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(f) No Guarantee of Employment. Nothing contained in this Agreement shall give the Executive the right to be retained in the employment of the Corporation or affect the right of the Corporation to dismiss the Executive.

(g) Amendment; Entire Agreement. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement contains the entire agreement between the parties on the subjects covered and replaces all prior writings, proposals, specifications or other oral or written materials relating thereto.

(h) Impact on Other Plans. No amounts paid to the Executive under this Agreement will be taken into account as "wages", "salary", "base pay" or any other type of compensation when determining the amount of any payment or allocation, or for any other purpose, under any other qualified or nonqualified plan or agreement of the Corporation, except as otherwise may be specifically provided by such plan or agreement.

(i) Other Agreements. This Agreement supersedes any other severance arrangement or Change of Control Agreement between the Corporation and the Executive. This Agreement does not confer any payments or benefits other than the payments described in Sections 2 and 3 hereof.

(j) Withholding. To the extent required by law, the Corporation shall withhold any taxes required to be withheld with respect to this Agreement by the federal, state or local government from payments made hereunder or from other amounts paid to the Executive by the Corporation.

(k) Facility of Payment. If the Executive or, if applicable, the Executive's Beneficiary, is under legal disability, the Corporation may direct that payments be made to a relative of such person for the benefit of such person, without the intervention of any legal guardian or conservator, or to any legal guardian or conservator of such person. Any such distribution shall constitute a full discharge with respect to the Corporation and the Corporation shall not be required to see to the application of any distribution so made.

SECTION 7. CLAIMS PROCEDURE.

(e) Claim Review. If the Executive or the Executive's Beneficiary (a "Claimant") believes that he or she has been denied all or a portion of a benefit under this Agreement, he or she may file a written claim for benefits with the Corporation. The Corporation shall review the claim and notify the Claimant of the Corporation's decision within 60 days of receipt of such claim, unless the Claimant receives written notice prior to the end of the 60 day period stating that special circumstances require an extension of the time for decision. The Corporation's decision shall be in writing, sent by mail to the Claimant's last known address, and if a denial of the claim, must contain the specific reasons for the denial, reference to pertinent provisions of this Agreement on which the denial is based, a designation of any additional material necessary to perfect the claim, and an explanation of the claim review procedure.

(f) Appeal Procedure to the Board. A Claimant is entitled to request a review of any denial by the full Board by written request to the Chair of the Board within 60 days of receipt of the denial. Absent a request for review within the 60-day period, the claim will be deemed to be conclusively denied. The Board shall afford the Claimant the opportunity to review all pertinent documents and submit issues and comments in writing and shall render a review decision in writing, all within 60 days after receipt of a request for review (provided that, in special circumstances the Board may extend the time for decision by not more than 60 days upon written notice to the Claimant.) The Board's review decision shall contain specific reasons for the decision and reference to the pertinent provisions of this Agreement.

IN WITNESS WHEREOF, the Executive has signed this Agreement and, pursuant to the authorization of the Board, the Corporation has caused this Agreement to be signed, all as of the date first set forth above.

/s/ LOUIS T. BOLOGNINI

Executive - Louis T. Bolognini

Senior Vice President, General Counsel & Secretary

Brady Corporation

By: /s/ THOMAS J. FELMER

Thomas J. Felmer

Senior Vice President and Chief Financial Officer

Dated March 25, 2013

WITHOUT PREJUDICE AND SUBJECT TO CONTRACT

BRADY CORPORATION LIMITED
PETER SEPHTON

Compromise agreement

THIS AGREEMENT is made on March 25, 2013

BETWEEN:

- (1) **BRADY CORPORATION LIMITED** whose registered office is at Wildmere Industrial Estate, Banbury, Oxfordshire OX16 3JU (**the Employer**);
and
- (2) **PETER SEPHTON** of The Coach House, Severnstoke Bank, Severnstoke WR8 9JG (**the Employee**)

1. **DEFINITIONS**

- 1.1 In this Agreement the following expressions have the following meanings:

“the Adviser”

the person named as Adviser in **Schedule 2**;

“Confidential Information”

trade secrets or other secret or confidential technical or commercially sensitive information of the Employer and/or the Group and any of its/their directors, officers, shareholders, customers, clients or suppliers in whatever form (including, without limitation, in written oral, visual or electronic form or on any magnetic or optical disk or memory and wherever located) and whether or not marked “confidential” including by way of illustration and without limitation, raw materials; research and development; inventions and know how; information relating to the business, products, affairs and finances of the Employer and any Group company; formulae and formulations; methods of treatment, processing, manufacture or production, process and production controls including quality controls; business methods, plans, strategies and tactics; suppliers and their production and delivery capabilities; clients, customers and details of their particular requirements; costings and prices, profit margins, discounts, rebates and other financial information; marketing strategies and tactics; current activities and current and future plans relating to all or any of development, production or sales including the timing of all or any such matters; the development of new products and services and/or new lines of business; production or design secrets; technical design, data or specifications of the Employer's or Group's products or services; machinery and equipment design, development and maintenance; remuneration and benefit strategies for employees; and career path and appraisal details of employees;

“Group”

the Employer and every Group Company wherever registered or incorporated;

“Group Company”

the Employer and its Parent Undertakings, its Subsidiary Undertakings and the Subsidiary Undertakings of any of its Parent Undertakings from time to time (“Parent Undertaking” and “Subsidiary Undertaking” having the meanings set out in section 1162 Companies Act 2006);

“PAYE deductions”

the agreement in the form attached at **Schedule 5**, to be executed in accordance with **Clause 2.3**;

“the Second Compromise Agreement”

“the Termination Date”

31 July 2013;

“the Termination Payment”

the payment referred to in **Clause 6.1**.

2. BASIS OF AGREEMENT

2.1 The parties have entered into this Agreement to record and implement the terms on which they have agreed to settle all outstanding claims which the Employee has or may have against the Employer or the Group or its/their respective officers or employees arising out of or in connection with or as a consequence of his employment and/or its termination and his office as an officer and/or director and/or its cessation. The terms set out in this Agreement constitute the entire Agreement between the parties relating to such termination and/or resignations and are without admission of liability on the part of the Employer or the Group.

2.2 The Employer is entering into this Agreement for itself and as agent for and trustee of all Group Companies and is duly authorised to do so. The parties intend that each Group Company should be able to enforce in its own right the terms of this

Agreement which expressly or impliedly confer a benefit on that company subject to and in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999.

2.3 It is a condition of this Agreement that the Employee shall (and shall procure that an independent legal adviser shall) within 7 days before the Termination Date execute the Second Compromise Agreement. The Employer reserves the right, in agreement with the Employee, to make such amendments to the Second Compromise Agreement as it may reasonably require to ensure that all claims which the Employee then has or may have in relation to his past offices, directorships, employment or its termination are validly compromised.

3. **TERMINATION DATE**

3.1 The Employee's employment with the Employer will terminate on the Termination Date by reason of retirement.

3.2 Between the date of this Agreement and the Termination Date, the Employee agrees that:

3.2.1 he will remain bound by his duties of good faith, loyalty and fidelity, as well as his fiduciary duties; and

3.2.2 he will unless instructed otherwise by the Employer, continue to attend work and carry out such duties as the Employer may reasonably require from time to time (whether on behalf of the Employer or any Group Company).

3.3 Notwithstanding the termination of his employment, the Employee agrees to provide the Employer and any Group Company and its/their solicitors/advisers with reasonable ongoing assistance in relation to any pending and future claims made against or brought by the Employer or any Group Company, with which the Employee has relevant knowledge or may be required as a witness. The Employer agrees to pay the Employee in respect of his reasonable expenses (including travel, food, out-of-pocket and accommodation expenses) for providing any such assistance. The Employee acknowledges that such assistance could involve, but is not limited to, responding to or defending any regulatory or legal process under any applicable law, providing information in relation to any such process, preparing witness statements and giving evidence on behalf of the Employer or any Group Company. Nothing in the clause shall prevent the Employee from giving truthful evidence in any forum.

4. **REMUNERATION TO TERMINATION DATE**

4.1 The Employee will be paid his normal salary (less PAYE deductions) and provided with all his current benefits for the period up to and including the Termination Date. For the avoidance of doubt these benefits include pension contributions, car allowance, fuel benefit, private medical insurance and death in service.

4.2 The Employer will reimburse the Employee his final expenses incurred up to the Termination Date subject to receipt of satisfactory evidence of expenditure in accordance with the Employer's current expenses policy.

4.3 Save as set out in this Agreement, the Employee accepts that the provision of all benefits from the Employer and/or any Group Company will cease from the Termination Date.

4.4 Without prejudice to **clause 4.3** and subject to the Employee first returning such items so that all company licensed software, intellectual property and any Confidential Information can be removed, the Employer agrees to transfer ownership of the Employee's company Iphone, Ipad and laptop to the Employee free of charge with effect from the Termination Date, and the Employee accepts that after this date he will be responsible for all costs associated with the use of and ownership of such items.

5. **DIRECTORSHIPS**

5.1 The Employee agrees to resign as an officer and director of all Group Companies in which he holds office, with effect from 30 April 2013, by signing and delivering to the Employer a letter of resignation in the form at **Schedule 3**. The Employee irrevocably appoints the Employer to be his/her attorney in his name and on his behalf to sign execute or do any such instrument or thing and generally to use his/her name in order to give the Employer (or its nominee) the full benefit of the provisions of this clause. The Employee therefore agrees not to hold himself out as being an officer or a director of any Group Company after 30 April 2013, and not to hold himself out as being an employee of any Group Company after the Termination Date.

5.2 The Employee will immediately on receipt of a written request by the Employer do everything the Employer may require (including executing documents) to resign from all other directorships, offices or other positions including trusteeships which he holds by virtue of his employment with the Employer and any Group Company.

5.3 The Employer acknowledges that Article 9.01 of Brady Corporation's Bye-laws contain an indemnity against legal proceedings in favour of the Employee to the extent set out in that Article. The Employer also acknowledges that Brady Corporation carries Director's & Officers liability insurance ("D&O Insurance") covering current and former directors and officers of any Group Company for claims made in the year ending 31 October 2013. The Employer anticipates, without giving any warranty or guarantee to that effect, that Brady Corporation will take out similar D&O Insurance in the next few years.

6. **TERMINATION PAYMENT & STOCK ON TERMINATION**

6.1 Subject to the terms of this Agreement and without admission of liability, the Employer will pay the Employee as damages for breach of contract and as compensation of loss of employment a Termination Payment of £330,000 (three hundred and thirty thousand pounds) less PAYE deductions.

6.2 Provided this Agreement has become binding in accordance with **clause 15**, and all conditions relating to this Agreement have been met the parties agree that the Termination Payment will be paid to the Employee within 14 days of the Termination Date, into a bank account or accounts nominated by him.

6.3 At the date of this Agreement, the Employee remains a holder of a number of Non Qualified Stock Options ("Options") pursuant to the terms of the Brady Corporation 2006 Omnibus Incentive Stock Plan ("the Plan").

7. **LEGAL FEES**

7.1 Subject to the terms of this Agreement and subject to receipt of an invoice from the Employee's Adviser, the Employer agrees to pay to the Adviser up to a maximum of £7,500 plus VAT as a contribution towards the Employee's legal fees incurred

exclusively in connection with the termination of his employment and in seeking advice on the terms of this Agreement and the Second Agreement. Any invoice should be addressed to the Employee but expressed to be payable by the Employer and sent under private and confidential cover to Louis Bolognini (Senior Vice President, General Counsel & Secretary).

8. TAXATION

8.1 The parties understand that in accordance with Chapter 3 Part 6 of the Income Tax (Earnings and Pensions) Act 2003 the first £30,000 of the Termination Payment is not subject to tax (although the Employer gives no warranty to this effect) and therefore it will be paid without deduction of tax. The Termination Payment in excess of £30,000 will be subject to normal PAYE deductions.

8.2 The Employee will be responsible for the payment of any tax and employee's national insurance contributions referable to the Termination Payment and all other payments and the provision of benefits set out in this Agreement in excess of any PAYE deductions made by the Employer. The Employee hereby agrees to indemnify the Employer and the Group on a continuing basis immediately on demand against all such liabilities, including any interest, penalties, reasonable costs and expenses incurred as a result of any default or delay by the Employee which the Employer or any Group Company may incur in respect of or by reason of such payments or the provision of such benefits. The Employer agrees that it will notify the Employee within 7 days and provide relevant details if it receives a written enquiry and/or demand from HMRC or other relevant authority in relation to the Termination Payment or any payment made under this Agreement such that the Employee is given a reasonable opportunity at his own cost to dispute any such demand with HMRC or other relevant authority. The Employer shall make no admission on behalf of the Employee in respect of any such liability until the Employee has been given a reasonable opportunity to dispute any such demand with HMRC or other relevant authority.

9. RETURN OF PROPERTY

9.1 Except as set out in **clause 4.4**, on or before the Termination Date, the Employee will return to the Employer all Confidential Information, credit cards, keys, his security pass, any identity badge, all computer disks, software and computer programs, mobile telephone, any laptop computer, facsimile machine, printer, Blackberry or PDA, (save for those referred to in clause 4.4 which the Employee is being permitted to retain) all documents and copies (including electronic or recorded versions and copies in whatever medium held) together with all other property belonging to the Employer or the Group or relating to its or their business in his possession or control except for such property as the parties agree in writing that the Employee may retain.

9.2 The Employee shall, if requested, provide the Employer with a signed statement confirming that he has complied fully with his obligations under **Clause** ☒9.1 and shall provide such reasonable evidence of compliance as may be requested.

10. WARRANTIES AND REPRESENTATIONS

10.1 The Employee warrants as a strict condition of this Agreement and represents to the Employer that up to and as at the date this Agreement becomes binding in accordance with **Clause** ☒15, the Employee:

10.1.1 has not committed any breach of any duty owed to the Employer or any Group Company. For the avoidance of doubt, this Agreement will not operate to release the Employee from any liability owed to any Group Company of which the Employee was an officer or a director by virtue of his employment with the Employer;

10.1.2 has not retained any software or computer programs, documents or copies (electronically or otherwise) which belong to the Employer or any Group Company or to which the Employer or any Group Company is entitled;

10.1.3 has not done or failed to do anything, which act or omission amounts to a repudiatory breach of the express or implied terms of his employment with the Employer or which, if it were to be done or omitted after the date of this Agreement, would be in breach of any of its terms;

10.1.4 is not employed or self-employed in any capacity nor is he in discussions which are likely to lead to nor has he received such an offer of employment or self-employment; in each case in respect of any competitive business;

10.1.5 has not commenced any action or issued any proceedings against the Employer or any Group Company or any of its/their respective officers or employees.

10.2 The Employer is under no obligation to make the payments or provide the benefits specified in **Clauses 4, 6 and 7** if:

10.2.1 the Employee is in breach of any of the warranties referred to in this **Clause** ~~10~~ and elsewhere in this Agreement; or

10.2.2 on or before the Termination Date, the Employee does or fails to do, or has done or failed to do, anything which act or omission amounts to a repudiatory breach of the express or implied terms of his employment with the Employer.

11. **CONFIDENTIALITY AND OTHER RESTRICTIONS**

11.1 The Employee affirms the provisions of clause 2 of the Confidentiality Agreement dated 24 May 2005 between the Employee and Brady Corporation and confirms that he will not (except as authorised or required by law or as authorised by the Employer) at any time after the Termination Date, whether directly or indirectly, use or make use of and/or disclose any Confidential Information to any person, company or other organisation whatsoever.

11.2 The parties agree and undertake (in consideration of their mutual promises to that effect) and subject to **Clause** ~~11~~.7 that neither will:

11.2.1 make or publish any statement to a third party concerning this Agreement;

11.2.2 make or publish any derogatory or disparaging statement or do anything in relation to the other and in the case of the Employee in relation to any Group Company or any past, current or future officers or employees of the Employer or any Group Company, which is intended to or which might be expected to damage or lower their respective reputations;

provided that the parties will not be prevented from making a disclosure for the purposes of seeking legal advice in relation to this Agreement provided the professional adviser is bound by a duty of confidence; to the proper authorities as required by any applicable law; in the case of the Employee to his wife or partner, or civil partner, provided such person agrees to maintain confidentiality; in the case of the Employer where in its reasonable opinion it is in the interests of good corporate governance to do so; and in the case of the Employer, such disclosure is consistent with the terms and spirit of the agreed reference.

11.3 The Employee accepts that during the course of his employment with the Employer, he was privy to and had access to Confidential Information about the Employer and the Group. The Employee therefore agrees to be bound by the restrictive covenants set out at **Schedule 4** of this Agreement.

11.4 The Employer shall pay £7,000 (seven thousand pounds) less normal PAYE deductions, to the Employee as consideration for him entering into the restrictive covenants at **Schedule 4** (such sum to be paid within 14 days of the Termination Date).

11.5 In order to enable the Employer to protect its legitimate interests and to enforce its rights under this Agreement, the Employee agrees that he will:

11.5.1 notify the Employer in writing of the identity of any prospective employer or business in which he wishes to be employed, engaged, concerned or interested or to which he wishes to provide technical, commercial or professional advice where, in the reasonable belief of the Employee, becoming so employed, engaged, concerned or interested or providing such advice would be likely to breach the provisions of **Schedule 4** prior to accepting such employment or engagement; and

11.5.2 bring the provisions of **Schedule 4** to the attention of any third party proposing directly or indirectly to employ, appoint or engage him after the Termination Date.

11.6 The Employee warrants that he has not done or failed to do anything including without limitation published any statement or authorised or permitted anyone else to do so prior to the date of this Agreement which would constitute a breach of **Clauses 11.1 or 11.2** if it had occurred after the date of this Agreement.

11.7 The Employer will not be liable for any breach of its undertakings at **Clause 11.2** caused by the actions of any of its past, current or future officers or employees if it has taken such steps as are reasonable to prevent that breach or breaches of that kind.

12. **FULL AND FINAL SETTLEMENT**

12.1 The terms of this Agreement are, without any admission of liability on the part of the Employer or any Group Company, in full and final settlement of all sums due to the Employee from the Employer or any Group Company and all claims in all jurisdictions under contract, tort, statute or otherwise which the Employee has or may have against the Employer or any Group Company or its/their respective current or former officers, directors or employees arising out of or in connection with or as a consequence of his position as an officer or a director of the Employer or any group company, and/or his employment and/or its termination (whether such claims are, or could be, known to the parties, and including any claims which may arise in the future)

including in particular for the avoidance of doubt the claims specified in **Schedule** ☒1, each of which is hereby intimated and waived.

12.2 The Employee agrees to refrain from commencing any action or issuing any proceedings against the Employer or any Group Company or its/their respective current or former directors, officers or employees in respect of any claims referred to in **Clause** 12.1 including the claims specified in **Schedule** 1.

12.3 Neither the settlement and waiver in **Clause** ☒12.1 nor the agreement to refrain from proceedings in **Clause** ☒12.2 applies to any claim:

12.3.1 for personal injury of which the Employee is not aware or would not be reasonably aware at the date of this Agreement (and the Employee warrants he is not aware of any facts or circumstances that may give rise to a personal injury claim against the Employer or any Group Company); or

12.3.2 for the sums and benefits due to him pursuant to this Agreement.

13. **NO KNOWLEDGE OF OTHER CLAIMS**

13.1 The Employee confirms that he is not aware of any claims other than those specified in **Schedule** ☒1 or facts or circumstances that may give rise to any claim against the Employer or any Group Companies or any of its/their respective current or former officers, directors or employees in relation to any other matters.

13.2 The Employee represents and warrants that:

13.2.1 he has instructed the Adviser to advise as to whether he has or may have any claims, including statutory claims, against the Employer or any Group Company or its/their respective current or former officers, directors and employees arising out of or in connection with his resignation from office and directorships and his employment or its termination;

13.2.2 he has provided the Adviser with all available information which the Adviser requires or may require in order to advise whether he has any such claims; and

13.2.3 the Adviser has advised him that, on the basis of the information available to the Adviser, his only claims or particular complaints against the Employer or any Group Company or its/their respective current or former officers, directors and employees whether statutory or otherwise are those listed in **Schedule** ☒1 of this Agreement and that he has no other claim against the Employer or any Group Company or its/their respective current or former officers, directors and employees whether statutory or otherwise.

13.3 In the event of the Employee commencing any action or issuing or pursuing any proceedings or being granted any judgment against the Employer or any Group Company or any of its/their officers, directors or employees whether arising out of his resignation from office and directorship or his employment or its termination, the Employee shall indemnify the Employer or relevant Group Company in respect of:

13.3.1 its legal costs of defending such action or proceedings (including reasonable legal and professional fees and disbursements together with VAT thereon); and

13.3.2 any award or judgment;

and such part of the Termination Payment equivalent to the amount of such costs, award or judgment shall become immediately repayable to the Employer or relevant Group Company as a debt.

14. **COMPLIANCE WITH STATUTORY PROVISIONS**

14.1 To the extent that they are relevant, the conditions regulating compromise agreements and compromise contracts under the following instruments and provisions (as subsequently consolidated, modified or re-enacted from time to time) are satisfied and met: the Sex Discrimination Act 1975; the Race Relations Act 1976; Schedule 3A of the Disability Discrimination Act 1995; the Employment Rights Act 1996; the Working Time Regulations 1998; the National Minimum Wage Act 1998; the Employment Relations Act 1999; Schedule 4 of the Employment Equality (Sexual Orientation) Regulations 2003; Schedule 4 of the Employment Equality (Religion or Belief) Regulations 2003; Schedule 5 of the Employment Equality (Age) Regulations 2006; the Pensions Act 2008; and paragraphs (c) and (d) of section 147(3) of the Equality Act 2010.

14.2 The Employee confirms that:

14.2.1 he has received advice from the Adviser (who is a relevant independent adviser within the meaning of the provisions referred to in **Clause 14.1**) as to the terms and effect of this Agreement and in particular its effect on his ability to pursue his rights before an Employment Tribunal; and

14.2.2 he will procure that the Adviser signs the Certificate in **Schedule 2**.

15. **WITHOUT PREJUDICE**

15.1 Notwithstanding that this Agreement is marked “without prejudice and subject to contract” when the Agreement has been dated and signed by/ on behalf of the parties and is accompanied by the Certificate in **Schedule 2** signed by the Adviser it will become an open and binding agreement between the parties.

16. **WHOLE AGREEMENT**

16.1 This Agreement cancels and is in substitution of all previous letters of engagement, employment agreements and arrangements whether oral or in writing related to the subject matter hereof, between the Employer and Employee, (including but not limited to the employment and termination of the employment of the Employee) all of which shall be deemed to have been terminated by mutual consent and superseded, save as provided in **Clauses 5.3, 6.3 and 11.1**.

17. **GOVERNING LAW AND JURISDICTION**

17.1 This Agreement is governed by the law of England and Wales and any dispute is subject to the exclusive jurisdiction of the courts and tribunals of England and Wales.

18. **COUNTERPARTS**

18.1 This Agreement may be executed in any number of counterparts, each of which, when executed, shall be an original, and all the counterparts together shall constitute one and the same instrument

SCHEDULE 1

CLAIMS

All and any claims

1. for damages for breach of contract howsoever arising;
2. for pay in lieu of notice or damages for termination of employment without notice or on short notice;
3. in respect of outstanding pay, holiday pay (including statutory holiday whether under the Working Time Regulations 1998 or otherwise), overtime, bonuses, commission and benefits in kind;
4. for a redundancy payment whether statutory under the Employment Rights Act 1996 or otherwise;
5. under or relying on the Equal Pay Act 1970, Article 141 of the Treaty of Rome or Article 157 of the Treaty on the Functioning of the European Union;
6. in respect of discrimination, harassment or victimisation under the Sex Discrimination Act 1975; the Race Relations Act 1976; the Disability Discrimination Act 1995; the Employment Equality (Sexual Orientation) Regulations 2003; the Employment Equality (Religion or Belief) Regulations 2003; the Employment Equality (Age) Regulations 2006;
7. in respect of unlawful deductions from wages or payments, under Part II of the Employment Rights Act 1996;
8. in respect of unfair dismissal under the Employment Rights Act 1996;
9. under Part V of the Employment Rights Act 1996 in respect of detriment suffered in relation to: jury service, under section 43M; health and safety, under section 44; Sunday working, under section 45; the Working Time Regulations 1998, under section 45A; making a protected disclosure, under section 47B;
10. for damages for distress, anxiety or financial loss caused by harassment under Section 3 of the Protection from Harassment Act 1997;
11. in respect of a breach of the Working Time Regulations 1998;
12. in respect of a failure to comply with obligations under the Human Rights Act 1998;
13. for damages under Section 13 of the Data Protection Act 1998;
14. under section 120 of the Equality Act 2010 relating to: age discrimination or harassment related to age, disability discrimination or harassment related to disability; marriage and civil partnership discrimination; race discrimination or harassment related to race; religious or belief-related discrimination or harassment related to religion or belief; sex discrimination, harassment related to sex, or sexual harassment under section 26(2); harassment under section 26(3) (less favourable treatment because of a rejection of or submission to harassment related to sex, or gender reassignment, or sexual harassment); sexual orientation

discrimination or harassment related to sexual orientation; victimisation; or in respect of a breach of an equality rule or non-discrimination rule under the Equality Act 2010;

15. in respect of a breach of an equality clause under the Equality Act 2010, Article 141 of the Treaty of Rome or Article 157 of the Treaty on the Functioning of the European Union;

16. in respect of the right not to suffer a detriment under section 55 of the Pensions Act 2008.

SCHEDULE 2

ADVISER'S CERTIFICATE

I confirm that:

1. I am a relevant independent adviser (as defined in the provisions referred to in Clause 14.1 of the Agreement between **Peter Sephton (the Employee)** and **the Employer** to which this Certificate is annexed).
2. I have advised the Employee of the terms and the effect of the Agreement and in particular its effect on his ability to pursue a claim before an Employment Tribunal.
3. There is in force a contract of insurance covering the risk of a claim by the Employee in respect of loss arising in consequence of the advice.

Adviser's signature /s/ ANDREA LONDON

Adviser's name Andrea London

(capitals)

Title Partner

Adviser's business address Rosenblatt Solicitors

9-13 St Andrew Street

London EC4A 3AF

SCHEDULE 3

RESIGNATION LETTER

Private & Confidential

The Directors
Brady Corporation

Dear Sirs

Please accept this letter as formal notice of my resignation as an officer and director of the Brady companies listed in the Appendix below and of all other offices I hold as a result of or in connection with my employment with Brady Corporation. My resignation from all such offices is to be effective from close of business on 30 April 2013.

I confirm that I have no claim or right of action of any kind outstanding for compensation or otherwise against any of the above companies or any of its/their directors, officers or employees.

Yours sincerely

/s/ PETER SEPHTON

Peter Sephton

APPENDIX

W.H. Brady N.V. (Belgium)	Brady Sweden Holding AB (Sweden)
Transposafe Systems Belgium NV/SA	Brady Converting AB (Sweden)
Brady A/S (Denmark)	Tradex AB (Sweden)
Branch Office- W.H. Brady N.V. (Hungary)	Runelandhs Försäljnings AB (Sweden)
Brady Italy S.r.l. (Italy)	Runelandhs Fastigheter AB (Sweden)
Brady AS (Norway)	Brady Etiket ve Isaretleme Ticaret Ltd Sirketi (Turkey)
Pervaco AS (Norway)	Brady European Holdings Ltd (UK)
Wiremarkers Pty. Ltd. (South Africa)	Brady European Finance Ltd (UK)
Grafo Wiremarkers Pty. Ltd. (South Africa)	B.I. UK
Dartag Marking Pty. Ltd. (South Africa)	Brady Corporation Ltd (UK)
Touch Fasteners Pty. Ltd. (South Africa)	Brady o.o.o. (Russia)
Brady Identificacion S.L.U (Spain)	Brady ID Solutions SRL (Romania)
Brady AB (Sweden)	Brady GmbH (Germany)

SCHEDULE 4

POST-TERMINATION RESTRICTIONS

1. The Employee will not without the prior written consent of the Employer (such consent not to be unreasonably withheld or delayed) directly or indirectly and whether alone or in conjunction with or on behalf of any other person and whether as a principal, shareholder, director, officer, employee, agent, consultant, partner or otherwise:
 - 1.1 within the Restricted Territory and for a period of 12 months from the Termination Date, be employed, engaged, concerned or interested in or provide technical, commercial or professional advice to the Restricted Organisations and/or any business which supplies or provides (or intends to supply or provide) Products or Services in competition with the Employer or any Relevant Group Company, provided that this restriction does not apply to prevent the Employee from (i) undertaking duties or activities which are materially different from those undertaken by him in the course of his employment during the Relevant Period or (ii) holding shares or other securities in any company which is quoted, listed or otherwise dealt in on a Recognised Investment Exchange or other securities market and which confer not more than 4% of the votes which could be cast at a general meeting of such company; or
 - 1.2 within the Restricted Territory and for a period of 12 months from the Termination Date, be employed, engaged, concerned or interested in the part of a business which at any time during the Relevant Period has supplied Products or Services to the Employer or any Relevant Group Company and with which the Employer or any Relevant Group Company has exclusive or special terms and/or do or attempt to do anything which causes or may cause such business to cease, alter or reduce materially its supplies or alter its terms of business with and to the detriment of the Employer or any Relevant Group Company; or
 - 1.3 within the Restricted Territory and for a period of 12 months from the Termination Date, be employed, engaged, concerned or interested in any business which is or was at any time during the Relevant Period a Relevant Customer of the Employer or any Relevant Group Company and/or do or attempt to do anything which causes or may cause the Relevant Customer to cease or reduce materially its orders, contracts or dealings with or alter its terms of business with and to the detriment of the Employer or any Relevant Group Company; or
 - 1.4 during the Agreed Period, canvass, solicit or approach or cause to be canvassed, solicited or approached any Relevant Customer for the supply or provision of Relevant Products or Services or endeavour to do so; or
 - 1.5 during the Agreed Period, deal or contract with any Relevant Customer in relation to the supply or provision of any Relevant Products or Services, or endeavour to do so; or
 - 1.6 during the Agreed Period, solicit, induce or entice away from the Employer or any Relevant Group Company in connection with any business in, or proposing to be in, competition with the Employer or any Relevant Group Company, employ, engage or appoint or in any way cause to be employed, engaged or appointed a

Critical Person, whether or not such person would commit any breach of his or her contract of employment or engagement by leaving the service of the Employer or any Relevant Group Company; or

1.7 during the Agreed Period, be employed, engaged, concerned or interested in any business:

1.1.1 with, or on behalf of, any Critical Person; and/or

1.1.2 which has, at any time during the Relevant Period, employed, appointed or engaged two or more Critical Persons, for the purposes of competing, or preparing to compete with the Employer or any Relevant Group Company where the Employee and such person(s) are each likely to be in possession of Confidential Information which, if utilised by the Employee and Critical Person(s) together, would be likely to be of assistance to any person, firm or company competing with, or preparing to compete with, the Employer or any Relevant Group Company;

1.8 during the Agreed Period, use or seek to register, in connection with any business, any name or internet domain name (URL) or other device which includes the name or device of the Employer or any Relevant Group Company or any identical or similar sign or at any time after the Termination Date represent himself as connected with the Employer or any Relevant Group Company in any capacity.

2. Whilst the restrictions in this **Schedule 4** are regarded by the parties as fair and reasonable, each of the restrictions in **clause 1** above are intended to be separate and severable. If any restriction is held to be void but would be valid if part of the wording (including in particular, but without limitation, the definitions contained in **clause 3**) were deleted, such restriction will apply with so much of the wording deleted as may be necessary to make it valid or effective.

2.1 The parties further agree that in the event of breach by the Employee of any of the provisions in this **Schedule 4**, the Employer and/or Relevant Group Company will be entitled by written notice to extend the period during which the breached provisions apply by an equivalent period to that during which the breach or breaches have continued, such additional period to commence on the date on which the said period would have otherwise expired. The Employee hereby agrees that if the Employer or any Relevant Group Company so extends the period of any such restriction, this will not prejudice the right of the Employer or any Relevant Group Company to apply to the Courts for injunctive relief in order to compel him to comply with the provisions of this clause and/or damages, as the case may be.

3. In this Schedule the following expressions will have the following meanings:

“Agreed Period”

31 December 2014;

	any employee, agent, director, officer, consultant or independent contractor, employed, appointed or engaged by the Employer or any Relevant Group Company for whose activities on behalf of the Employer or Relevant Group Company the Employee had a material direct or indirect responsibility during the Relevant Period and/or with whom he had material contact in the course of their employment, appointment or engagement during the Relevant Period and/or who by reason of their employment, appointment or engagement and in particular their seniority and expertise or knowledge of trade secrets or Confidential Information of the Employer or Relevant Group Company or knowledge of or influence over its/their clients, customers or suppliers is to be regarded as a material asset of the Employer or any Relevant Group Company;
“Critical Person”	
“the Employee”	Peter Sephton;
“the Employer”	Brady Corporation Limited;
“Group”	the Employer and every Group Company wherever registered or incorporated; the Employer and its Parent Undertakings, its Subsidiary Undertakings and the Subsidiary Undertakings of any of its Parent Undertakings from time to time (“Parent Undertaking” and “Subsidiary Undertaking” having the meanings set out in section 1162 Companies Act 2006);
“Group Company”	the Employer and its Parent Undertakings, its Subsidiary Undertakings and the Subsidiary Undertakings of any of its Parent Undertakings from time to time (“Parent Undertaking” and “Subsidiary Undertaking” having the meanings set out in section 1162 Companies Act 2006);
“the Group”	products or services which are of the same kind as, or of a materially similar kind to, or competitive with, any products or services supplied or provided by the Employer or any Relevant Group Company within the Relevant Period and with which the Employee was involved in the course of his employment during the Relevant Period;
“Products or Services”	has the meaning give to it in section 285 of the Financial Services and Markets Act 2000;
“Recognised Investment Exchange”	

any person, firm, company or organisation who or which at any time during the Relevant Period is or was:

negotiating with the Employer or any Relevant Group Company for the sale or supply of Relevant Products or Services; or a client or customer of, or in the habit of dealing with, the Employer or Relevant Group Company for the sale or supply of Relevant Products or Services,

and in each case:

with whom or which the Employee was directly concerned or connected or of whom or which the Employee had personal knowledge during the Relevant Period in the course of his employment; and/or

with whom any individuals reporting to the Employee were directly concerned or connected during the Relevant Period in the course of their employment; and/or

about, or in respect of, whom the Employee has, during the Relevant Period, received Confidential Information

“Relevant Customer”

any company in the Group (other than the Employer) for which the Employee performed services or was an officer or director of or for/in respect of which he had operational/management responsibility at any time during the Relevant Period;

“Relevant Group Company”

“Relevant Period”

the period of 18 months immediately before the Termination Date;

products or services of any Group Company which sale or supply, promotion or provision on any basis, the Employee was directly or otherwise materially concerned or connected or of which he had personal knowledge during the Relevant Period;

“Relevant Products or Services”

Panduit, 3M, Takkt, Manutan, RS Components, Premier Farnell, Zebra, Grainger, XpressMyself.com Kroschke, Weidmueller, Raja, Worldmark, Hellerman Tyton, Phoenix Contact, Schreiner Group, Cembre, Indetco, Arco, Materlock, TE Connectivity, Wolk, Uline and Amazon.

“Restricted Organisations”

UK, France, Germany, Italy, Spain, Russia, Poland, Turkey, USA, Saudi Arabia, Qatar, Dubai and South Africa and any area or territory in which the Employee worked or to which the Employee was assigned or had operational/management responsibility by the Employer or any Relevant Group Company at any time during the Relevant Period;

“Restricted Territory”

“Termination Date”

July 31, 2013

SCHEDULE 5

Dated March 25, 2013

WITHOUT PREJUDICE AND SUBJECT TO CONTRACT

BRADY CORPORATION LIMITED
PETER SEPHTON

Second Compromise agreement

SECOND COMPROMISE AGREEMENT

THIS AGREEMENT is made on March 25, 2013

BETWEEN:

- (1) **BRADY CORPORATION LIMITED** whose registered office is at Wildmere Industrial Estate, Banbury, Oxfordshire OX16 3JU (**the Employer**);
and
(2) **PETER SEPHTON** of The Coach House, Severnstoke Bank, Severnstoke WR8 9JG (**the Employee**)

1. DEFINITIONS

1.1 In this Agreement the following expressions have the following meanings:

“the Adviser”	the person named as Adviser in Schedule 2 ;
“the First Compromise Agreement”	the compromise agreement between the Employer and the Employee dated [date];
“Group Company”	the Employer and its Parent Undertakings, its Subsidiary Undertakings and the Subsidiary Undertakings of any of its Parent Undertakings from time to time (“Parent Undertaking” and “Subsidiary Undertaking” having the meanings set out in section 1162 Companies Act 2006);
“PAYE deductions”	deductions made to comply with or to meet any liability of the Employer to account for tax pursuant to regulations made under Chapter 2 of Part 11 of the Income Tax (Earnings and Pensions) Act 2003 and to comply with any obligation to make a deduction in respect of national insurance contributions;
“the Termination Date”	31 July 2013;

2. BASIS OF AGREEMENT

2.1 The parties entered into the First Compromise Agreement to record and implement the terms on which they agreed to settle all outstanding claims which the Employee has or may have against the Employer or any company in the Group or any of its/their respective directors, officers or employees arising out of or in connection with or as a consequence of his employment and/or its termination and/or his resignation from office.

2.2 The parties have entered into this Agreement to supplement the terms of the First Compromise Agreement.

2.3 The parties agree that the terms of the First Compromise Agreement remain in full force and effect and nothing in this Agreement is intended to supersede the terms of the First Compromise Agreement, with the exception of the claims specified at Schedule 1 of this Agreement which shall supersede those specified at Schedule 1 of the First Compromise Agreement.

2.4 The terms set out in this Agreement and the First Compromise Agreement constitute the entire Agreement between the parties and are without admission of liability on the part of the Employer or the Group.

2.5 The Employer is entering into this Agreement for itself and as agent for and trustee of all companies in the Group and is duly authorised to do so. The parties intend that each company in the Group should be able to enforce in its own right the terms of this Agreement which expressly or impliedly confer a benefit on that company subject to and in accordance with the provisions of the Contracts (Rights of Third Parties) Act 1999.

3. FULL AND FINAL SETTLEMENT

3.1 The Employee accepts the terms of this Agreement and the First Compromise Agreement in full and final settlement of all sums due to the Employee from the Employer or any company in the Group and all claims in all jurisdictions under contract, tort, statute or otherwise which the Employee has or may have against the Employer or any company in the Group or its/their respective officers, directors or employees arising out of or in connection with or as a consequence of his position as a director or officer of the Employer and other companies in the Group and/or his resignation from such offices, or his employment and/or its termination (whether such claims are, or could be, known to the parties, and including any claims which may arise in the future) including but not limited to the claims specified in **Schedule 1**, each of which is hereby intimated and waived.

3.2 The Employee agrees to refrain from commencing any action or issuing any proceedings against the Employer or any company in the Group or its/their respective officers, directors or employees in respect of any claims referred to in **Clause 3.1** including the claims specified in **Schedule 1**.

3.3 Neither the settlement and waiver in **Clause 3.1** nor the agreement to refrain from proceedings in **Clause 3.2** applies to any claim:

3.3.1 for personal injury of which the Employee is not aware at the date of this Agreement (and the Employee warrants he is not aware of any facts or circumstances that may give rise to a person injury claim against the Employer or any Group Company; or

3.3.2 for the benefits due to him pursuant to this Agreement.

4. NO KNOWLEDGE OF OTHER CLAIMS

4.1 The Employee confirms that he is not aware of any claims other than those specified in **Schedule 1** or facts or circumstances that may give rise to any claim against the Employer or any Group companies or any of its/their respective officers, directors or employees in relation to any other matters.

4.2 The Employee represents and warrants that:

4.2.1 he has instructed the Adviser to advise as to whether he has or may have any claims, including statutory claims, against the Employer or any company in the Group or its/their respective officers, directors and employees arising out of or in connection with his employment or its termination;

4.2.2 he has provided the Adviser with all available information which the Adviser requires or may require in order to advise whether he has any such claims; and

4.2.3 the Adviser has advised him that, on the basis of the information available to the Adviser, his only claims or particular complaints against the Employer or any Group Company or its/their respective officers, directors and employees whether statutory or otherwise are those listed in **Schedule 1** of this Agreement and that he has no other claim against the Employer or any company in the Group or its/their respective officers, directors and employees whether statutory or otherwise.

4.3 In the event of the Employee commencing any action or issuing or pursuing any proceedings or being granted any judgment against the Employer or any Group Company or any of its/their officers, directors or employees whether arising out of his resignation from office or directorships or his employment or its termination the Employee shall indemnify the Employer or relevant company in the Group in respect of:

4.3.1 its legal costs of defending such action or proceedings (including reasonable legal and professional fees and disbursements together with VAT thereon); and

4.3.2 any award or judgment;

and such part of the Termination Payment (as defined in the First Compromise Agreement) equivalent to the amount of such costs, award or judgment shall become immediately repayable to the Employer or relevant company in the Group as a debt.

5. COMPLIANCE WITH STATUTORY PROVISIONS

5.1 To the extent that they are relevant, the conditions regulating compromise agreements and compromise contracts under the following instruments and provisions (as subsequently consolidated, modified or re-enacted from time to time) are satisfied: the Sex Discrimination Act 1975; the Race Relations Act 1976; Schedule 3A of the Disability Discrimination Act 1995; the Employment Rights Act 1996; the Working Time Regulations 1998; the National Minimum Wage Act 1998; the Employment Relations Act 1999; Schedule 4 of the Employment Equality (Sexual Orientation) Regulations 2003; Schedule 4 of the Employment

Equality (Religion or Belief) Regulations 2003; Schedule 5 of the Employment Equality (Age) Regulations 2006; the Pensions Act 2008; paragraphs (c) and (d) of section 147(3) of the Equality Act 2010.

5.2 The Employee confirms that:

5.2.1 he has received advice from the Adviser (who is a relevant independent adviser within the meaning of the provisions referred to in **Clause 5.1**) as to the terms and effect of this Agreement and in particular its effect on his ability to pursue his rights before an Employment Tribunal; and

5.2.2 he will procure that the Adviser signs the Certificate in **Schedule 2**.

6. WARRANTIES AND REPRESENTATIONS

6.1 The Employee warrants as a strict condition of this Agreement and represents to the Employer that up to and as at the later of the Termination Date and the date this Agreement becomes binding in accordance with **Clause 7**, the Employee:

6.1.1 has not committed any breach of any duty owed to the Employer or any company in the Group;

6.1.2 has not retained any software or computer programs, documents or copies (electronically or otherwise) which belong to the Employer or any company in the Group or to which the Employer or any company in the Group is entitled;

6.1.3 has not done or failed to do anything, which act or omission amounts to a repudiatory breach of the express or implied terms of his employment with the Employer or which, if it were to be done or omitted after the date of this Agreement, would be in breach of any of its terms;

6.1.4 has not commenced any action or issued any proceedings against the Employer or any company in the Group or any of its/their respective officers or employees.

6.2 For the avoidance of doubt, the Employee accepts that the Employer is under no obligation to make the Termination Payment or provide any benefits if:

6.2.1 the Employee is in breach of any of the warranties referred to in this **Clause 6** or elsewhere in this Agreement; or

6.2.2 on or before the Termination Date the Employee does or fails to do, or has done or failed to do, anything which act or omission amounts to a repudiatory breach of the express or implied terms of his employment with the Employer.

7. WITHOUT PREJUDICE

7.1 Notwithstanding that this Agreement is marked “without prejudice and subject to contract” when the Agreement has been dated and signed by/ on behalf of the parties and is accompanied by the Certificate in **Schedule 2** signed by the Adviser it will become an open and binding agreement between the parties.

8. GOVERNING LAW AND JURISDICTION

8.1 This Agreement is governed by the law of England and Wales and any dispute is subject to the exclusive jurisdiction of the courts and tribunals of England and Wales.

SCHEDULE 1

CLAIMS

All and any claims

1. for damages for breach of contract howsoever arising;
2. for pay in lieu of notice or damages for termination of employment without notice or on short notice;
3. in respect of outstanding pay, holiday pay (including statutory holiday whether under the Working Time Regulations 1998 or otherwise), overtime, bonuses, commission and benefits in kind;
4. for a redundancy payment whether statutory under the Employment Rights Act 1996 or otherwise;
5. under or relying on the Equal Pay Act 1970, Article 141 of the Treaty of Rome or Article 157 of the Treaty on the Functioning of the European Union;
6. in respect of discrimination, harassment or victimisation under the Sex Discrimination Act 1975; the Race Relations Act 1976; the Disability Discrimination Act 1995; the Employment Equality (Sexual Orientation) Regulations 2003; the Employment Equality (Religion or Belief) Regulations 2003; the Employment Equality (Age) Regulations 2006;
7. in respect of unlawful deductions from wages or payments, under Part II of the Employment Rights Act 1996;
8. in respect of unfair dismissal under the Employment Rights Act 1996;
9. under Part V of the Employment Rights Act 1996 in respect of detriment suffered in relation to: jury service, under section 43M; health and safety, under section 44; Sunday working, under section 45; the Working Time Regulations 1998, under section 45A; making a protected disclosure, under section 47B;

10. for damages for distress, anxiety or financial loss caused by harassment under Section 3 of the Protection from Harassment Act 1997;
11. in respect of a breach of the Working Time Regulations 1998;
12. in respect of a failure to comply with obligations under the Human Rights Act 1998;
13. for damages under Section 13 of the Data Protection Act 1998;
14. under section 120 of the Equality Act 2010 relating to: age discrimination or harassment related to age, disability discrimination or harassment related to disability; marriage and civil partnership discrimination; race discrimination or harassment related to race; religious or belief-related discrimination or harassment related to religion or belief; sex discrimination, harassment related to sex, or sexual harassment under section 26(2); harassment under section 26(3) (less favourable treatment because of a rejection of or submission to harassment related to sex, or gender reassignment, or sexual harassment); sexual orientation discrimination or harassment related to sexual orientation; victimisation; or in respect of a breach of an equality rule or non-discrimination rule under the Equality Act 2010;
15. in respect of a breach of an equality clause under the Equality Act 2010, Article 141 of the Treaty of Rome or Article 157 of the Treaty on the Functioning of the European Union;
16. in respect of the right not to suffer a detriment under section 55 of the Pensions Act 2008.

SCHEDULE 2

ADVISER'S CERTIFICATE

I confirm that:

1. I am a relevant independent adviser (as defined in the provisions referred to in Clause 5.1 of the Second Compromise Agreement between Peter Sephton (the Employee) and the Employer, to which this Certificate is annexed).
2. I have advised the Employee of the terms and the effect of the Agreement and in particular its effect on his ability to pursue a claim before an Employment Tribunal.
3. There is in force a contract of insurance covering the risk of a claim by the Employee in respect of loss arising in consequence of the advice.

Adviser's signature /s/ ANDREA LONDON

Adviser's name Andrea London

Title Partner

Adviser's business address Rosenblatt Solicitors

9-13 St Andrew Street

London EC4A 3AF

THIS AGREEMENT has been signed on behalf of the Employer and executed and delivered as a deed by the Employee on the date set out at the beginning.

SIGNED by /s/ FRANK M. JAEHNERT
for and on behalf of **THE EMPLOYER** Frank M. Jaehnert
President and Chief Executive Officer

EXECUTED AND DELIVERED as a /s/ PETER C. SEPHTON
Deed by **THE EMPLOYEE** in the Peter C. Sephton
presence of:

Witness signature: /s/ MILLIE SEPHTON

Name: Millie Sephton

Occupation: Student

THIS AGREEMENT has been signed on behalf of the Employer and executed and delivered as a deed by the Employee on the date set out at the beginning.

SIGNED by /s/ FRANK M. JAEHNERT
for and on behalf of **THE EMPLOYER** Frank M. Jaehnert
President and Chief Executive Officer

EXECUTED AND DELIVERED as a /s/ PETER C. SEPHTON
Deed by **THE EMPLOYEE** in the Peter C. Sephton
presence of:

Witness signature: /s/ MILLIE SEPHTON

Name: Millie Sephton

Occupation: Student

BRADY CORPORATION
CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of May 22, 2013, between Brady Corporation, a Wisconsin corporation, ("Corporation") and Scott Hoffman.

WHEREAS, the Executive is now serving as an executive of the Corporation in a position of importance and responsibility; and

WHEREAS, the Executive possesses intimate knowledge of the business and affairs of the Corporation and its policies, markets and financial and human resources, and the Executive has acquired certain confidential information and data with respect to the Corporation; and

WHEREAS, the Corporation wishes to continue to receive the benefit of the Executive's knowledge and experience and, as an inducement for continued service, is willing to offer the Executive certain payments due to severance as a result of change of control as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Executive and Corporation agree as follows:

SECTION 1. DEFINITIONS.

(a) Change of Control. For purposes of this Agreement, a "Change of Control" shall occur if and when 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 William H. Brady, Jr. Family Trust, collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Corporation.

(b) Termination Due to Change of Control. A "Termination Due to Change of Control" shall occur if within the 24 month period beginning with the date a Change of Control occurs (i) the Executive's employment with the Corporation is involuntarily terminated (other than by reason of death, disability or Cause) or (ii) the Executive's employment with the Corporation is voluntarily terminated by the Executive subsequent to (A) any reduction in the total of the Executive's annual base salary (exclusive of fringe benefits) and the Executive's target bonus in comparison with the Executive's 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 Executive in comparison with the Executive's responsibility and authority immediately prior to the date the Change of Control occurs or (C) the imposition of a requirement by the Corporation that the Executive relocate to a principal work location more than 50 miles from the Executive's principal work location immediately prior to the date the Change of Control occurs.

(c) "Cause" means (i) the Executive's willful and continued failure to substantially perform the Executive's duties with the Corporation (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Executive by the Corporation which specifically identifies the manner in which the Corporation believes the Executive has not substantially performed and a reasonable time to cure has transpired, (ii) the Executive's conviction of (or plea of nolo contendere for the commission of) a felony, or (iii) the Executive'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 Corporation, as determined in good faith by the Board of Directors of the Corporation.

(d) "Beneficiary" means any one or more primary or secondary beneficiaries designated in writing by the Executive on a form provided by the Corporation to receive any benefits which may become payable under this Agreement on or after the Executive's death. The Executive shall have the right to name, change or revoke the Executive's designation of a Beneficiary on a form provided by the Corporation. The designation on file with the Corporation at the time of the Executive's death shall be controlling. Should the Executive fail to make a valid Beneficiary designation or leave no named Beneficiary surviving, any benefits due shall be paid to the Executive's spouse, if living; or if not living, then to the Executive's estate.

(e) "Code" means the Internal Revenue Code of 1986, as amended.

SECTION 2.

PAYMENTS UPON TERMINATION DUE TO CHANGE OF CONTROL.

(a) Following Termination Due to Change of Control, the Executive shall be paid an amount equal to two times the annual base salary paid the Executive by the Corporation in effect immediately prior to the date the Change of Control occurs, and two times the average bonus payment received in the three years immediately prior to the date the Change of Control occurs. Such amount shall be paid in 24 monthly installments beginning on the 15th day of the month following the month in which the Executive's employment with the Corporation terminates.

(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Corporation's deduction therefore under Section 162(m) of the Code, the payments called for under paragraph (a) shall be limited to the amount which is deductible, with the balance to be paid during the first taxable year in which the Corporation reasonably anticipates that the deduction of such payment is not barred by Section 162(m). However, in such event, the Corporation shall pay the Executive on a quarterly basis an amount of interest based on the prime rate recomputed each quarter on the unpaid scheduled payments.

(c) It is intended that (A) each payment or installment of payments provided under this Section 2 is a separate "payment" for purposes of Code Section 409A and (B) that the payments satisfy, to the greatest extent possible, the exemptions from the application of Code Section 409A, including those provided under Treasury Regulations 1.409A-1(b)(4) (regarding short-term deferrals), 1.409A-1(b)(9)(iii) (regarding the two-times, two year exception), and 1.409A-1(b)(9)(v) (regarding reimbursements and other separation pay). Notwithstanding anything to the contrary in this Agreement, if the Corporation determines that on the Termination Due to Change of Control the Executive is a "specified employee" (as such term is defined under Treasury Regulation 1.409A-1(i)(1)) of the Corporation and that any payments to be provided to Executive are or may become subject to the additional tax under Code Section 409A(a)(1)(B) or any other taxes or penalties imposed under Code Section 409A ("Section 409A Taxes"), then such payments shall be delayed until the date that is six (6) months after the Termination Due to Change of Control. Any delayed payments shall be made in a lump sum on the first day of the seventh month following the Termination Due to Change of Control, or such earlier date that, as determined by the Corporation, is sufficient to avoid the imposition of any Section 409A Taxes on Executive.

SECTION 3.

EXCISE TAX, ATTORNEY FEES.

(a) If the payments under Section 2 in combination with any other payments which the Executive has the right to receive from the Corporation (the "Total Payments") would result in the Executive incurring an excise tax as a result of Section 280(G) of the Code, the Executive will be solely responsible for such excise tax.

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement and the Executive prevails in such lawsuit, the Corporation will reimburse the Executive for attorney fees incurred up to a maximum of \$25,000.00.

SECTION 4.

DEATH AFTER THE EXECUTIVE HAS BEGUN RECEIVING PAYMENTS.

Should the Executive die after Termination Due to Change of Control, but before receiving all payments due the Executive hereunder, any remaining payments due shall be made to the Executive's Beneficiary.

SECTION 5. CONFIDENTIAL INFORMATION AGREEMENT.

The Executive has obligations under the separate Confidential Information Agreement between the Executive and the Corporation which continue beyond the Executive's termination of employment. The payments to be made hereunder are conditioned upon the Executive's compliance with the terms of the Confidential Information Agreement. The payments made hereunder shall be reduced by any payments the Corporation makes to the Executive under Section 3 of the Confidential Information Agreement. In the event the Executive violates the provisions of the Confidential Information Agreement, no further payments shall be due hereunder and the Executive shall be obligated to repay all previous payments received hereunder in the same manner as provided in Section 4 of the Confidential Information Agreement.

SECTION 6. MISCELLANEOUS.

(a) Non-Assignability. This Agreement is personal to the Executive and, without the prior written consent of the Corporation, shall not be assignable by the Executive otherwise than by will or the laws of descent and

distribution. This Agreement shall inure to the benefit of and be binding upon the Corporation and its successors and assigns and shall also be enforceable by the Executive's legal representatives.

(b) Successors. The Corporation shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Corporation expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Corporation would have been required to perform it if no such succession had taken place. As used in this Agreement, "Corporation" shall mean both the Corporation as defined above and any such successor that assumes and agrees to perform this Agreement, by operation of law or otherwise.

(c) Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Wisconsin, without reference to principles of conflict of laws, to the extent not preempted by federal law. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(d) Notices. All notices and other communications under this Agreement shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: Scott Hoffman

If to the Corporation: Brady Corporation
6555 West Good Hope Road

Milwaukee, Wisconsin 53223

Attention: CFO

or to such other address as either party furnishes to the other in writing in accordance with this paragraph. Notices and communications shall be effective when actually received by the addressee.

(e) Construction. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement. If any provision of this Agreement shall be held invalid or unenforceable in part, the remaining portion of such provision, together with all other provisions of this Agreement, shall remain valid and enforceable and continue in full force and effect to the fullest extent consistent with law.

(f) No Guarantee of Employment. Nothing contained in this Agreement shall give the Executive the right to be retained in the employment of the Corporation or affect the right of the Corporation to dismiss the Executive.

(g) Amendment; Entire Agreement. This Agreement may not be amended or modified except by a written agreement executed by the parties hereto or their respective successors and legal representatives. This Agreement contains the entire agreement between the parties on the subjects covered and replaces all prior writings, proposals, specifications or other oral or written materials relating thereto, including without limitation, that certain Brady Corporation Change of Control Agreement made as of December 23, 2008 between the Corporation and the Executive.

(h) Impact on Other Plans. No amounts paid to the Executive under this Agreement will be taken into account as "wages", "salary", "base pay" or any other type of compensation when determining the amount of any payment or allocation, or for any other purpose, under any other qualified or nonqualified plan or agreement of the Corporation, except as otherwise may be specifically provided by such plan or agreement.

(i) Other Agreements. This Agreement supersedes any other severance arrangement or Change of Control Agreement between the Corporation and the Executive. This Agreement does not confer any payments or benefits other than the payments described in Sections 2 and 3 hereof.

(j) Withholding. To the extent required by law, the Corporation shall withhold any taxes required to be withheld with respect to this Agreement by the federal, state or local government from payments made hereunder or from other amounts paid to the Executive by the Corporation.

(k) Facility of Payment. If the Executive or, if applicable, the Executive's Beneficiary, is under legal disability, the Corporation may direct that payments be made to a relative of such person for the benefit of such person, without

the intervention of any legal guardian or conservator, or to any legal guardian or conservator of such person. Any such distribution shall constitute a full discharge with respect to the Corporation and the Corporation shall not be required to see to the application of any distribution so made.

SECTION 7. CLAIMS PROCEDURE.

(e) Claim Review. If the Executive or the Executive's Beneficiary (a "Claimant") believes that he or she has been denied all or a portion of a benefit under this Agreement, he or she may file a written claim for benefits with the Corporation. The Corporation shall review the claim and notify the Claimant of the Corporation's decision within 60 days of receipt of such claim, unless the Claimant receives written notice prior to the end of the 60 day period stating that special circumstances require an extension of the time for decision. The Corporation's decision shall be in writing, sent by mail to the Claimant's last known address, and if a denial of the claim, must contain the specific reasons for the denial, reference to pertinent provisions of this Agreement on which the denial is based, a designation of any additional material necessary to perfect the claim, and an explanation of the claim review procedure.

(f) Appeal Procedure to the Board. A Claimant is entitled to request a review of any denial by the full Board by written request to the Chair of the Board within 60 days of receipt of the denial. Absent a request for review within the 60-day period, the claim will be deemed to be conclusively denied. The Board shall afford the Claimant the opportunity to review all pertinent documents and submit issues and comments in writing and shall render a review decision in writing, all within 60 days after receipt of a request for review (provided that, in special circumstances the Board may extend the time for decision by not more than 60 days upon written notice to the Claimant.) The Board's review decision shall contain specific reasons for the decision and reference to the pertinent provisions of this Agreement.

IN WITNESS WHEREOF, the Executive has signed this Agreement and, pursuant to the authorization of the Board, the Corporation has caused this Agreement to be signed, all as of the date first set forth above.

/s/ SCOTT HOFFMAN

Executive - Scott Hoffman

President - Workplace Safety

Brady Corporation

By: /s/ THOMAS J. FELMER

Thomas J. Felmer

Senior Vice President and Chief Financial Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Frank M. Jaehnert, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Brady Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report)that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2013

/s/ FRANK M. JAEHNERT

Frank M. Jaehnert

President and Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION

I, Thomas J. Felmer, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Brady Corporation;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material act necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

(4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report)that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 6, 2013

/s/ THOMAS J. FELMER

Thomas J. Felmer

Senior Vice President and Chief Financial Officer

SECTION 1350 CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Brady Corporation (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: June 6, 2013

/s/ FRANK M. JAEHNERT

Frank M. Jaehnert

President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

SECTION 1350 CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Brady Corporation (the "Company") certifies to his knowledge that:

(1) The Quarterly Report on Form 10-Q of the Company for the quarterly period ended April 30, 2013 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in that Form 10-Q fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: June 6, 2013

/s/ THOMAS J. FELMER

Thomas J. Felmer

Senior Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request. This certification accompanies this report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.