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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

FORM 10-K

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

FOR THE FISCAL YEAR ENDED JULY 31, 2001

Commission File Number 0-12730

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

WISCONSIN  
(State of Incorporation)

39-0178960  
(IRS Employer Identification No.)

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

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

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

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

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

None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained, to the  
best of the registrant's knowledge, in definitive proxy or information  
statements incorporated by reference in Part III of this Form 10-K or any  
amendment to this Form 10-K. Yes ☒ No ☐

The aggregate market value of the non-voting common stock held by  
non-affiliates of the entity as of September 12, 2001 was approximately  
\$635,977,238 (based on closing sale price of \$34.80 per share as reported for  
the New York Stock Exchange). As of September 12, 2001, there were outstanding  
21,165,284 shares of Class A Nonvoting Common Stock (the "Class A Common  
Stock"), and 1,769,314 shares of Class B Common Stock. The Class B Common Stock,  
all of which is held by affiliates of the Registrant, is the only voting stock.

DOCUMENTS INCORPORATED BY REFERENCE  
Brady Corporation 2001 Annual Report, Incorporated into Part II & IV

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## PART I

Brady Corporation and Subsidiaries are referred to herein as the "Company" or "Brady".

### ITEM 1 BUSINESS

#### (a) General Development of Business

The Company, a Wisconsin corporation, currently operates 27 manufacturing facilities worldwide. Ten are located in the United States, three in France, two each in Australia, Brazil and Germany and one each in Belgium, Canada, China, England, Italy, Japan, Korea and Singapore. The Company sells through subsidiaries or sales offices in Australia, Belgium, Brazil, Canada, China, England, France, Germany, Hong Kong, Hungary, Italy, Japan, Korea, Malaysia, Mexico, the Philippines, Poland, Singapore, Spain, Sweden, Taiwan and the United States. The Company's corporate headquarters are located at 6555 West Good Hope Road, Milwaukee, Wisconsin 53223, and the telephone number is (414) 358-6600. The Company's Internet address is <http://www.bradycorp.com>.

#### (b) Financial Information About Industry Segments

The information required by this Item is provided in Item 8 -- Financial Statements and Supplementary Data.

#### (c) Narrative Description of Business

### OVERVIEW

Brady Corporation is a leading international manufacturer and marketer of high-performance identification solutions and specialty coated materials. The Company's products consist of over 50,000 stock and custom items as well as complete identification systems that are used by the Company's customers to create a safer work environment for employees, improve production and operating efficiencies and increase the utilization of assets through tracking and inventory process controls. Major product categories include: industrial identification and data collection products; safety and facility identification products; and precision materials.

The Company's products are sold in a variety of markets, including electrical, electronic, telecommunication, governmental, public utility, computer, construction, transportation equipment and education. The need for the Company's products is driven by specification of customer engineering departments, by regulatory compliance requirements imposed by agencies such as OSHA and the EPA, or by the need to identify and track assets, or to direct, warn, inform, train and protect people. The Company manufactures and sells products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order catalog and telemarketing and electronic access through the Internet. The Company has a broad customer base, which in fiscal 2001 consisted of more than 300,000 companies, with the largest customer representing less than 5% of net sales. Sales from international operations represented 44.0% of net sales in fiscal 2001.

### BUSINESS STRATEGY

Brady's mission is to be the world leader in identification and material solutions that help companies improve productivity, performance, safety and security. The Company expects to accomplish this objective by offering a broad range of high-quality, innovative products to a widely diversified customer base in a prompt and responsive manner. Underlying the Company's business strategy is a Company-wide commitment to enhancing shareholder value. The Company's long-term focus on activities that will create sustainable value for shareholders drives decision making at all levels of the Company. The Company's employees participate in an incentive plan that is focused upon the creation of shareholder value. This incentive plan is designed to

motivate employees, foster a team-oriented work environment and maximize the utilization of assets. Key elements of the Company's business strategy include:

**Product innovation.** The Company continually seeks to improve existing products and to develop innovative products to satisfy customers' requirements and expectations. Brady's commitment to product innovation is reflected in research and development efforts that include approximately 200 employees primarily dedicated to research and development activities in the United States, Canada, Belgium, France and Singapore.

**Breadth of product line.** The Company's products include over 50,000 stock as well as custom items. The number of products offered allows Brady to serve as a one-stop shopping network for customers. Additionally, management believes that the Company provides a broader range of identification solutions than any of its competitors.

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

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

#### GROWTH STRATEGY

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

**New products and new markets.** The Company, through strong product innovation and development activities, seeks continually to introduce new products and explore additional applications for products in existing and new markets.

**Increased market penetration.** The Company seeks to increase market penetration in existing domestic and international markets through existing distribution channels and strong sales and marketing efforts. To achieve this objective, the Company's goal is to align more closely with distributors, expand its current sales force and pursue additional channels.

**Geographic expansion.** Sales from Brady's international operations have increased from \$50,707,000 or 26.5% of net sales in fiscal 1990 to \$239,040,000, or 44.0%, of net sales in fiscal 2001. The Company believes that international markets continue to represent a significant growth opportunity. Accordingly, the Company is actively seeking to increase penetration in established markets in Europe, Asia/Pacific and Canada and to enter new emerging markets elsewhere in Eastern Europe, the Pacific Rim and Latin America.

**Strategic acquisitions and joint ventures.** While the Company intends to continue pursuing internal growth through the above strategies, the Company also intends, where practical, to fill product lines or market sectors, open new geographic markets and strengthen product offerings through the pursuit of strategic acquisitions and joint ventures. Between 1999 and 2001, Brady's growth has occurred through strategic acquisitions, innovative product development and improvement, market expansion and increased market penetration.

**E-business.** E-Business will help support growth as the Company works to make every Brady business an electronic or Internet-enabled business. Brady is striving to transact 50 percent of the Company's business electronically within the next three years. Investments in e-commerce and information technology have been increased to help the Company achieve this goal.

## PRODUCTS

The Company's products consist of over 50,000 stock and custom items as well as complete identification systems that are used by the Company's customers to create a safer work environment for employees, improve product and operating efficiencies and increase the utilization of assets through tracking and inventory process controls. Major product categories include: industrial identification and data-collection products including wire and cable markers, high-performance labels, stand-alone printing systems, barcode and other software, radio frequency identification tags and readers and other automatic identification and data collection systems; safety and facility identification products including signs, pipe and valve markers, storage markers, asset identification tags, lockout/tagout products, traffic-control products, printing systems and software; and specialty tapes and die-cut materials.

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

### INDUSTRIAL IDENTIFICATION AND DATA-COLLECTION PRODUCTS

#### Wire and Cable Markers

Brady manufactures a broad range of wire- and cable-marking products. These products help mark and identify wires, cables and various hazards. Such products may be used in virtually every industrial, electrical and telecommunications market to specify the origination and/or destination of wiring and to facilitate repair or maintenance of equipment and data communication and electrical wiring systems.

#### High Performance Labels

Brady produces a complete line of label materials to meet customers' needs for identification that performs under harsh or sensitive conditions. Brady prints stock and custom labels and also sells unprinted materials to enable customers to print their own labels on site, on demand, using thermal-transfer, laser, dot-matrix and inkjet printers. Brady labels range from static-dissipative labels for use on electronic components to labels that withstand extreme conditions, such as 1,000 degrees Fahrenheit temperatures and harsh chemicals.

#### Software and Printing Systems

The Company designs and produces various computer software, industrial thermal-transfer and dot matrix printers and other electromechanical devices to serve the growing and specialized needs of customers. Industrial labeling systems, software, tapes, ribbons and label stocks provide customers with the resources and flexibility to produce signs and labels on demand at their site.

#### Automatic Identification and Data-Collection Systems

Brady's automatic identification and data collection solutions include bar-code-label-generating software, bar-code and radio frequency scanners, tags, and labels to enable accurate tracking of manufacturing, warehousing, receiving and shipping data. The Company's software applications, integration services, fixed station terminals, high-speed printers and associated customized consumable products allow its customers to have a higher degree of knowledge and control over production, asset management and all phases of inventory control, including receiving, warehousing, work-in-process, finished goods and shipping.

### SAFETY AND FACILITY IDENTIFICATION PRODUCTS

#### Signs

The Company manufactures safety and informational signs for use in a broad range of industrial, commercial, governmental and institutional applications. These signs are either self-adhesive or mechanically mounted, are designed for both indoor and outdoor use and are manufactured to meet standards issued by the

National Safety Council, OSHA and a variety of industry associations in the United States and abroad. The Company's sign products are categorized by type of message to be conveyed, including admittance, directional and exit signs; electrical hazard warnings; energy conservation messages; fire protection and fire equipment signs; hazardous waste labels; hazardous and toxic material warning signs; personal hazard warnings; housekeeping and operational warnings; pictograms; radiation and laser signs; safety practices signs and regulatory markings.

#### Pipe and Valve Markers

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

#### Storage Markers

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

#### Asset Identification Markers

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

#### Lockout/Tagout Products

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

#### Traffic Control Products

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

#### Other

The Company also offers sign-making kits, stenciling materials, barricading products, visual warning systems, floor-marking products, safety hard-hat labels, safety badges, photo-identification kits, ergonomic products, first aid cabinets/kits, body harnesses, anti-slip coatings and alarm security systems, among others.

### SPECIALTY MATERIALS

#### Specialty Tapes

Brady manufactures specialty tapes and related products that are used in a variety of audio, video and computer applications. These specialty tape products are characterized by high-performance adhesives, most of which are formulated by the Company, to meet high-tolerance requirements of the industries in which they are used. Its data-storage products include audio and videocassette splicing tapes.

## Die-Cut Materials

The Company's precision die-cut materials are used to seal, insulate, protect, shield or provide other mechanical performance properties in the assembly of electronic, telecommunications and other equipment, including cellular phones, pagers, computer hard drives, two-way radios, and other devices.

## Graphics Products

Brady serves the identification and information needs of various non-industrial markets with a variety of easy-to-use printing systems and consumable supplies. It provides lettering and labeling systems, poster printers, laminators and supplies to education and training markets.

## OTHER PRODUCTS

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

## MARKETING AND SALES

The Company's products are sold in a wide variety of markets including electrical, electronic, telecommunications, governmental, public utility, computer, construction, transportation equipment and education. Brady has a diverse customer base that consisted of over 300,000 customers in fiscal 2001. No material part of the Company's business is dependent upon a single customer or group of customers, and the loss of a particular customer would not have a material adverse effect upon the Company's business. In fiscal 2001, no single customer accounted for more than 5% of the Company's net sales.

The Company seeks to offer the right product with rapid response times and superior service so that it can provide solutions to the customer that are better, faster and more economical than those available from competitors. The Company markets and sells its products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order-catalog marketing and electronic access through the Internet. The Company currently has over 4,000 established relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. To support its distributor network, the Company employs a sales force of over 500 people. The Company's sales force seeks to establish and foster ongoing relationships with the end-users (and distributors) by providing technical support and product-application advice.

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

## MANUFACTURING PROCESS AND RAW MATERIALS

The Company manufactures the majority of the products it sells, while purchasing certain items from other manufacturers. Products manufactured by the Company generally require a high degree of precision and the application of adhesives with chemical and physical properties suited for specific uses. The Company's manufacturing processes include compounding, coating, converting, software publishing and printer engineering and assembly. The compounding process involves the mixing of chemical batches for primers, top coatings and adhesives, in solvent- or water-based materials. The coatings and adhesives are applied to a wide variety of materials including polyester, polyimide, cloth, paper, metal and metal foil. The converting process may include embossing, perforating, laminating, die cutting or slitting, and printing or marking the materials as required.

The Company seeks to optimize the performance, quality and durability of their products, while continually improving manufacturing processes, shortening lead times and lowering manufacturing costs. The

Company produces the majority of the adhesive stocks and top-coated materials through an integrated manufacturing process. These integrated manufacturing processes permit it to achieve greater flexibility in product design and manufacture, and to improve its ability to provide specialized products designed to meet the needs of specific applications. Brady's "cellular" manufacturing processes and "just-in-time" inventory control allow it to attain profitability in small orders by emphasizing flexibility and the maximization of assets through quick turnaround and delivery. Most of the Company's manufacturing facilities have received ISO 9001 or 9002 certification.

The materials used in the products manufactured by the Company consist primarily of plastic sheets and films (primarily polyesters and polycarbonates), paper, metal and metal foil, cloth, fiberglass, inks, dyes, adhesives, pigments, natural and synthetic rubber, organic chemicals, polymers and solvents. The Company purchases its raw materials from many suppliers and is not dependent upon any single supplier for any of its base supply materials.

#### TECHNOLOGY AND PRODUCT DEVELOPMENT

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

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

The Company conducts much of its technology and development activities at the Frederic S. Tobey Research and Innovation Center (approximately 39,600 sq. ft.) in Milwaukee, Wisconsin. The Company spent approximately \$20,300,000, \$20,600,000 and \$17,100,000 in fiscal 2001, 2000 and 1999, respectively, on its research and development activities. In fiscal 2001, approximately 200 employees were engaged in research and development activities for the Company. Additional research projects were conducted under contract with universities, other institutions and consultants.

#### INTERNATIONAL OPERATIONS

In Fiscal 2001, 2000, and 1999, sales from international operations accounted for 44.0%, 44.4%, and 44.6%, respectively, of the Company's net sales. The Company's global infrastructure includes subsidiaries in Australia, Belgium, Brazil, Canada, China, England, France, Germany, Italy, Japan, Korea, Mexico, Singapore, and Sweden and sales offices in Hong Kong, Malaysia, the Philippines, Poland and Taiwan. Several of these locations manufacture or have the capability to manufacture certain of the products they sell. The Company acquired or opened new operations in Australia, Brazil, China, France, Germany and the Philippines in the last three years. The Company expects to continue to expand its international operations as appropriate.

#### COMPETITION

The markets for most of the Company's products are competitive. The Company believes that it is the leading domestic producer of self-adhesive wire markers, safety signs, pipe markers, audio and video splicing tapes, precision die-cut materials and bar-code-label-generating software. The Company competes for business principally on the basis of product quality, performance, range of products offered and to a lesser extent, on price. Product quality is determined by factors such as suitability of component materials for various applications, adhesive properties, graphics quality, durability, product consistency and workmanship. Competition in many of the Company's product markets is highly fragmented, ranging from smaller companies offering only one or a few types of products, to some of the world's major adhesive and electrical product companies offering some competing products as part of their product line. A number of the Company's competitors are

larger than the Company and have greater resources. Notwithstanding the resources of these competitors, management believes that the Company provides a broader range of identification solutions than any of its competitors.

#### BACKLOG

As of July 31, 2001, the amount of the Company's backlog orders believed to be firm was approximately \$22,100,000. This compares with approximately \$27,100,000 and \$22,300,000 of backlog orders as of July 31, 2000 and 1999, respectively. Average delivery time for the Company's orders varies from one day to one month, depending on the type of product, and whether the product is stock or custom designed and manufactured.

#### ENVIRONMENT

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

#### EMPLOYEES

As of July 31, 2001, the Company employed approximately 3,200 individuals. The Company has never experienced a material work stoppage due to a labor dispute, is not a party to any labor contract and considers its relations with employees to be excellent. To meet present and future labor requirements, the Company maintains an active college-recruiting program for sales, technical and administrative personnel.

#### ACQUISITIONS

Information about the Company's acquisitions is provided in Item 8 -- Financial Statements and Supplementary Data.

(d) Financial Information about Foreign and Domestic Operations and Export Sales

The information required by this Item is provided in Item 8 -- Financial Statements and Supplementary Data.

#### ITEM 2 PROPERTIES

The Company currently operates 27 manufacturing facilities. Ten are located in the United States, three in France, two each in Australia, Brazil and Germany and one each in Belgium, Canada, China, England, Italy, Japan, Korea and Singapore. The Company's present operating facilities contain a total of approximately 1,634,000 square feet of space, of which approximately 827,000 square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for present needs.

#### ITEM 3 LEGAL PROCEEDINGS

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

#### ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

## PART II

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

#### (a) Market Information

Brady Corporation Class A Nonvoting Common Stock trades on the New York Stock Exchange under the symbol BRC and on the Berlin Stock Exchange under the number 900104. There is no trading market for the Company's Class B Voting Common Stock.

Stock price disclosure required by this Item is incorporated by reference to Page 10 of the Brady Corporation 2001 Annual Report.

#### (b) Holders

The number of holders of record of the Company's Class A and Class B Common Stock as of September 17, 2001, was 362 and 3, respectively.

#### (c) Dividends

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

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

| YEAR ENDING YEAR<br>ENDED 7/31/2000 |  |  |  |
|-------------------------------------|--|--|--|
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| .15 .18 .18 .18                     |  |  |  |
| .16                                 |  |  |  |

### ITEM 6 SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to Pages 8 and 9 of the Brady Corporation 2001 Annual Report.

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

#### OVERVIEW

Fiscal 2001 was demanding, difficult and disappointing. We faced weak economies, a strong U.S. dollar, and business contraction in many markets. In fact, U.S. industrial production in 2001 fell to levels not seen since the 1991 recession, and U.S. factories operated at their slowest pace in more than 17 years.

For Brady, that meant a swing from 15-percent sales growth in the first quarter to a 15-percent decline in the fourth quarter. Our sales for the year were \$545.9 million, down 0.9 percent from fiscal 2000's record \$550.7 million in sales. In local currencies, sales rose 3.3 percent to \$559.1 million.

As telecommunications, electronics and other Brady markets continued to struggle with double-digit declines throughout the year, we focused on creative and strategic cost-control initiatives to weather the storm. We aggressively took steps to reduce spending, including instituting a summer hours program for employees

aimed at trimming our expenses while retaining our workforce. Unfortunately our efforts could not keep up with the dramatic business decline, and it was necessary to take additional steps.

To better align our operations with market conditions, we undertook a restructuring in the fourth quarter. It included consolidating manufacturing operations and reducing our workforce by about 5 percent. One-time charges totaling \$5.9 million after tax for this restructuring were recorded in the fourth quarter.

YEAR ENDED JULY 31, 2001, COMPARED TO YEAR ENDED JULY 31, 2000

Sales for fiscal 2001 decreased by \$4,720,000 or 0.9% from fiscal 2000. Sales of the Company's international operations decreased 2.7% in U.S. dollars. The acquisition of Balkhausen GmbH in March 2001 increased international sales by 1.7%. International base business increased by 5.1% in local currencies. These increases were more than offset by the negative effect of fluctuations in the exchange rates used to translate financial results into U.S. currency, which reduced international sales by 9.5%. Sales of the Company's U.S. operations increased 0.5%, with the acquisitions of Data Recognition, Inc. and Imtec, Inc. in March 2000 adding 5.9%, which was offset by a decline in base business of 5.4%. The Company's sales are affected by general economic conditions in its key markets. The economic downturn in these markets in fiscal 2001 had a negative effect on the Company's sales, which could be expected to continue if such conditions persist.

The cost of products sold as a percentage of sales increased from 44.6% to 47.1%. The increase was due to changes in product mix, fixed costs spread over a lower sales volume and negative foreign exchange impact.

Selling, general and administrative expenses (including nonrecurring charges) as a percentage of sales increased from 39.1% to 41.0% in fiscal 2001. This year's expenses included a nonrecurring charge of \$9,560,000, primarily relating to facilities consolidation and a workforce reduction of approximately 5%. Fiscal 2000 expenses included \$4,352,000 associated with the attempt to acquire Critchley Group. Excluding these nonrecurring items in both years, selling, general and administrative expenses as a percentage of sales increased from 38.3% to 39.2%. The increase was due mainly to fixed administrative expenses spread over a lower sales base.

Research and development investment as a percentage of sales remained constant at 3.7%.

Operating income decreased \$24,769,000 to \$44,522,000 in fiscal 2001. Excluding the nonrecurring items in both years (a nonrecurring charge in 2001 related to facilities consolidations and a workforce reduction and a charge in 2000 for expenses associated with the Critchley bid), operating income decreased \$19,561,000 or 26.6% from \$73,643,000 to \$54,082,000.

Investment and other income decreased \$6,732,000 from the prior year. Fiscal 2000 results included a \$6,766,000 before-expenses gain from the Critchley transaction. Excluding this one-time gain, investment and other income increased \$34,000.

Income before income taxes was \$44,790,000, a decrease of 41.2% compared to fiscal 2000's \$76,131,000. Excluding the nonrecurring items in both years, income before income taxes in 2001 decreased 26.3%.

The Company's effective tax rate increased from 38.0% for fiscal 2000 to 38.5% for fiscal 2001.

Net income was \$27,546,000 for fiscal 2001, compared to \$47,201,000 for fiscal 2000 due to the factors discussed above. Excluding the nonrecurring items, (a \$5,879,000 nonrecurring charge after-tax in fiscal 2001 and a \$1,497,000 net gain on the Critchley bid in fiscal 2000), net income decreased 26.9% over the prior year.

YEAR ENDED JULY 31, 2000, COMPARED TO YEAR ENDED JULY 31, 1999

Sales for fiscal 2000 increased by \$71,639,000 or 15.0% over fiscal 1999. Sales of the Company's international operations increased 14.4% in U.S. dollars. The acquisitions of SOFT S.A. and the Holman Groupe S.A. in July 1999 and Visi Sign Pty. Ltd. in May 1999 increased international sales by 6.6%. These increases were somewhat offset by the negative effect of fluctuations in the exchange rates used to translate financial results into U.S. currency, which reduced international sales by 5.9%. Sales of the Company's U.S. operations increased 15.3%, with 6.2 percentage points due to core growth and 9.1 percentage points from

the acquisitions of Barcodes West Inc. in March 1999, the brand name Champion America, Inc. in September 1999, and Data Recognition, Inc. and Imtec, Inc. in March 2000.

The cost of products sold as a percentage of sales decreased from 45.1% to 44.6%. This improvement was due to changes in product mix, engineered product cost reductions and manufacturing efficiencies from the Company's continuous improvement efforts.

During fiscal 2000 Brady attempted to acquire Critchley Group plc in the United Kingdom, but was outbid by another entity. While Brady did not acquire the company, it made a net after-tax profit of \$1,497,000 on an investment in Critchley shares after \$4,352,000 of expense and \$917,000 of tax.

Selling, general and administrative expenses as a percentage of sales increased from 38.0% to 39.1% in fiscal 2000. Fiscal 2000's expenses included \$4,352,000 of expenses associated with the attempt to acquire Critchley Group, and 1999 included a credit for adjusting the severance liability associated with the 1998 workforce reduction. Excluding these nonrecurring items in both years, selling, general and administrative expenses as a percentage of sales increased from 38.1% to 38.3%. Selling, general and administrative expenses as a percentage of sales associated with Brady's base business dropped by 1.2 percentage points. This improvement was offset by incremental non-capitalizable expenses of approximately \$7,000,000 associated with process improvements and e-business initiatives in 2000.

Research and development investment as a percentage of sales increased from 3.6% to 3.7%, while base-business investment in research and development increased 14.6%.

Operating income increased \$5,519,000 to \$69,291,000 in fiscal 2000. Excluding the nonrecurring items in both years (a charge in 2000 for expenses associated with the Critchley bid and a credit in 1999 for adjusting the severance costs associated with the workforce reduction of 1998), operating income increased \$10,482,000 or 16.6% from \$63,161,000 to \$73,643,000, with the improvement primarily from increased sales.

Investment and other income increased \$5,963,000 from the prior year. Fiscal 2000 results included a \$6,766,000 before-expenses gain from the Critchley transaction. Excluding this one-time gain, investment and other income decreased \$803,000 as Brady experienced increased exchange losses, primarily from the weak Euro.

Income before income taxes was \$76,131,000, an increase of 17.5% compared to fiscal 1999's \$64,782,000. Excluding the nonrecurring items in both years, income before income taxes in 2000 increased 14.9%.

The Company's effective tax rate decreased from 38.9% for fiscal 1999 to 38.0% for fiscal 2000.

Net income was \$47,201,000 for fiscal 2000, compared to \$39,584,000 for fiscal 1999 due to the factors discussed above. Excluding the nonrecurring items, (a \$1,497,000 net gain on the Critchley bid in fiscal 2000 and a \$376,000 nonrecurring credit in fiscal 1999), net income increased 16.6% over the prior year.

#### BUSINESS SEGMENT OPERATING RESULTS

##### IDENTIFICATION SOLUTIONS & SPECIALTY TAPES (ISST) GROUP

ISST sales decreased 0.1% in fiscal 2001 (up 3.3% in local currencies) from fiscal 2000, following an increase of 30.5% in fiscal 2000 versus 1999. Base-business sales in fiscal 2001 were down 5.2% due to weakening in the global electrical, electronic, telecommunication and automatic identification markets. Acquisitions added 8.5% to the group's sales in fiscal 2001. Acquisitions included Balkhausen GmbH in 2001 and Imtec, Inc. and Data Recognition, Inc. in 2000.

Segment profit as a percentage of sales decreased from 26.5% in 2000 to 19.9% in 2001 as a result of the sales decline in the group's higher margin products, the negative effect of foreign currencies and increased utility costs. Comparing fiscal 2000 to 1999, segment profit as a percentage of sales increased from 24.5% to 26.5% as a result of improved operating leverage on the existing assets, strong growth in base business, increased segment profits from prior acquisitions and a continued focus on aggressive cost-savings initiatives.

## GRAPHICS GROUP

Graphics sales decreased 1.7% in fiscal 2001 (1.0% growth in local currencies) from fiscal 2000. Sales increased 3.8% in fiscal 2000 from fiscal 1999. In fiscal 2000, the acquisition of SOFT S.A. in France and Visi Sign Pty. Ltd. in Australia accounted for a 6.4% increase in group sales while the base business in Graphics declined by 2.6%. The decline was influenced by a negative foreign-currency translation impact of 1.4%, primarily in reporting European results, and also the discontinuation of certain non-strategic product lines.

Segment profit as a percentage of sales in the Graphics Group improved to 23.2% from 22.9% in fiscal 2001 as compared to fiscal 2000 due to cost-control measures. Segment profit as a percentage of sales in the Graphics Group declined from 23.1% in fiscal 1999 to 22.9% in fiscal 2000. In fiscal 2000, additional volume improved total gross margins, but this improvement was offset by costs of integrating SOFT S.A. into the European operations and increased new product development.

## DIRECT MARKETING GROUP

Direct Marketing Group sales decreased 1.4% in fiscal 2001 (up 5.1% in local currencies) from fiscal 2000. The Group's sales increased 4.7% in fiscal 2000 (up 8.7% in local currencies) from fiscal 1999. The acquisition of Champion America added 0.4% to the Group's sales in fiscal 2001. North American sales in fiscal 2001 were up 1.7% in local currencies. In Europe, sales were down for fiscal 2001 but showed single-digit growth in local currencies. Brazil continued to grow at double-digit rates in fiscal 2001. The sales increase in Fiscal 2000 over 1999 was due to the acquisition of Champion America, Seton Canada realizing strong organic growth in Canada and units in Australia and Brazil both generating double-digit growth.

Segment profit as a percent of sales was 28.4% in fiscal 2001 versus 26.4% in fiscal 2000 and 27.2% in fiscal 1999. The fiscal 2001 increase was due to continued productivity improvement in selling and marketing expenses and refinements in mail plan techniques. The group's profits were reduced by expenditures to improve the information technology infrastructure in Europe, startup costs for Seton Japan and higher marketing expenses in the United States.

## LIQUIDITY

The Company's liquidity remains strong. Cash and cash equivalents were \$62,811,000 at July 31, 2001, compared to \$60,784,000 at July 31, 2000, and \$75,466,000 at July 31, 1999. The decrease in 2000 was primarily due to the Company's acquisition for cash of Data Recognition, Inc., Imtec, Inc. and Champion America, Inc. Working capital increased \$7,746,000 during fiscal 2001 and equaled \$123,830,000 at July 31, 2001.

The Company has maintained significant cash balances due in large part to its strong operating cash flow, which totaled \$53,228,000 for fiscal 2001, \$48,408,000 for fiscal 2000 and \$61,357,000 for fiscal 1999.

Capital expenditures were \$20,770,000 in fiscal 2001, \$22,624,000 in fiscal 2000 and \$9,889,000 in fiscal 1999. Fiscal 2001's capital expenditures included a new manufacturing location in Brazil, new software and computers and manufacturing equipment in Europe. Fiscal 2000 capital expenditures were primarily from capital investments related to new software, a new facility in the United States, a startup in China and a new global telecommunications system.

In fiscal 2000, the Company made an unsuccessful bid for the purchase of Critchley Group plc in the United Kingdom. Associated transactions included the purchase of Critchley shares at a total cost of \$22,931,000 in the third quarter and the subsequent sale of the shares in the fourth quarter for \$27,345,000, before expenses.

Financing activities required \$22,676,000 in fiscal 2001, \$6,605,000 in fiscal 2000 and \$12,533,000 in fiscal 1999. Cash used for dividends to shareholders was \$16,229,000 in fiscal 2001, \$15,260,000 in fiscal 2000 and \$14,317,000 in fiscal 1999. In fiscal 2000, net cash borrowed was \$24,947,000, primarily used to purchase the Critchley securities, which was subsequently repaid in fiscal 2000 and 2001.

In fiscal 1999, the Company entered into a \$150,000,000 revolving loan agreement with six banks. In January 2000, the agreement was amended to increase the available amount to \$200,000,000, all of which was

available at July 31, 2001. The agreement requires the Company to maintain certain financial covenants. The Company has obtained waivers for instances of non-compliance through July 31, 2001. Future borrowings could be limited by the Company's ability to maintain, waive or modify the financial covenants.

Long-term obligations as a percentage of long-term obligations plus stockholders' investment were 1.4% at July 31, 2001 and 2000, and 0.5% at July 31, 1999.

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

#### INFLATION

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

#### EURO CONVERSION

On January 1, 1999, the Euro was adopted as the national currency of 11 European Union member nations. During a three-year transition period, the Euro will be used as a non-cash transactional currency. The Company began conducting business in Euros in January 1999, and will change its functional currencies during the three-year transition period. The conversion to the Euro is not expected to have a significant operational impact or a material impact on the results of operations, cash flows or financial condition of the Company.

#### FORWARD-LOOKING STATEMENTS

Matters in this Annual Report may contain forward-looking information, as defined in the Private Securities Litigation Reform Act of 1995. All such forward-looking information in this report involves risks and uncertainties including, but not limited to, domestic and international economic conditions and growth rates; fluctuations in currency exchange rates for international currencies versus the U.S. dollar; the successful implementation of a new enterprise-resource-planning system; the ability of the Company to acquire, integrate and achieve anticipated synergies from new businesses; the ability of the Company to adjust its cost structure to changes in levels of sales and product mix in a timely manner; variations in the economic or political conditions in the countries in which the Company does business; technology changes; the continued availability of sources of supply; and other risks indicated in filings by the Company with the Securities and Exchange Commission. The Company cautions that forward-looking statements are not guarantees, since there are inherent difficulties in predicting future results, and that actual results could differ materially from those expressed or implied in forward-looking statements.

#### ITEM 7A 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 primary objective of the Company's foreign-exchange risk management is to minimize the impact of currency movements on intercompany transactions and foreign raw-material imports. To achieve this objective, the Company hedges known exposures using forward contracts. Main exposures are related to transactions denominated in the British Pound, the Euro (primarily the Belgian Franc, Deutsche Mark and French Franc), Canadian Dollar, Japanese Yen and Australian Dollar. The risk of these hedging instruments is not material.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BRADY CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders  
of Brady Corporation:

We have audited the accompanying consolidated balance sheets of Brady Corporation and subsidiaries as of July 31, 2001 and 2000, and the related consolidated statements of income, stockholders' investment and cash flows for each of the three years in the period ended July 31, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at July 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2001 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

October 9, 2001  
Milwaukee, Wisconsin

## BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
JULY 31, 2001 AND 2000

| 2001                                                      | 2000      | ----                                      | ----      | (DOLLARS IN THOUSANDS)                                      | ASSETS                          | CURRENT                           |
|-----------------------------------------------------------|-----------|-------------------------------------------|-----------|-------------------------------------------------------------|---------------------------------|-----------------------------------|
| ASSETS: Cash and cash equivalents (Note                   |           |                                           |           |                                                             |                                 |                                   |
| 1).....                                                   |           | \$ 62,811                                 | \$ 60,784 | Accounts                                                    |                                 |                                   |
| receivable, less allowance for losses (\$2,297 and 2,919, |           |                                           |           | respectively).....                                          | 71,684                          |                                   |
| 82,656 Inventories (Note 1): Finished                     |           |                                           |           | products.....                                               | 19,288                          |                                   |
| 22,094 Work-in-                                           |           |                                           |           | process.....                                                | 4,333                           |                                   |
| 3,842 Raw materials and                                   |           |                                           |           | supplies.....                                               | 15,586                          | 15,284                            |
| --                                                        |           |                                           |           | ----- Total                                                 |                                 |                                   |
| inventories.....                                          |           | 39,207                                    | 41,220    | Prepaid expenses and other current assets (Notes 1, 3 and   |                                 |                                   |
| 4).....                                                   |           |                                           |           | 21,291                                                      | 18,523                          | -----                             |
| -----                                                     |           |                                           |           | ----- Total current                                         |                                 |                                   |
| assets.....                                               |           | 194,993                                   | 203,183   | OTHER                                                       |                                 |                                   |
| ASSETS: Goodwill -- net (Note                             |           |                                           |           |                                                             |                                 |                                   |
| 1).....                                                   |           | 96,041                                    | 99,954    | Other                                                       |                                 |                                   |
| (Note 4).....                                             |           |                                           | 16,909    | 14,337 PROPERTY, PLANT AND EQUIPMENT (Notes 1 and 5): Cost: |                                 |                                   |
| Land.....                                                 |           |                                           |           | 5,944                                                       | 4,723                           | Buildings and                     |
| improvements.....                                         |           | 47,611                                    | 43,006    | Machinery and equipment.....                                |                                 |                                   |
| 132,272                                                   | 113,319   | Construction in                           |           | progress.....                                               | 6,474                           | 15,955                            |
| -----                                                     |           |                                           |           | ----- 192,301                                               | 177,003                         | Less accumulated                  |
| depreciation.....                                         |           | 107,768                                   | 96,343    | -----                                                       |                                 | Net property, plant and           |
| -----                                                     |           |                                           |           | equipment.....                                              | 84,533                          | 80,660                            |
| -----                                                     |           |                                           |           | TOTAL.....                                                  |                                 |                                   |
| \$392,476                                                 | \$398,134 | =====                                     | =====     | LIABILITIES AND                                             |                                 |                                   |
| STOCKHOLDERS' INVESTMENT CURRENT LIABILITIES: Accounts    |           |                                           |           |                                                             |                                 |                                   |
| payable.....                                              |           | \$ 20,666                                 |           | \$ 26,070                                                   | Wages and amounts withheld from |                                   |
| employees.....                                            |           | 26,767                                    | 27,857    | Taxes, other than                                           |                                 |                                   |
| income taxes.....                                         |           |                                           | 1,496     | 2,585                                                       | Accrued income taxes.....       |                                   |
| 8,460                                                     | 10,245    | Other current liabilities (Note           |           | 3).....                                                     | 12,364                          | 12,212                            |
| Short-term                                                |           |                                           |           | borrowings and current maturities on long-term obligations  |                                 |                                   |
| (Note 5).....                                             |           | 1,410                                     | 8,130     | -----                                                       |                                 | Total current                     |
| -----                                                     |           |                                           |           | liabilities.....                                            | 71,163                          | 87,099                            |
| LONG-                                                     |           |                                           |           | TERM OBLIGATIONS, less current maturities (Note 5)....      |                                 |                                   |
| 4,144                                                     | 4,157     | OTHER LIABILITIES (Note                   |           | 3).....                                                     | 14,590                          | 15,654                            |
| -----                                                     |           |                                           |           | -----                                                       |                                 | Total                             |
| liabilities.....                                          |           | 89,897                                    |           | 106,910                                                     | -----                           | STOCKHOLDERS' INVESTMENT (Notes 1 |
| and 6): Preferred Stock (aggregate liquidation preference |           |                                           |           | of \$3,026 at July 31, 2001).....                           |                                 |                                   |
| 2,855                                                     | 2,855     | Common Stock: Class A Nonvoting -- Issued |           | 21,149,551                                                  | and 20,966,315                  | shares, respectively (aggregate   |
| liquidation preference of \$35,320 at July 31,            |           |                                           |           | 2001).....                                                  | 211                             | 209                               |
| Class B Voting --                                         |           |                                           |           | Issued and outstanding 1,769,314                            |                                 |                                   |
| shares.....                                               |           | 18                                        |           | 18                                                          | Additional paid-in              |                                   |
| capital.....                                              |           | 35,806                                    | 31,586    | Earnings retained in the business.....                      |                                 |                                   |
| 276,779                                                   | 265,462   | Treasury stock -- 4,548 shares of Class A |           | nonvoting common stock, at                                  |                                 |                                   |
| cost.....                                                 |           | (132)                                     | (132)     | Cumulative other comprehensive income.....                  |                                 |                                   |
| (12,016)                                                  | (7,137)   | Other.....                                |           | (942)                                                       | (1,637)                         | -----                             |
| -----                                                     |           |                                           |           | ----- Total stockholders'                                   |                                 |                                   |
| investment.....                                           |           | 302,579                                   | 291,224   | -----                                                       |                                 |                                   |
| -----                                                     |           |                                           |           | TOTAL.....                                                  |                                 |                                   |
| \$392,476                                                 | \$398,134 | =====                                     | =====     |                                                             |                                 |                                   |

See notes to consolidated financial statements.

## BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME  
YEARS ENDED JULY 31, 2001, 2000 AND 1999

| 2001      | 2000      | 1999      | ----  | ----  | ----  | (DOLLARS IN THOUSANDS,<br>EXCEPT PER SHARE AMOUNTS) NET SALES (Note |
|-----------|-----------|-----------|-------|-------|-------|---------------------------------------------------------------------|
| 1)        |           |           |       |       |       | \$545,944                                                           |
| \$550,664 | \$479,025 |           |       |       |       | OPERATING EXPENSES: Cost of products                                |
|           |           |           |       |       |       | sold..... 257,313                                                   |
|           |           |           |       |       |       | 245,587 216,060 Research and                                        |
|           |           |           |       |       |       | development..... 20,329                                             |
|           |           |           |       |       |       | 20,555 17,116 Selling, general and                                  |
|           |           |           |       |       |       | administrative..... 214,220 215,231                                 |
|           |           |           |       |       |       | 182,688 Non-recurring charge (credit) (Note                         |
| 10)       |           |           |       |       |       | 9,560 (611) -----                                                   |
|           |           |           |       |       |       | ----- Total operating                                               |
|           |           |           |       |       |       | expenses..... 501,422 481,373                                       |
|           |           |           |       |       |       | 415,253 ----- OPERATING                                             |
|           |           |           |       |       |       | INCOME.....                                                         |
|           |           |           |       |       |       | 44,522 69,291 63,772 OTHER INCOME AND (EXPENSE):                    |
|           |           |           |       |       |       | Investment and other income --                                      |
|           |           |           |       |       |       | net..... 686 7,418 1,455 Interest                                   |
|           |           |           |       |       |       | expense..... (418)                                                  |
|           |           |           |       |       |       | (578) (445) ----- Net other                                         |
|           |           |           |       |       |       | income..... 268 6,840                                               |
|           |           |           |       |       |       | 1,010 ----- INCOME BEFORE INCOME                                    |
|           |           |           |       |       |       | TAXES..... 44,790 76,131                                            |
|           |           |           |       |       |       | 64,782 INCOME TAXES (Notes 1 and                                    |
| 4)        |           |           |       |       |       | 17,244 28,930 25,198                                                |
|           |           |           |       |       |       | ----- NET                                                           |
|           |           |           |       |       |       | INCOME.....                                                         |
| 27,546    | \$ 47,201 | \$ 39,584 | ===== | ===== | ===== | NET                                                                 |
|           |           |           |       |       |       | INCOME PER COMMON SHARE (Notes 6 and 8): Class A                    |
|           |           |           |       |       |       | Nonvoting:                                                          |
|           |           |           |       |       |       | Basic.....                                                          |
|           |           |           |       |       |       | \$ 1.20 \$ 2.07 \$ 1.74 =====                                       |
|           |           |           |       |       |       | Diluted.....                                                        |
|           |           |           |       |       |       | \$ 1.18 \$ 2.05 \$ 1.73 ===== Class B                               |
|           |           |           |       |       |       | Voting                                                              |
|           |           |           |       |       |       | Basic.....                                                          |
|           |           |           |       |       |       | \$ 1.17 \$ 2.04 \$ 1.71 =====                                       |
|           |           |           |       |       |       | Diluted.....                                                        |
|           |           |           |       |       |       | \$ 1.15 \$ 2.02 \$ 1.70 =====                                       |

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT  
YEARS ENDED JULY 31, 2001, 2000 AND 1999

| EARNINGS                       | ADDITIONAL | RETAINED           | OTHER         | TOTAL         | PREFERRED | COMMON |
|--------------------------------|------------|--------------------|---------------|---------------|-----------|--------|
| PAID-IN                        | IN THE     | TREASURY           | COMPREHENSIVE | COMPREHENSIVE | STOCK     | STOCK  |
| STOCK                          | INCOME     | OTHER              | INCOME        | -----         | -----     | -----  |
| -----                          |            |                    |               |               |           |        |
| (DOLLARS IN                    |            |                    |               |               |           |        |
| THOUSANDS, EXCEPT PER SHARE    |            |                    |               |               |           |        |
| AMOUNTS) Balances at July 31,  |            |                    |               |               |           |        |
| 1998.....                      | \$2,855    | \$225              | \$26,131      |               |           |        |
| \$208,254                      | \$ (1,068) | \$(3,024)          | Net           |               |           |        |
| income.....                    |            |                    | income.....   |               |           |        |
| 39,584                         | \$39,584   | Net currency       |               |               |           |        |
|                                |            | translation        |               |               |           |        |
| adjustment.....                |            |                    |               |               |           |        |
| (890)                          | (890)      | -----              | Total         |               |           |        |
|                                |            |                    | comprehensive |               |           |        |
| income.....                    |            |                    |               |               |           |        |
| =====                          |            |                    |               |               |           |        |
| Issuance of                    |            |                    |               |               |           |        |
| 112,978                        |            |                    |               |               |           |        |
| shares of Class A Common Stock |            |                    |               |               |           |        |
| under stock option             |            |                    |               |               |           |        |
| plan.....                      |            |                    |               |               |           |        |
| 1 1,880                        |            |                    |               |               |           |        |
| Other.....                     |            |                    |               |               |           |        |
| 693                            |            |                    |               |               |           |        |
| Tax benefit from exercise      |            |                    |               |               |           |        |
| of stock                       |            |                    |               |               |           |        |
| options.....                   |            |                    |               |               |           |        |
| 372                            |            |                    |               |               |           |        |
| Cash dividends on Preferred    |            |                    |               |               |           |        |
| Stock: 1979 series -- \$10 a   |            |                    |               |               |           |        |
| share....                      | (220)      | 6% and 1972        |               |               |           |        |
| series -- \$6 a                |            |                    |               |               |           |        |
| share.....                     |            |                    |               |               |           |        |
| (39)                           |            |                    |               |               |           |        |
| Acquisition of treasury        |            |                    |               |               |           |        |
| stock, 4,548 shares, at        |            |                    |               |               |           |        |
| cost.....                      | \$(132)    | Cash               |               |               |           |        |
| dividends on Common Stock:     |            |                    |               |               |           |        |
| Class A -- \$.64 a share.....  |            |                    |               |               |           |        |
| (12,985)                       |            | Class B -- \$.61 a |               |               |           |        |
| share.....                     | (1,073)    | -----              |               |               |           |        |
| -----                          |            |                    |               |               |           |        |
| --                             |            |                    |               |               |           |        |
| -----                          |            |                    |               |               |           |        |
| Balances at July 31,           |            |                    |               |               |           |        |
| 1999.....                      | 2,855      | 226                | 28,383        |               |           |        |
| 233,521                        | (132)      | (1,958)            | (2,331)       |               |           |        |
| Net income.....                |            |                    |               |               |           |        |
| 47,201                         | \$47,201   | Net currency       |               |               |           |        |
|                                |            | translation        |               |               |           |        |
| adjustment.....                |            |                    |               |               |           |        |
| (5,179)                        | (5,179)    | -----              | Total         |               |           |        |
|                                |            |                    | comprehensive |               |           |        |
| income.....                    |            |                    |               |               |           |        |
| =====                          |            |                    |               |               |           |        |
| Issuance of                    |            |                    |               |               |           |        |
| 126,474                        |            |                    |               |               |           |        |
| shares of Class A Common Stock |            |                    |               |               |           |        |
| under stock option             |            |                    |               |               |           |        |
| plan.....                      |            |                    |               |               |           |        |
| 1 2,423                        |            |                    |               |               |           |        |
| Other.....                     |            |                    |               |               |           |        |
| 694                            |            |                    |               |               |           |        |
| Tax benefit from exercise      |            |                    |               |               |           |        |
| of stock                       |            |                    |               |               |           |        |
| options.....                   |            |                    |               |               |           |        |
| 780                            |            |                    |               |               |           |        |
| Cash dividends on Preferred    |            |                    |               |               |           |        |
| Stock: 1979 series -- \$10 a   |            |                    |               |               |           |        |
| share....                      | (220)      | 6% and 1972        |               |               |           |        |
| series -- \$6 a                |            |                    |               |               |           |        |
| share.....                     |            |                    |               |               |           |        |
| (39)                           |            |                    |               |               |           |        |
| Cash dividends on Common       |            |                    |               |               |           |        |
| Stock: Class A -- \$.68 a      |            |                    |               |               |           |        |
| share.....                     | (13,857)   | Class B -          |               |               |           |        |
| -.65 a share.....              | (1,144)    | -----              |               |               |           |        |
| -----                          |            |                    |               |               |           |        |
| --                             |            |                    |               |               |           |        |
| -----                          |            |                    |               |               |           |        |
| Balances at                    |            |                    |               |               |           |        |
| July 31, 2000.....             | 2,855      | 227                |               |               |           |        |
| 31,586                         | 265,462    | (132)              | (7,137)       |               |           |        |
|                                | (1,637)    | Net                |               |               |           |        |

Stock: 1979 series -- \$10 a  
 share.... (220) 6% and 1972  
 series -- \$6 a  
 share.....  
 (39) Cash dividends on Common  
 Stock: Class A -- \$.72 a  
 share..... (14,755) Class B -  
 - \$.69 a share..... (1,215) -  
 -----  
 -- ----- Balances at  
 July 31, 2001..... \$2,855  
 \$229 \$35,806 \$276,779 \$(132)  
 \$(12,016) \$ (942) =====  
 =====  
 =====  
 =====

See notes to consolidated financial statements.  
 II-10

## BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED JULY 31, 2001, 2000 AND 1999

| 2001                                                      | 2000                              | 1999       | ----                                   | ----                  | ----   | (DOLLARS IN THOUSANDS) |
|-----------------------------------------------------------|-----------------------------------|------------|----------------------------------------|-----------------------|--------|------------------------|
| OPERATING ACTIVITIES: Net                                 |                                   |            |                                        |                       |        |                        |
| income.....                                               |                                   |            |                                        |                       |        | \$                     |
| 27,546                                                    | \$ 47,201                         | \$ 39,584  | Adjustments to reconcile net           |                       |        |                        |
| income to net cash provided by operating activities:      |                                   |            |                                        |                       |        |                        |
| Depreciation.....                                         |                                   |            |                                        |                       |        |                        |
|                                                           | 16,007                            | 12,157     | 11,263                                 |                       |        |                        |
| Amortization.....                                         |                                   |            |                                        |                       |        |                        |
| 6,639                                                     | 5,676                             | 3,886      | (Gain) loss on sale of property, plant |                       |        |                        |
| and equipment.... (185) (54) 181 Gain on sale of          |                                   |            |                                        |                       |        |                        |
| securities..... (722) (4,414)                             |                                   |            |                                        |                       |        |                        |
| Provision for losses on accounts receivable.....          |                                   |            |                                        |                       |        |                        |
|                                                           | 1,537                             | 1,830      | 966                                    |                       |        |                        |
| Other.....                                                |                                   |            |                                        |                       |        |                        |
|                                                           | 695                               | 694        | 693                                    | Nonrecurring charge   |        |                        |
| (credit).....                                             |                                   |            |                                        | 9,226                 | (611)  | Changes                |
| in operating assets and liabilities (net of effects of    |                                   |            |                                        |                       |        |                        |
| business acquisitions): Accounts                          |                                   |            |                                        |                       |        |                        |
| receivable.....                                           |                                   |            |                                        | 8,299                 |        |                        |
|                                                           | (9,343)                           | (4,899)    |                                        |                       |        |                        |
| Inventory.....                                            |                                   |            |                                        |                       |        |                        |
| 2,252                                                     | (1,362)                           | 5,547      | Prepaid expenses and other             |                       |        |                        |
| assets..... (1,749) (6,590) (1,643)                       |                                   |            |                                        |                       |        |                        |
| Accounts payable and accrued liabilities.....             |                                   |            |                                        |                       |        |                        |
|                                                           | (13,109)                          | 4,608      | 4,330                                  | Income                |        |                        |
| taxes.....                                                |                                   |            |                                        | (2,382)               |        |                        |
|                                                           | (1,115)                           | 3,313      | Deferred income                        |                       |        |                        |
| taxes.....                                                |                                   |            |                                        | (1,981)               | (763)  |                        |
|                                                           | (1,069)                           | Other      |                                        |                       |        |                        |
| liabilities.....                                          |                                   |            |                                        | 1,155                 |        |                        |
| (117) (184) -----                                         | Net cash provided                 |            |                                        |                       |        |                        |
| by operating activities.....                              |                                   | 53,228     | 48,408                                 | 61,357                | --     |                        |
| ----- INVESTING ACTIVITIES:                               |                                   |            |                                        |                       |        |                        |
| Acquisitions of businesses, net of cash                   |                                   |            |                                        |                       |        |                        |
| acquired.....                                             | (6,699)                           | (37,906)   | (31,107)                               | Purchases of          |        |                        |
| securities..... (22,931)                                  |                                   |            |                                        |                       |        |                        |
| Purchases of property, plant and                          |                                   |            |                                        |                       |        |                        |
| equipment.....                                            | (20,770)                          | (22,624)   | (9,889)                                |                       |        |                        |
| Proceeds from sale of property, plant and                 |                                   |            |                                        |                       |        |                        |
| equipment.....                                            | 525                               | 1,053      | 232                                    | Proceeds from sale of |        |                        |
| securities.....                                           | 825                               | 27,345     |                                        |                       |        |                        |
| Other.....                                                |                                   |            |                                        |                       |        |                        |
| (356) 16 (176) -----                                      | Net cash (used                    |            |                                        |                       |        |                        |
| in) investing activities.....                             |                                   | (26,475)   | (55,047)                               |                       |        |                        |
| (40,940) -----                                            | FINANCING ACTIVITIES:             |            |                                        |                       |        |                        |
| Payment of                                                |                                   |            |                                        |                       |        |                        |
| dividends.....                                            |                                   |            |                                        | (16,229)              |        |                        |
| (15,260) (14,317)                                         | Proceeds from issuance of common  |            |                                        |                       |        |                        |
| stock.....                                                | 4,222                             | 3,204      | 2,252                                  | Proceeds from         |        |                        |
| borrowings.....                                           |                                   | 313        | 24,947                                 |                       |        |                        |
| 310 Principal payments on short-term borrowings and long- | term                              |            |                                        |                       |        |                        |
| obligations.....                                          |                                   |            |                                        |                       |        |                        |
|                                                           | (9,257)                           | (19,496)   | (778)                                  |                       |        |                        |
| Other.....                                                |                                   |            |                                        |                       |        |                        |
| (1,725) -----                                             | Net cash (used in)                |            |                                        |                       |        |                        |
| financing activities.....                                 |                                   | (22,676)   | (6,605)                                |                       |        |                        |
| (12,533) -----                                            | EFFECT OF EXCHANGE                |            |                                        |                       |        |                        |
| RATE CHANGES ON CASH.....                                 |                                   | (2,050)    | (1,438)                                |                       |        |                        |
| 1,973 -----                                               | NET INCREASE (DECREASE)           |            |                                        |                       |        |                        |
| IN CASH AND CASH EQUIVALENTS.....                         | \$ 2,027                          | \$(14,682) | \$                                     |                       |        |                        |
| 9,857 CASH AND CASH EQUIVALENTS, BEGINNING OF             |                                   |            |                                        |                       |        |                        |
| YEAR.....                                                 | 60,784                            | 75,466     | 65,609                                 | -----                 |        |                        |
| --                                                        | CASH AND CASH EQUIVALENTS, END OF |            |                                        |                       |        |                        |
| YEAR.....                                                 | \$ 62,811                         | \$ 60,784  | \$ 75,466                              |                       |        |                        |
| =====                                                     | ===== SUPPLEMENTAL DISCLOSURE OF  |            |                                        |                       |        |                        |
| CASH FLOW INFORMATION: Cash paid during the year for:     |                                   |            |                                        |                       |        |                        |
| Interest.....                                             |                                   |            |                                        |                       |        |                        |
|                                                           | \$ 441                            | \$ 555     | \$ 409                                 | Income taxes, net of  |        |                        |
| refunds.....                                              |                                   |            |                                        | 21,613                | 29,370 | 22,107                 |
| Acquisitions: Fair value of assets acquired, net of       |                                   |            |                                        |                       |        |                        |
| cash.....                                                 | \$ 7,859                          | \$ 15,751  | \$ 15,017                              | Liabilities           |        |                        |
| assumed.....                                              |                                   |            |                                        | (4,736)               |        |                        |
|                                                           | (10,783)                          | (6,291)    |                                        |                       |        |                        |
| Goodwill.....                                             |                                   |            |                                        |                       |        |                        |
| 3,576 32,938 22,381 -----                                 | Net cash                          |            |                                        |                       |        |                        |
| paid for acquisitions.....                                |                                   | \$ 6,699   | \$                                     |                       |        |                        |
| 37,906 \$ 31,107 =====                                    | Class A Common                    |            |                                        |                       |        |                        |
| Stock issued to fund deferred compensation                |                                   |            |                                        |                       |        |                        |
| plan.....                                                 |                                   |            |                                        |                       |        |                        |
|                                                           | \$ 11,555                         | =====      |                                        |                       |        |                        |

See notes to consolidated financial statements.

BRADY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED JULY 31, 2001, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation -- The accompanying consolidated financial statements include the accounts of Brady Corporation and its subsidiaries (the "Company"), all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

Fair Value of Financial Instruments -- The Company believes the carrying amount of its financial instruments (cash and cash equivalents, accounts receivable, accounts payable and long-term debt) is a reasonable estimate of the fair value of these instruments due to their short-term nature or variable interest rate.

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

Inventories -- Inventories are stated at the lower of cost or market. Cost has been determined using the last-in, first-out ("LIFO") method for certain inventories (approximately 55% and 61% of total inventories at July 31, 2001 and 2000, respectively) and the first-in, first-out ("FIFO") method for other inventories. The difference between the carrying value of domestic inventories stated at LIFO cost and the value of such inventories stated at FIFO cost was \$5,805,000 at July 31, 2001 and \$5,595,000 at July 31, 2000.

Depreciation -- The cost of buildings and improvements and machinery and equipment is being depreciated over their estimated useful lives using the straight-line method for financial reporting purposes. The estimated useful lives range from 3 to 33 years.

Goodwill -- Goodwill is amortized using the straight-line method over various periods ranging from 10 to 40 years. The weighted average amortization period is 21 and 22 years at July 31, 2001 and 2000, respectively. Goodwill is net of accumulated amortization of approximately \$20,600,000 and \$12,500,000 at July 31, 2001 and 2000, respectively.

Impairment of Long-Lived Assets -- The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis.

Catalog Costs -- Catalog costs are initially capitalized and amortized over the estimated useful lives of the publications (generally eight months). At July 31, 2001 and 2000, \$6,380,000 and \$4,728,000 respectively, of prepaid catalog costs were included in prepaid expenses and other current assets.

Revenue Recognition -- The Company recognizes revenue upon shipment of goods to customers. In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" ("SAB 101"). The Company adopted SAB 101 in the fourth quarter of fiscal 2001. Adoption of this standard did not have a material impact on the Company's financial statements.

Research and Development -- Amounts expended for research and development are expensed as incurred.

Foreign Currency Translation -- Foreign currency assets and liabilities are translated into United States dollars at end of period rates of exchange, and income and expense accounts are translated at the weighted average rates of exchange for the period. Resulting translation adjustments are included in other comprehensive income.

Income Taxes -- The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

New Accounting Standards -- Effective August 1, 2000, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which requires that all derivative instruments be reported on the balance sheet at fair value and establishes criteria for designation and effectiveness of hedging relationships. The cumulative effect of adopting SFAS 133 was not material to the Company's financial statements. The Company is exposed to market risk, such as changes in interest rates and currency exchange rates. The Company does not hold or issue derivative financial instruments for trading purposes.

Interest Rate Hedging -- 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 consists of entering into approved interest rate derivatives when there is a desire to modify the Company's exposure to interest rates. As of July 31, 2001, the Company has not entered into any interest rate derivatives.

Currency Rate Hedging -- The primary objectives of the foreign exchange risk management activities are to understand and mitigate the impact of potential foreign exchange fluctuations on the Company's financial results and its economic well-being. While the Company's risk management objectives and strategies will be driven from an economic perspective, the Company will attempt, where possible and practical, to ensure that the hedging strategies it engages in can be treated as "hedges" from an accounting perspective or otherwise result in accounting treatment where the earnings effect of the hedging instrument provides substantial offset (in the same period) to the earnings effect of the hedged item. Generally, these risk management transactions will involve the use of foreign currency derivatives to protect against exposure resulting from intercompany sales and identified inventory or other asset purchases.

The Company primarily utilizes forward exchange contracts with maturities of less than 12 months, which qualify as cash flow hedges. These are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and intercompany charges. The fair value of these instruments at July 31, 2001 and 2000 was not material.

Hedge effectiveness is determined by how closely the changes in the 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. Any ineffective portions are to be recognized in earnings immediately. The Company's existing cash flow hedges are considered to be 100% effective. As a result, there is no current impact to earnings due to hedge ineffectiveness.

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

No cash flow hedges were discontinued during the year ended July 31, 2001.

In May 2000, the Emerging Issues Task Force ("EITF") reached consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." EITF 00-10 provides guidance on the financial reporting of shipping and handling fees and costs in the consolidated statements of income. During 2001, the Company adopted EITF 00-10 and, as a result, amounts billed to a customer in a sale transaction related to shipping costs are reported as net sales and the related costs incurred for shipping are reported as cost of goods sold. The Company previously reported shipping costs as a reduction of net sales. Prior period consolidated financial statements have been reclassified to conform to the new requirements.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations" and No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 will require that the purchase method of accounting be used for all business combinations initiated after June 30, 2001 and that the use of the pooling-of-interest method is no longer allowed. SFAS No. 142 requires that upon adoption, amortization of goodwill will cease and instead, the carrying value of goodwill will be evaluated for impairment on an annual basis. Identifiable intangible assets will continue to be amortized over their useful lives and reviewed for impairment in accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." The Company will adopt SFAS No. 142 on August 1, 2001. At July 31, 2001, goodwill approximated \$96,041,000. The Company estimates that the adoption of SFAS No. 142 will add approximately \$0.26 annually to earnings per share.

Reclassifications -- Certain reclassifications have been made to the prior years' financial statements to conform with the current year presentation.

## 2. ACQUISITIONS OF BUSINESSES

Effective August 11, 1998, the Company acquired the common stock of VEB Sistemas de Etiquetas Ltda, in Sao Paulo, Brazil, an industrial label manufacturer, for cash of approximately \$4,400,000.

Effective March 25, 1999, the Company acquired the assets of Barcodes West located in Seattle, Washington, a label manufacturer and software and service provider for cash of approximately \$5,757,000.

Effective May 7, 1999, the Company acquired the common stock of Visi Sign Pty. Ltd. located in Victoria, Australia, a manufacturer of identification products for cash of approximately \$1,396,000.

Effective July 7, 1999, the Company acquired the common stock of Holman Groupe S.A. located in Rungis, France, an automatic identification and application specialist for cash of approximately \$5,343,000 and a payable of approximately \$554,000.

Effective July 30, 1999, the Company acquired the common stock of the graphics division of Soft S.A., located in Lyon, France, a developer and distributor of printing systems, for cash of approximately \$14,044,000.

Effective September 3, 1999, the Company acquired the brand name, customer list and catalog artwork of Champion America, Inc., located in Chagrin Falls, Ohio, a direct marketer of signs, labels and identification products for cash of approximately \$4,949,000 and a payable of approximately \$561,000.

Effective March 3, 2000, the Company acquired Data Recognition, Inc., located in Austin, Texas, a systems integrator providing automatic identification and data collection ("AIDC") solutions.

Effective March 22, 2000, the Company acquired Imtec, Inc., located in Keene, New Hampshire, a manufacturer of high-performance bar-code labels and labeling systems used in automatic identification applications.

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company acquired Data Recognition, Inc. and Imtec, Inc. for cash of approximately \$33,422,000 and a payable of approximately \$1,490,000.

Effective March 31, 2001, the Company acquired the assets of Balkhausen GmbH, located in Syke, Germany, a manufacturer of precision die-cut parts, specialty materials and thermal-management products for cash of approximately \$6,600,000 and assumed liabilities of approximately \$4,300,000. The purchase price of the acquisition is subject to change based on post-closing adjustments.

Effective July 31, 2001, the Company acquired the assets of Eset, GmbH, located in Munich, Germany, a developer of certain software printer drivers and label design software.

These acquisitions have been accounted for using the purchase method of accounting and, accordingly, the results of operations have been included since the dates of acquisition in the accompanying financial statements. The pro forma results of operations of the above acquisitions are not significant to the financial statements.

### 3. EMPLOYEE BENEFIT PLANS

The Company provides postretirement medical, dental and vision benefits for all regular full and part-time domestic employees (including spouses) who retire on or after attainment of age 55 with 15 years of credited service. Credited service begins accruing at the later of age 40 or date of hire. All active employees first eligible to retire after July 31, 1992, 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 accounts for postretirement benefits other than pensions in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The Company funds benefit costs on a pay-as-you-go basis.

The following table provides a reconciliation of the changes in the Plan's benefit obligations at July 31, 2001, 2000 and 1999:

| 2001                              | 2000 | 1999 | ----     | ----    | ----     | (DOLLARS IN THOUSANDS) |
|-----------------------------------|------|------|----------|---------|----------|------------------------|
| Obligation at beginning of fiscal |      |      |          |         |          |                        |
| year.....                         |      |      | \$ 8,857 | \$8,104 | \$6,802  |                        |
| Service                           |      |      |          |         |          |                        |
| cost.....                         |      |      |          |         |          |                        |
|                                   |      |      | 469      | 444     | 472      | Interest               |
| cost.....                         |      |      |          |         |          |                        |
|                                   |      |      | 726      | 665     | 602      | Plan                   |
| amendments.....                   |      |      |          |         |          |                        |
|                                   |      |      | 307      |         |          | Actuarial              |
| loss.....                         |      |      |          |         | 751      |                        |
|                                   |      |      |          |         | 242      | Benefit                |
| payments.....                     |      |      |          |         |          |                        |
| (365) (356) (321) -----           |      |      |          |         |          | Obligation at          |
| end of fiscal year.....           |      |      |          |         | \$10,438 |                        |
|                                   |      |      | \$8,857  | \$8,104 | =====    | =====                  |

There are no plan assets due to the nature of the Plan. During fiscal 1999, \$307,000 of expense was recognized due to the addition of employees from prior acquisitions.

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table shows the unfunded status of the Plan as of July 31, 2001 and 2000:

|                                                                       |          |                            |           |                        |
|-----------------------------------------------------------------------|----------|----------------------------|-----------|------------------------|
| 2001                                                                  | 2000     | -----                      | -----     | (DOLLARS IN THOUSANDS) |
| Unfunded status at July 31.....                                       |          |                            |           |                        |
| \$10,438                                                              | \$ 8,857 | Unrecognized net actuarial | gain..... |                        |
| 1,181                                                                 | 2,014    | Unrecognized prior service | cost..... |                        |
| (241)                                                                 | (263)    | -----                      | -----     |                        |
| Accumulated postretirement benefit obligation liability..... \$11,378 |          |                            |           |                        |
| \$10,608                                                              | =====    | =====                      |           |                        |

The following table provides the components of net periodic benefit cost for the Plan for fiscal years 2001, 2000 and 1999:

|                                                                                                                                                                          |                                                                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------|
| YEAR ENDED JULY 31, -----                                                                                                                                                | 2001                                                                |
| 2000 1999 -----                                                                                                                                                          | -----                                                               |
| (DOLLARS IN THOUSANDS) Net periodic postretirement benefit cost included the following components: Service cost -- benefits attributed to service during the period..... |                                                                     |
| \$ 469                                                                                                                                                                   | \$ 444                                                              |
| \$ 472                                                                                                                                                                   | Prior service cost.....                                             |
| 22                                                                                                                                                                       | 22                                                                  |
| 22                                                                                                                                                                       | Interest cost on accumulated postretirement benefit obligation..... |
| 726                                                                                                                                                                      | 665                                                                 |
| 602                                                                                                                                                                      | Amortization of unrecognized (gain).....                            |
| (81)                                                                                                                                                                     | (93)                                                                |
| (46)                                                                                                                                                                     | -----                                                               |
| -----                                                                                                                                                                    | -----                                                               |
| Periodic postretirement benefit cost.....                                                                                                                                |                                                                     |
| \$1,136                                                                                                                                                                  | \$1,038                                                             |
| \$1,050                                                                                                                                                                  |                                                                     |
| =====                                                                                                                                                                    | =====                                                               |

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation at July 31, 2001 were 10% grading down 0.5% per year to 5.5% at July 31, 2010.

The weighted average discount rate used in determining the accumulated postretirement benefit obligation was 7.5% in 2001 and 8% in 2000.

If the health care cost trend rate assumptions were increased by 1% or decreased by 1%, the accumulated postretirement benefit obligation as of July 31, 2001 would be increased by \$35,400 and decreased by \$35,400, respectively. The effect of this change on the sum of the service cost and interest cost would not be material.

The Company has retirement and profit-sharing plans covering substantially all full-time domestic employees and certain of its foreign subsidiaries. Contributions to the plans are determined annually or quarterly, according to the plan, based on earnings of the respective companies and employee contributions. At July 31, 2001 and 2000, \$2,040,000 and \$2,196,000, respectively, of accrued profit-sharing contributions were included in other current liabilities.

The Company also has deferred compensation plans for directors, officers and key executives utilizing the phantom stock plan concept. At July 31, 2001 and 2000, \$5,878,000 and \$5,569,000, respectively, of deferred compensation was included in current and other long-term liabilities.

During fiscal 1998, the Company adopted a new deferred compensation plan that invests solely in shares of the Company's Class A Nonvoting Common Stock. Participants in the old phantom stock plan were allowed to convert their balances in the old plan to this new plan. The new plan was funded initially by the issuance of 372,728 shares of Class A Nonvoting Common Stock to a Rabbi Trust. All deferrals into the new plan result in purchases of Class A Nonvoting Common Stock by the Rabbi Trust. No deferrals are allowed into the old plan. Shares held by the Rabbi Trust are distributed to participants upon separation from the Company as defined in the plan agreement.

The amounts charged to income for the plans described above were \$7,515,000 in 2001, \$7,736,000 in 2000 and \$7,589,000 in 1999.

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company has a voluntary employee benefit trust for the purpose of funding employee medical benefits and certain other employee benefits. At July 31, 2001 and 2000, \$2,378,000 and \$2,793,000, respectively, of payments to the trust to fund such benefits were included in prepaid expenses and other current assets.

4. INCOME TAXES

Income taxes consist of the following:

| YEAR ENDED JULY 31, ----- | 2001     |                        |                    |               |
|---------------------------|----------|------------------------|--------------------|---------------|
| 2000 1999 ----            |          | (DOLLARS IN THOUSANDS) | Currently          |               |
|                           |          |                        | payable:           |               |
| Federal.....              |          |                        |                    |               |
|                           | \$ 4,977 | \$16,354               | \$17,668           |               |
| Foreign.....              |          |                        |                    |               |
|                           | 13,242   | 11,030                 | 6,747              |               |
| State.....                |          |                        |                    |               |
| 1,006 2,309 1,852 -----   |          |                        | 19,225             | 29,693        |
| 26,267 -----              |          |                        | Deferred (credit): |               |
| Federal.....              |          |                        |                    |               |
|                           | (1,101)  | (210)                  | (1,186)            |               |
| Foreign.....              |          |                        |                    |               |
|                           | (569)    | (486)                  | 73                 |               |
| State.....                |          |                        |                    |               |
| (311) (67) 44 -----       |          |                        | (1,981)            | (763) (1,069) |
|                           |          |                        |                    |               |
| Total.....                |          |                        |                    |               |
|                           | \$17,244 | \$28,930               | \$25,198           | =====         |

Deferred income taxes result from temporary differences in the recognition of revenues and expenses for financial statement and income tax purposes.

Pre-tax income consists of the following:

| YEAR ENDED JULY 31, -----  | 2001     |                        |          |          |
|----------------------------|----------|------------------------|----------|----------|
| 2000 1999 ----             |          | (DOLLARS IN THOUSANDS) | United   |          |
| States.....                |          |                        |          |          |
|                            | \$17,957 | \$42,085               | \$42,180 |          |
| Foreign.....               |          |                        |          |          |
| 26,833 34,046 22,602 ----- |          |                        |          |          |
| Total.....                 |          |                        |          | \$44,790 |
|                            | \$76,131 | \$64,782               | =====    | =====    |

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The approximate tax effects of temporary differences are as follows:

| JULY 31, 2001    | ASSETS                               | LIABILITIES TOTAL                         | (DOLLARS IN THOUSANDS) |
|------------------|--------------------------------------|-------------------------------------------|------------------------|
| Inventories..... |                                      |                                           |                        |
| \$ 2,445         | \$ 2,445                             | Prepaid catalog costs.....                | \$(1,709)              |
| (1,709)          | Employee benefits.....               | 4,847                                     |                        |
| (411)            | 4,436                                | Allowance for doubtful accounts.....      | 351                    |
| 351              | 351                                  | Other, net.....                           | 3,367                  |
| 3,367            |                                      |                                           |                        |
| Current.....     | 11,010                               |                                           |                        |
| (2,120)          | 8,890                                | Excess of tax over book depreciation..... | (2,416)                |
| (2,416)          |                                      | Deferred compensation.....                | 6,530                  |
| 6,530            | Postretirement benefits.....         | 4,449                                     | 4,449                  |
|                  | Currency translation adjustment..... | 7,517                                     | 7,517                  |
| 7,517            | 7,517                                | Tax loss carryforwards.....               | 3,833                  |
| 3,833            | 3,833                                | Less valuation allowance.....             | (3,717)                |
| (3,717)          | Other, net.....                      | 1,881                                     |                        |
| (2,766)          | (885)                                |                                           |                        |
| Noncurrent.....  | 20,493                               |                                           |                        |
| (5,182)          | 15,311                               |                                           |                        |
| Total.....       | \$31,503                             |                                           |                        |
| \$(7,302)        | \$24,201                             | =====                                     | =====                  |

| JULY 31, 2000    | ASSETS                               | LIABILITIES TOTAL                         | (DOLLARS IN THOUSANDS) |
|------------------|--------------------------------------|-------------------------------------------|------------------------|
| Inventories..... |                                      |                                           |                        |
| \$ 2,473         | \$ 2,473                             | Prepaid catalog costs.....                | \$(1,018)              |
| (1,018)          | Employee benefits.....               | 57                                        |                        |
| (219)            | (162)                                | Allowance for doubtful accounts.....      | 498                    |
| 498              | 498                                  | Other, net.....                           | 4,573                  |
| 95               | 4,668                                |                                           |                        |
| Current.....     | 7,601                                |                                           |                        |
| (1,142)          | 6,459                                | Excess of tax over book depreciation..... | (2,217)                |
| (2,217)          |                                      | Deferred compensation.....                | 6,421                  |
| 6,421            | Postretirement benefits.....         | 4,137                                     | 4,137                  |
|                  | Currency translation adjustment..... | 4,374                                     | 4,374                  |
| 4,374            | 4,374                                | Tax loss carryforwards.....               | 3,049                  |
| 3,049            | 3,049                                | Less valuation allowance.....             | (3,049)                |
| (3,049)          | Other, net.....                      | 2,458                                     |                        |
| (2,837)          | (379)                                |                                           |                        |
| Noncurrent.....  | 17,390                               |                                           |                        |
| (5,054)          | 12,336                               |                                           |                        |
| Total.....       | \$24,991                             |                                           |                        |
| \$(6,196)        | \$18,795                             | =====                                     | =====                  |

The net change in the valuation allowance was \$663,000, \$(229,000) and \$(1,371,000) in fiscal 2001, 2000 and 1999, respectively.

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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

| YEAR ENDED JULY 31, -----                                         | 2001     | 2000     | 1999     | ----- | (DOLLARS IN THOUSANDS)                              | Tax             |
|-------------------------------------------------------------------|----------|----------|----------|-------|-----------------------------------------------------|-----------------|
| at statutory rate.....                                            | \$15,676 | \$26,645 | \$22,674 |       | State income taxes, net of federal tax benefit..... | 751 1,566 1,204 |
| International losses with no related tax benefits.....            | 1,071    | 1,408    | 1,296    |       | International rate differential.....                | 2,127 271 986   |
| Rate variances arising from foreign subsidiary distributions..... | (2,860)  | (1,525)  | (1,481)  |       | Other,                                              |                 |
| net.....                                                          | 565      | 516      |          |       | Total income tax provision.....                     | \$17,244        |
|                                                                   | \$28,930 | \$25,195 |          |       | Effective tax rate.....                             | 38.5%           |
|                                                                   | 38.0%    | 38.9%    |          |       |                                                     |                 |

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

The cumulative undistributed earnings of such companies at July 31, 2001 amounted to approximately \$63,413,000. If all such undistributed earnings were remitted, no additional provision for foreign income taxes would be required.

#### 5. LONG-TERM OBLIGATIONS

On September 23, 1999, the Company entered into a \$150,000,000 multicurrency revolving loan agreement with a group of six banks, which expires on September 23, 2004. On January 31, 2000, the multicurrency revolving loan was amended, increasing the amount available to \$200,000,000. Under the agreement, the Company has the option to elect to have interest rates determined based upon the prime rate at PNC Bank N.A. plus margin or a LIBOR rate plus margin. A commitment fee is payable on the unused amount of credit. The agreement requires the Company to maintain certain financial covenants, the Company has obtained waivers for instances of non-compliance through July 31, 2001. Future borrowings could be limited by the Company's ability to maintain, waive or modify the financial covenants.

Long-term obligations consists of the following:

| JULY 31, -----                                      | 2001    | 2000  | ----- | (DOLLARS                                                                    |
|-----------------------------------------------------|---------|-------|-------|-----------------------------------------------------------------------------|
|                                                     |         |       |       | IN THOUSANDS)                                                               |
| Revolving loan agreement.....                       |         |       |       | \$ 8,000                                                                    |
| Capital lease on building, term 7/1/00-6/30/10..... | \$3,487 | 3,276 |       | 6.25% Industrial Development Revenue Bonds payable on December 1, 2001..... |
| Other.....                                          | 1,067   | 11    |       | 5,554 12,287 Less current maturities.....                                   |
|                                                     |         |       |       | 1,410 8,130                                                                 |
|                                                     |         |       |       | \$4,144 \$ 4,157 =====                                                      |

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Industrial Development Revenue Bonds are collateralized by first mortgages on certain property with a net carrying amount of approximately \$3,951,000 at July 31, 2001. The carrying value of the Company's long-term obligations approximates fair value.

Maturities on long-term debt are as follows:

| YEAR ENDING JULY 31, ----- | (DOLLARS IN THOUSANDS) |
|----------------------------|------------------------|
| 2002.....                  | \$1,410                |
| 2003.....                  | 330                    |
| 2004.....                  | 289                    |
| 2005.....                  | 289                    |
| 2006.....                  | 287                    |
| Thereafter.....            | 2,949                  |

#### 6. STOCKHOLDERS' INVESTMENT

Information as to the Company's capital stock at July 31, 2001 is as follows:

|                                 |             |                        |                  |                     |
|---------------------------------|-------------|------------------------|------------------|---------------------|
| SHARES AUTHORIZED               | ISSUED      | AMOUNT                 | -----            | ---                 |
| ---                             | -----       | (DOLLARS IN THOUSANDS) | Preferred Stock, |                     |
| \$ .01 par value.....           | 5,000,000   |                        |                  |                     |
| Cumulative Preferred Stock: 6%  |             |                        |                  |                     |
| Cumulative.....                 | 5,000       | 3,984                  | \$ 399           | 1972                |
| Series.....                     | 10,000      | 2,600                  | 260              | 1979                |
| Series.....                     | 30,000      | 21,693                 | 2,196            | ----- \$2,855 ===== |
| Stock, \$.01 par value: Class A |             |                        |                  |                     |
| Nonvoting.....                  | 100,000,000 | 21,149,551             | \$ 211           | Class B             |
| Voting.....                     | 10,000,000  | 1,769,314              | 18               | ----- \$ 229 =====  |

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

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

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

Upon liquidation, dissolution or winding up of the Company, and after distribution of any amounts due to holders of Cumulative Preferred Stock, holders of the Class A Common Stock are entitled to receive the sum

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

of \$1.67 per share before any payment or distribution to holders of the Class B Common Stock. Thereafter, holders of the Class B Common Stock are entitled to receive a payment or distribution of \$1.67 per share. Thereafter, holders of the Class A Common Stock and Class B Common Stock share equally in all payments or distributions upon liquidation, dissolution or winding up of the Company.

The preferences in dividends and liquidation rights of the Class A Common Stock over the Class B Common Stock will terminate at any time that the voting rights of Class A Common Stock and Class B Common Stock become equal.

The following is a summary of other activity in stockholders' investment for the years ended July 31, 1999, 2000 and 2001:

| UNEARNED SHARES HELD RESTRICTED<br>DEFERRED IN RABBI STOCK<br>COMPENSATION TRUST, AT COST TOTAL |                                                                                                                                           |                                       |
|-------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|
| -----                                                                                           |                                                                                                                                           |                                       |
| ---- (DOLLARS IN THOUSANDS)                                                                     |                                                                                                                                           |                                       |
| Balances July 31,                                                                               |                                                                                                                                           |                                       |
| 1998.....                                                                                       |                                                                                                                                           |                                       |
| \$ (3,024)                                                                                      | \$12,037                                                                                                                                  | \$ (12,037)                           |
| \$ (3,024)                                                                                      | Distribution of 59,953 shares of Class A Common Stock purchased by the Rabbi Trust related to deferred compensation plan..... (1,814)     |                                       |
| 1,814                                                                                           | Purchase of 44,865 shares of Class A Common Stock purchased by the Rabbi Trust related to deferred compensation plan.....                 |                                       |
| 1,008                                                                                           | (1,008)                                                                                                                                   | Amortization of restricted stock..... |
| 693                                                                                             | 693                                                                                                                                       | -----                                 |
| ----- Balances July 31,                                                                         |                                                                                                                                           |                                       |
| 1999.....                                                                                       |                                                                                                                                           |                                       |
| \$ (2,331)                                                                                      | \$11,231                                                                                                                                  | \$ (11,231)                           |
| \$ (2,331)                                                                                      | ===== Distribution of 10,682 shares of Class A Common Stock purchased by the Rabbi Trust related to deferred compensation plan..... (296) |                                       |
| 296                                                                                             | Purchase of 59,278 shares of Class A Common Stock purchased by the Rabbi Trust related to deferred compensation plan.....                 |                                       |
| 1,837                                                                                           | (1,837)                                                                                                                                   | Amortization of restricted stock..... |
| 694                                                                                             | 694                                                                                                                                       | -----                                 |
| ----- Balances July 31,                                                                         |                                                                                                                                           |                                       |
| 2000.....                                                                                       |                                                                                                                                           |                                       |
| \$ (1,637)                                                                                      | \$12,772                                                                                                                                  | \$ (12,772)                           |
| \$ (1,637)                                                                                      | ===== Distribution of 13,608 shares of Class A Common Stock purchased by the Rabbi Trust related to deferred compensation plan..... (407) |                                       |
| 407                                                                                             | Purchase of 60,101 shares of Class A Common Stock purchased by the Rabbi Trust related to deferred compensation plan.....                 |                                       |
| 1,906                                                                                           | (1,906)                                                                                                                                   | Amortization of restricted stock..... |
| 695                                                                                             | 695                                                                                                                                       | -----                                 |
| ----- Balances July 31,                                                                         |                                                                                                                                           |                                       |
| 2001.....                                                                                       |                                                                                                                                           |                                       |
| (942)                                                                                           | \$14,271                                                                                                                                  | \$ (14,271) \$ (942)                  |
| =====                                                                                           | =====                                                                                                                                     | =====                                 |

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

Changes in the Options are as follows:

The following table summarizes information about stock options outstanding at July 31, 2001:

OPTIONS  
OUTSTANDING  
-----  
-----  
-----

OPTIONS  
EXERCISABLE  
WEIGHTED -  
-----

- SHARES  
AVERAGE  
WEIGHTED  
SHARES  
WEIGHTED

OUTSTANDING  
REMAINING  
AVERAGE

EXERCISABLE  
AVERAGE  
RANGE OF

AT JULY  
31,  
CONTRACTUAL

EXERCISE  
AT JULY  
31.

EXERCISE  
EXERCISE  
PRICES

2001 LIFE-  
YEARS  
PRICE 2001

```
PRICE 2001
PRICE - - - -
- - - - -
- - - - -
```

— — — — —

— — — — —

— — — — —

6 82 \$

0.83 -  
\$15.00  
103,551  
2 2 \$13.75

2.3 \$13.75  
103,551  
\$13.75  
15.01

15.01 -  
25.00  
997,888

6.0 21.99  
 341,160  
 20.24  
 25.01 -  
 34.00  
 1,017,633  
 7.7 29.60  
 415,059  
 29.28 ----  
 -----  
 --- \$ 6.83  
 - \$34.00  
 2,119,072  
 6.6 \$25.24  
 859,770  
 \$23.82  
 =====  
 =====

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

If the Company had elected to recognize compensation cost for the Stock Option Plans based on the fair value at the grant dates for awards under those plans, consistent with the method prescribed by SFAS

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

No. 123, net income and net income per common share would have been changed to the pro forma amounts indicated below:

| 2001                 | 2000     | 1999     | ----                          | ---- | ---- | (DOLLARS IN THOUSANDS) |
|----------------------|----------|----------|-------------------------------|------|------|------------------------|
| Net Income: As       |          |          |                               |      |      |                        |
| Reported.....        |          |          |                               |      |      |                        |
|                      | \$27,546 | \$47,201 | \$39,584                      | Pro  |      |                        |
| Forma.....           |          |          |                               |      |      |                        |
| 25,393               | 45,289   | 37,972   | Net Income per Class A Common |      |      |                        |
| Share -- Diluted: As |          |          |                               |      |      |                        |
| Reported.....        |          |          |                               |      |      |                        |
|                      | \$ 1.18  | \$ 2.05  | \$ 1.73                       | Pro  |      |                        |
| Forma.....           |          |          |                               |      |      |                        |
|                      | 1.09     | 1.96     | 1.66                          |      |      |                        |

The fair value of stock options used to compute pro forma net income and net income per common share disclosure is the estimated present value at grant date using the Black-Scholes option-pricing model with weighted average assumptions for fiscal years 2001, 2000 and 1999 as follows:

| 2001            | 2000  | 1999      | ----      | ----            | ---- | Risk-free interest |
|-----------------|-------|-----------|-----------|-----------------|------|--------------------|
| rate.....       |       |           |           |                 |      |                    |
|                 | 5.9%  | 6.2%      | Expected  |                 |      | 5.5%               |
| volatility..... |       |           |           |                 |      |                    |
|                 | 36.5% | 39.6%     | 37.8%     | Dividend        |      |                    |
| yield.....      |       |           |           |                 |      |                    |
|                 | 2.1%  | 2.3%      | 2.4%      | Expected option |      |                    |
| life.....       |       |           |           |                 |      | 3.6                |
|                 | years | 3.8 years | 4.1 years |                 |      |                    |

The weighted average fair value of stock options granted during fiscal 2001 was \$8.69.

#### 7. SEGMENT INFORMATION

Brady Corporation's reportable segments are business units that are each managed separately because they manufacture and/or distribute distinct products using different processes or channels to market.

Brady Corporation has three reportable segments: the Identification Solutions & Specialty Tapes Group, the Graphics Group and the Direct Marketing Group.

The Identification Solutions & Specialty Tape Group consists of Identification Solutions, Brady AIDC Software & Services, and Precision Die-cut Products and Custom Coated Products. Identification Solutions develops, manufactures and sells wire and cable markings, high performance labels, printing systems, and packaged software mainly to the electrical, electronic, telecommunications, automotive and general industrial markets. Brady AIDC Software & Services is focused on the Automatic Identification and Data Collection market and its solutions consist of high performance labels and labeling systems tied together with barcode design and print software, data collection equipment, inventory services, application engineering and integration services. Precision Die-cut Products manufactures custom die-cut parts and specialty tapes. Die cut materials are engineered to provide improved functionality and easier assembly of electronic products such as phones, pagers and disk drives. Specialty tapes are used by audio and video tape duplicators. Custom Coated Products develops and coats specialty material on a wide variety of substrates such as polyester, polyimide, cloth, metal and paper. Coatings include custom adhesive systems as well as high-performance topcoatings. These materials are sold in bulk form or as converted products through other Brady units.

The Graphics Group consists primarily of Signmark(R) and Varitronics. Signmark(R) manufactures and sells signs, labels and devices to meet government safety requirements; printers and accessories for do-it-yourself industrial signage and labels; regulatory training programs and products; and barricade tape, accident-prevention tags and other visual warning systems. Varitronics produces and markets printing systems including lettering and labeling systems, poster printers, and supplies and laminating equipment. Pulp and paper,

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

chemical, electrical, transportation and other manufacturing markets as well as government, education and construction markets are some of those served by this group.

The Direct Marketing Group engages in direct selling to end users via direct-mail catalogs, telemarketing and the Internet. Its products include more than 50,000 products including signs, property identification tags, hazardous materials and regulatory training programs and products, and office accessories. The Direct Marketing Group serves manufacturing markets as well as construction, wholesale trade, finance, insurance, government, education and healthcare.

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes, not including administrative costs, interest, amortization of goodwill, exchange gain or loss and nonrecurring items. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company's interior measure of profit or loss changed in fiscal 2001 to support the move to a global process organization. This change excludes administrative expenses from the segment's measure of profit or loss. The prior year has been reclassified to reflect this change. Assets at corporate consist principally of cash, net deferred income tax assets and property.

Intersegment sales and transfers are recorded at cost plus a standard percentage markup. Intercompany profit is eliminated in consolidation.

IDENTIFICATION CORPORATE SOLUTIONS  
& DIRECT AND SPECIALTY TAPES  
GRAPHICS MARKETING ELIMINATIONS  
TOTALS -----

----- (DOLLARS)

IN THOUSANDS) Year ended July 31,

|                                            |            |                  |         |        |
|--------------------------------------------|------------|------------------|---------|--------|
| 2001: Revenues from external customers.... | \$253,651  | \$125,311        |         |        |
| \$166,982                                  | \$545,944  | Intersegment     |         |        |
| revenues.....                              | 2,674      | 4,327            |         |        |
| 2,004                                      | \$ (9,005) | Depreciation and |         |        |
|                                            |            | amortization     |         |        |
| expense.....                               |            |                  |         |        |
| 13,425                                     | 4,007      | 2,292            | 2,922   | 22,646 |
|                                            |            | Profit           |         |        |
| (loss).....                                |            |                  |         |        |
| 50,398                                     | 29,055     | 47,413           | (1,917) |        |
|                                            |            | 124,949          |         |        |

Assets.....

|         |        |        |         |  |
|---------|--------|--------|---------|--|
| 161,638 | 70,230 | 52,918 | 107,690 |  |
|---------|--------|--------|---------|--|

|         |                            |  |  |  |
|---------|----------------------------|--|--|--|
| 392,476 | Expenditures for property, |  |  |  |
|         | plant and                  |  |  |  |

|                |  |  |  |  |
|----------------|--|--|--|--|
| equipment..... |  |  |  |  |
|----------------|--|--|--|--|

|       |       |       |       |        |
|-------|-------|-------|-------|--------|
| 7,597 | 3,547 | 1,961 | 7,665 | 20,770 |
|-------|-------|-------|-------|--------|

|                                    |           |  |  |  |
|------------------------------------|-----------|--|--|--|
| ended July 31, 2000: Revenues from |           |  |  |  |
| external customers....             | \$253,812 |  |  |  |

|           |           |           |  |  |
|-----------|-----------|-----------|--|--|
| \$127,438 | \$169,414 | \$550,664 |  |  |
|-----------|-----------|-----------|--|--|

|  |              |  |  |  |
|--|--------------|--|--|--|
|  | Intersegment |  |  |  |
|--|--------------|--|--|--|

|               |       |       |  |  |
|---------------|-------|-------|--|--|
| revenues..... | 2,184 | 4,044 |  |  |
|---------------|-------|-------|--|--|

|     |          |                  |  |  |
|-----|----------|------------------|--|--|
| 997 | \$ 7,225 | Depreciation and |  |  |
|     |          | amortization     |  |  |

|              |  |  |  |  |
|--------------|--|--|--|--|
| expense..... |  |  |  |  |
|--------------|--|--|--|--|

|        |       |       |       |        |
|--------|-------|-------|-------|--------|
| 10,509 | 3,725 | 2,138 | 1,461 | 17,833 |
|--------|-------|-------|-------|--------|

|  |  |        |  |  |
|--|--|--------|--|--|
|  |  | Profit |  |  |
|--|--|--------|--|--|

|             |  |  |  |  |
|-------------|--|--|--|--|
| (loss)..... |  |  |  |  |
|-------------|--|--|--|--|

|        |        |        |         |  |
|--------|--------|--------|---------|--|
| 67,209 | 29,207 | 44,716 | (3,706) |  |
|--------|--------|--------|---------|--|

|  |  |         |  |  |
|--|--|---------|--|--|
|  |  | 137,426 |  |  |
|--|--|---------|--|--|

Assets.....

|         |        |        |         |  |
|---------|--------|--------|---------|--|
| 165,127 | 73,271 | 52,155 | 107,581 |  |
|---------|--------|--------|---------|--|

|         |                            |  |  |  |
|---------|----------------------------|--|--|--|
| 398,134 | Expenditures for property, |  |  |  |
|         | plant and                  |  |  |  |

|                |  |  |  |  |
|----------------|--|--|--|--|
| equipment..... |  |  |  |  |
|----------------|--|--|--|--|

|       |       |       |        |        |
|-------|-------|-------|--------|--------|
| 6,845 | 1,325 | 3,292 | 11,162 | 22,624 |
|-------|-------|-------|--------|--------|

|                                    |  |  |  |  |
|------------------------------------|--|--|--|--|
| Year ended July 31, 1999: Revenues |  |  |  |  |
| from external customers....        |  |  |  |  |

|           |           |           |           |  |
|-----------|-----------|-----------|-----------|--|
| \$194,455 | \$122,775 | \$161,795 | \$479,025 |  |
|-----------|-----------|-----------|-----------|--|

|  |              |  |  |  |
|--|--------------|--|--|--|
|  | Intersegment |  |  |  |
|--|--------------|--|--|--|

|               |       |       |  |  |
|---------------|-------|-------|--|--|
| revenues..... | 3,042 | 1,982 |  |  |
|---------------|-------|-------|--|--|

|     |            |                  |  |  |
|-----|------------|------------------|--|--|
| 865 | \$ (5,889) | Depreciation and |  |  |
|     |            | amortization     |  |  |

|              |  |  |  |  |
|--------------|--|--|--|--|
| expense..... |  |  |  |  |
|--------------|--|--|--|--|

|       |       |       |       |        |
|-------|-------|-------|-------|--------|
| 8,942 | 3,019 | 1,896 | 1,292 | 15,149 |
|-------|-------|-------|-------|--------|

|  |  |        |  |  |
|--|--|--------|--|--|
|  |  | Profit |  |  |
|--|--|--------|--|--|

|             |  |  |  |  |
|-------------|--|--|--|--|
| (loss)..... |  |  |  |  |
|-------------|--|--|--|--|

|        |        |        |         |  |
|--------|--------|--------|---------|--|
| 47,604 | 28,417 | 43,952 | (3,470) |  |
|--------|--------|--------|---------|--|

|  |  |         |  |  |
|--|--|---------|--|--|
|  |  | 116,503 |  |  |
|--|--|---------|--|--|

Assets.....

|         |        |        |         |  |
|---------|--------|--------|---------|--|
| 121,487 | 78,459 | 48,463 | 102,711 |  |
|---------|--------|--------|---------|--|

|         |                            |  |  |  |
|---------|----------------------------|--|--|--|
| 351,120 | Expenditures for property, |  |  |  |
|         | plant and                  |  |  |  |

|                |  |  |  |  |
|----------------|--|--|--|--|
| equipment..... |  |  |  |  |
|----------------|--|--|--|--|

|       |       |       |     |       |
|-------|-------|-------|-----|-------|
| 5,575 | 2,017 | 1,462 | 835 | 9,889 |
|-------|-------|-------|-----|-------|

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

YEAR ENDED JULY 31, -----  
2001 2000 1999 ---- (DOLLARS IN THOUSANDS)  
Profit reconciliation: Total profit or loss for  
reportable segments..... \$126,866 \$141,132  
\$119,973 Corporate and  
eliminations..... (1,917)  
(3,706) (3,470) Unallocated amounts: Administrative  
costs..... (59,794)  
(58,879) (44,543) Goodwill  
amortization..... (6,119)  
(5,618) (3,416) Interest-  
net..... 1,128  
1,857 1,975 Foreign  
exchange.....  
(1,115) (1,779) (975) Nonrecurring (charge)  
credit..... (9,560) 611  
Other.....  
(4,699) 3,124 (5,373) -----  
Income before income taxes..... \$  
44,790 \$ 76,131 \$ 64,782 =====

REVENUES\* LONG-LIVED ASSETS\*\*

YEAR ENDED JULY 31, YEAR  
ENDED JULY 31, -----  
----- 2001  
2000 1999 2001 2000 1999 ----  
-----  
(DOLLARS IN THOUSANDS)  
Geographic information:  
United  
States.....  
\$341,379 \$343,596 \$297,037  
\$127,632 \$129,080 \$ 85,650  
Europe.....  
156,115 162,702 151,883  
40,648 37,232 39,332 Other  
foreign.....  
84,112 81,258 61,703 13,198  
14,626 14,535  
Eliminations.....  
(35,662) (36,892) (31,598) --  
-----  
-----  
Consolidated total....  
\$545,944 \$550,664 \$479,025  
\$181,478 \$180,938 \$139,517  
=====

\* Revenues are attributed based on country of origin.

\*\* Long-lived assets consist primarily of property, plant, and equipment and goodwill.

8. NET INCOME PER COMMON SHARE

Net income per Common Share is computed by dividing net income (after deducting the applicable Preferred Stock dividends and preferential Class A Common Stock dividends) by the weighted average Common Shares outstanding of 22,824,398 for 2001, 22,669,854 for 2000 and 22,537,393 for 1999. The preferential dividend on the Class A Common Stock of \$.0333 per share has been added to the net income per Class A Common Share for all years presented.

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

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:

| FISCAL 2001                                         | FISCAL 2000  | FISCAL 1999  |                                                     |
|-----------------------------------------------------|--------------|--------------|-----------------------------------------------------|
| ----- Numerator: Net                                |              |              |                                                     |
| income.....                                         |              |              |                                                     |
| \$27,546,000                                        | \$47,201,000 | \$39,584,000 | Less: Preferred                                     |
|                                                     |              |              | stock dividends..... (259,134)                      |
| (259,134)                                           | (259,134)    |              | -----                                               |
| ---- Numerator for basic and diluted Class A net    |              |              |                                                     |
| income per                                          |              |              |                                                     |
| share.....                                          |              |              |                                                     |
| 27,286,866                                          | 46,941,866   | 39,324,866   | Less: Preferential                                  |
|                                                     |              |              | dividends..... (698,631)                            |
|                                                     |              |              | (694,492) (690,541) Preferential dividends on       |
|                                                     |              |              | dilutive stock options.... (8,555) (10,410) (2,739) |
|                                                     |              |              | ----- Numerator for                                 |
| basic and diluted Class B net income per            |              |              |                                                     |
| share.....                                          |              |              |                                                     |
| \$26,579,680                                        | \$46,236,964 | \$38,631,586 | =====                                               |
| ===== Denominator: Denominator                      |              |              |                                                     |
| for basic net income per share for both Class A and |              |              |                                                     |
| B.....                                              |              |              | 22,824,398                                          |
| 22,669,854                                          | 22,537,393   |              | Plus: Effect of dilutive                            |
| stock options.....                                  | 282,831      | 263,345      | 145,577                                             |
|                                                     |              |              | ----- Denominator for                               |
| diluted net income per share for both Class A and   |              |              |                                                     |
| B.....                                              |              |              | 23,107,229                                          |
| 22,933,199                                          | 22,682,970   |              | =====                                               |
| ===== Class A common stock net income per           |              |              |                                                     |
| share calculation:                                  |              |              |                                                     |
| Basic.....                                          |              |              |                                                     |
|                                                     | \$ 1.20      | \$ 2.07      | \$ 1.74                                             |
| Diluted.....                                        |              |              |                                                     |
| 1.18                                                | 2.05         | 1.73         | Class B common stock net income per                 |
| share calculation:                                  |              |              |                                                     |
| Basic.....                                          |              |              |                                                     |
|                                                     | \$ 1.17      | \$ 2.04      | \$ 1.71                                             |
| Diluted.....                                        |              |              |                                                     |
|                                                     | 1.15         | 2.02         | 1.70                                                |

Options to purchase 95,050, 264,167 and 446,168 shares of Class A common stock were not included in the computations of diluted net income per share for the fiscal years 2001, 2000 and 1999, respectively, because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

#### 9. COMMITMENTS

The Company has entered into various noncancellable operating lease agreements. Rental expense charged to operations was \$8,822,000 for 2001; \$9,293,000 for 2000 and \$8,884,000 for 1999. Future minimum lease payments required under such leases in effect at July 31, 2001, are as follows (by fiscal year, dollars in thousands):

|                 |              |
|-----------------|--------------|
| 2002.....       | \$ 8,934,000 |
| 2003.....       | 5,780,000    |
| 2004.....       | 3,446,000    |
| 2005.....       | 1,168,000    |
| 2006.....       | 1,029,000    |
| Thereafter..... | 3,519,000    |
|                 | -----        |
|                 | \$23,876,000 |
|                 | =====        |

BRADY CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. NONRECURRING AND ONE-TIME CHARGES

In July 2001, the Company recorded a nonrecurring charge of \$9,560,000 (\$5,879,000 after tax, \$0.26 per share) in fiscal 2001 related primarily to facilities consolidation in the United States and Europe and workforce reductions in its operations around the world. The \$9,560,000 charge includes a provision for severance of approximately \$5,700,000, write-off or impairment of assets (primarily buildings) of approximately \$2,750,000 and \$1,110,000 of other costs associated with the restructuring efforts. Other costs primarily include lease cancellation costs associated with the facilities consolidation. The workforce reduction of approximately 175 people was essentially completed in August 2001. Total cash expenditures in connection with these actions will approximate \$6,800,000, of which, approximately \$350,000 was paid prior to July 31, 2001. The cost savings resulting from this plan are expected to be recognized beginning in fiscal 2002. Fiscal 1999 included a \$611,000 credit for adjusting the severance costs associated with a workforce reduction in 1998.

11. UNAUDITED QUARTERLY FINANCIAL INFORMATION

| QUARTERS -----                       |                                                        |           |           |         |          |
|--------------------------------------|--------------------------------------------------------|-----------|-----------|---------|----------|
| -----                                | FIRST                                                  | SECOND    | THIRD     |         |          |
| FOURTH TOTAL -----                   |                                                        |           |           |         |          |
| - -----                              | (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) 2001 Net |           |           |         |          |
| Sales.....                           |                                                        |           |           |         |          |
| \$146,818                            | \$135,965                                              | \$136,881 | \$126,280 |         |          |
|                                      | \$545,944                                              | Gross     |           |         |          |
| Margin.....                          |                                                        |           |           |         |          |
| 80,571                               | 71,855                                                 | 72,583    | 63,622    | 288,631 |          |
|                                      | Operating                                              |           |           |         |          |
| Income.....                          | 18,412                                                 |           |           |         |          |
| 14,056                               | 16,493                                                 | (4,439)   | 44,522    | Net     |          |
| Income.....                          |                                                        |           |           |         |          |
| 11,419                               | 8,622                                                  | 10,159    | (2,654)   | 27,546  |          |
| Net Income Per Class A Common Share: |                                                        |           |           |         |          |
| Basic.....                           |                                                        |           |           |         |          |
| \$ 0.50                              | \$ 0.38                                                | \$ 0.44   | \$ (0.12) | \$ 1.20 |          |
| Diluted.....                         |                                                        |           |           |         |          |
| 0.49                                 | 0.37                                                   | 0.44      | (0.12)    | 1.18    | 2000 Net |
| Sales.....                           |                                                        |           |           |         |          |
| \$127,676                            | \$131,387                                              | \$145,271 | \$146,330 |         |          |
|                                      | \$550,644                                              | Gross     |           |         |          |
| Margin.....                          |                                                        |           |           |         |          |
| 71,205                               | 72,711                                                 | 81,146    | 80,004    | 305,066 |          |
|                                      | Operating                                              |           |           |         |          |
| Income.....                          | 19,778                                                 |           |           |         |          |
| 15,379                               | 19,102                                                 | 15,032    | 69,291    | Net     |          |
| Income.....                          |                                                        |           |           |         |          |
| 12,367                               | 9,832                                                  | 11,729    | 13,273    | 47,201  | Net      |
| Income Per Class A Common Share:     |                                                        |           |           |         |          |
| Basic.....                           |                                                        |           |           |         |          |
| \$ 0.54                              | \$ 0.43                                                | \$ 0.51   | \$ 0.59   | \$ 2.07 |          |
| Diluted.....                         |                                                        |           |           |         |          |
| 0.54                                 | 0.43                                                   | 0.51      | 0.57      | 2.05    |          |

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

None .

# PART III

## ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

| NAME                      | AGE | TITLE               | ---- | --- | - |
|---------------------------|-----|---------------------|------|-----|---|
| ----                      |     | Katherine M.        |      |     |   |
| Hudson.....               | 54  | President, CEO and  |      |     |   |
|                           |     | Director Richard L. |      |     |   |
| Fisk.....                 |     |                     |      |     |   |
| 57 Vice President, Direct |     |                     |      |     |   |
| Marketing Group David R.  |     |                     |      |     |   |
| Hawke.....                |     |                     |      |     |   |
| 47 Vice President,        |     |                     |      |     |   |
| Graphics Group Frank M.   |     |                     |      |     |   |
| Jaehnert.....             |     |                     |      |     |   |
| 44 Vice President & Chief |     |                     |      |     |   |
| Financial Officer Vice    |     |                     |      |     |   |
| President, Identification |     |                     |      |     |   |
| Solutions & Specialty     |     |                     |      |     |   |
| Tapes David W.            |     |                     |      |     |   |
| Schroeder.....            |     |                     |      |     |   |
| 46 Group Conrad G.        |     |                     |      |     |   |
| Goodkind.....             |     |                     |      |     |   |
| 57 Secretary Peter J.     |     |                     |      |     |   |
| Lettenberger.....         |     |                     |      |     |   |
| 64 Director Robert C.     |     |                     |      |     |   |
| Buchanan.....             |     |                     |      |     |   |
| 61 Director Roger D.      |     |                     |      |     |   |
| Peirce.....               |     |                     |      |     |   |
| 64 Director Richard A.    |     |                     |      |     |   |
| Bemis.....                |     |                     |      |     |   |
| 60 Director Dr. Frank W.  |     |                     |      |     |   |
| Harris.....               | 59  |                     |      |     |   |
| Director Gary E.          |     |                     |      |     |   |
| Nei.....                  |     |                     |      |     |   |
| 57 Director Mary K.       |     |                     |      |     |   |
| Bush.....                 |     |                     |      |     |   |
| 53 Director Frank R.      |     |                     |      |     |   |
| Jarc.....                 |     |                     |      |     |   |
| 59 Director               |     |                     |      |     |   |

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

RICHARD L. FISK -- Mr. Fisk joined the Company in 1979 and was appointed to his present position in August 1987. He previously served as General Manager of Seton Name Plate Co., a wholly owned subsidiary of the Company. Effective August 1, 2001, Mr. Fisk was appointed to Senior Vice President -- Strategic Development. He serves as a Director of Demco, Inc., Madison, Wisconsin, National Business Furniture, Milwaukee, Wisconsin and Medical Arts Press, Minneapolis, Minnesota.

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

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

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

CONRAD G. GOODKIND -- Mr. Goodkind was elected Secretary of the Company in November 1999. He is a partner of Quarles & Brady, general counsel to the Company, which he joined in 1979.

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

ROBERT C. BUCHANAN -- Mr. Buchanan has been a Director of the Company since November 1987. Mr. Buchanan is a member of the Company's Finance Committee and chairs its Corporate Governance Committee. Mr. Buchanan is President of Fox Valley Corporation, a manufacturer of specialty papers in Appleton, Wisconsin, having assumed that position November 1980. He is also a trustee of The Northwestern Mutual Life Insurance Company, Milwaukee.

ROGER D. PEIRCE -- Mr. Peirce has served as a Director of the Company since September 1988. Mr. Peirce has been a member of the Compensation Committee of the Company since September 1988, and its chairman since November 1996, and is a member of its Corporate Governance and Finance Committees. Mr. Peirce is a private investor and consultant and is a director and secretary/treasurer of The Jor-Mac Company, Inc., a manufacturer of metal products in Grafton, Wisconsin. He was President and CEO of Valuation Research Corporation from April 1995 to May 1996. From September 1988 to December 1993, he was President of Super Steel Products Corp. in Milwaukee, Wisconsin. Prior to that he was a managing partner for Arthur Andersen LLP, independent certified public accountants.

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

FRANK W. HARRIS -- Dr. Harris has been a Director of the Company since November 1991, a member of its Audit Committee since May 1999, and is chair of its Technology Committee. Dr. Harris is a Distinguished Professor of Polymer Science and Biomedical Engineering in the Institute of Polymer Science at the University of Akron, and has been on its faculty since 1983.

GARY E. NEI -- Mr. Nei has been a Director of the Company since November 1992. Mr. Nei is a member of the Company's Technology Committee and chair of its Finance Committee. Mr. Nei is Chairman of B&B Publishing, a publishing company in Walworth, Wisconsin. He is also a director of Bone Care International, Inc., a pharmaceutical company in Madison, Wisconsin.

MARY K. BUSH -- Ms. Bush was elected to the Board of Directors on May 15, 2000. Ms. Bush is president of Bush & Company, Washington, D.C., an international financial advisory firm. She serves on the Audit Committee. Ms. Bush is also a director of Mortgage Guarantee Insurance Corp., R.J. Reynolds Tobacco Holdings, Inc, MasTec Inc., Sallie Mae and the Board of Trustees of the Pioneer Funds. Former Boards include Texaco, Inc. and Nations Bank Trust Company.

FRANK R. JARC -- Mr. Jarc was elected to the Board of Directors on May 15, 2000. Mr. Jarc is a consultant specializing in corporate development and international acquisitions, and the former senior vice president of corporate development at Office Depot, an operator of office supply superstores. He is chair of the Company's Audit Committee and serves on the Compensation Committee.

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

## ITEM 11 EXECUTIVE COMPENSATION

The following table summarizes the compensation paid or accrued by the Company during the three fiscal years ended July 31, 2001, to those persons who, as of the end of fiscal 2001, were the Named Executive Officers.

## SUMMARY COMPENSATION TABLE

LONG-TERM COMPENSATION  
ANNUAL COMPENSATION  
AWARDS -----

| OTHER ANNUAL ALL OTHER<br>FISCAL SALARY BONUS<br>COMPENSATION OPTIONS/SAR<br>COMPENSATION NAME AND<br>PRINCIPAL POSITION YEAR<br>(\$)(1) (\$)(2) (# OF<br>SHARES) (\$)(3) ----- |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                                                 |

----- K. M.

Hudson.....  
2001 497,231 0 3,238  
35,000 95,063(4)  
President & Chief 2000  
470,308 535,963 6,913  
82,000 58,059(4)  
Executive Officer 1999  
441,577 529,892 4,950  
34,000 47,589(4) R. L.  
Fisk.....  
2001 277,922 0 3,864  
13,000 283,374(5) Vice  
President, 2000 265,962  
206,652 4,668 12,500  
241,562(5) Direct  
Marketing Group 1999  
253,654 228,289 3,235  
12,500 231,903(5) D. W.  
Schroeder.....  
2001 289,385 0 6,204  
13,000 21,849 Vice  
President, 2000 255,962  
238,659 5,631 12,500  
6,699 ISST Group 1999  
243,573 219,216 5,908  
12,500 13,549 D.R.  
Hawke.....  
2001 258,384 0 6,644  
13,000 18,450 Vice  
President, 2000 245,961  
191,112 4,790 12,500  
6,735 Graphics Group  
1999 233,654 210,289  
5,191 12,500 13,219 F.M.  
Jaehnert.....  
2001 236,154 0 5,561  
10,000 16,893 Vice  
President & 2000 213,269  
165,710 5,558 8,600  
8,931 Chief Financial  
Officer 1999 190,962  
171,866 6,835 83,000  
13,280

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

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

(3) All other compensation for fiscal 2001 for Mrs. Hudson, and Messrs. Fisk, Schroeder, Hawke and Jaehnert, respectively, includes: (i) matching contributions to the Company's Matched 401(k) Plan and the Company's Restoration Plan for each named executive officer of \$44,165, \$19,411, \$21,063, \$17,731, and \$16,449, respectively and (ii) the cost of group term life insurance for each named executive officer of \$1,572, \$2,180, \$786, \$718 and \$444. respectively.

All other compensation for fiscal 2000 for Mrs. Hudson, and Messrs. Fisk, Schroeder, Hawke and Jaehnert, respectively, includes: (i) matching contributions to the Company's Matched 401(k) Plan for each named executive officer of \$9,600, \$5,915, \$5,946, \$5,977 and \$8,580 respectively and (ii) the cost of group term life insurance for each named executive officer of \$1,485, \$2,286, \$753, \$758 and \$351, respectively.

All other compensation for fiscal 1999 for Mrs. Hudson, and Messrs. Fisk, Schroeder, Hawke and Jaehnert, respectively, includes: (i) matching

contributions to the Company's Matched 401(k) Plan for each named executive officer of \$12,800, \$12,262, \$12,800, \$12,323 and \$12,800 respectively and (ii) the cost of group term life insurance for each named executive officer of \$3,434, \$2,642, \$749, \$896 and \$480, respectively.

- (4) Fiscal 2001 includes \$49,326 accrued, but not paid, for the current year's portion of a Supplemental Executive Retirement Plan (SERP). Fiscal 2000 includes \$46,974 accrued, but not paid, for the that year's portion of the SERP. Fiscal 1999 includes \$31,355 accrued, but not paid, for that year's portion of the SERP.

- (5) Fiscal 2001 includes \$261,784 accrued, but not paid, for the current year's portion of a Supplemental Executive Retirement Plan (SERP). Fiscal 2000 includes \$233,360 accrued, but not paid, for the that year's portion of the SERP. Fiscal 1999 includes \$217,000 accrued, but not paid, for that year's portion of a SERP.

#### STOCK OPTIONS

The following tables summarize option grants and exercises during fiscal 2001 to or by the executive officers named in the Summary Compensation Table above, and the value of unexercised options held by such persons at July 31, 2001. Stock Appreciation Rights are not available under any of the Company's plans.

#### OPTION GRANTS IN FISCAL 2001

##### INDIVIDUAL GRANTS

| % OF TOTAL OPTIONS GRANTED TO |                            | OPTIONS EMPLOYEES EXERCISE GRANTED |         | NAME        |           |
|-------------------------------|----------------------------|------------------------------------|---------|-------------|-----------|
| (#)                           | IN FISCAL PRICE (\$/SHARE) | (1)                                | (2)     | (3)         | (4)       |
| (1)                           | (2)                        | (3)                                | (4)     | (5)         | (6)       |
| ----- K.M. -----              |                            |                                    |         |             |           |
| Hudson.....                   | 35,000                     | 9.4%                               | 28.3150 | October 24, | 2010 R.L. |
| Fisk.....                     | 13,000                     | 3.5%                               | 28.3150 | October 24, | 2010 D.W. |
| Schroeder.....                | 13,000                     | 3.5%                               | 28.3150 | October 24, | 2010 D.R. |
| Hawke.....                    | 13,000                     | 3.5%                               | 28.3150 | October 24, | 2010 F.M. |
| Jaehnert.....                 | 10,000                     | 2.7%                               | 28.3150 | October 24, | 2010      |

| POTENTIAL REALIZABLE VALUE AT ASSUMED RATES OF STOCK PRICE APPRECIATION (3) |       | NAME    |           | 0%(\$)                                                                                                                                      |               | 5%(\$) |     | (6) |      | 10%(\$) |      |
|-----------------------------------------------------------------------------|-------|---------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------|---------------|--------|-----|-----|------|---------|------|
| (1)                                                                         | (2)   | (3)     | (4)       | (5)                                                                                                                                         | (6)           | (7)    | (8) | (9) | (10) | (11)    | (12) |
| ----- K.M. -----                                                            |       |         |           |                                                                                                                                             |               |        |     |     |      |         |      |
| Hudson.....                                                                 | 0     | 623,175 | 1,579,375 | R.L.                                                                                                                                        |               |        |     |     |      |         |      |
| Fisk.....                                                                   | 0     | 231,465 | 586,625   | D.W.                                                                                                                                        |               |        |     |     |      |         |      |
| Schroeder.....                                                              | 0     | 231,465 | 586,625   | D.R.                                                                                                                                        |               |        |     |     |      |         |      |
| Hawke.....                                                                  | 0     | 231,465 | 586,625   | F.M.                                                                                                                                        |               |        |     |     |      |         |      |
| Jaehnert.....                                                               | 0     | 178,050 | 451,250   | All Stockholders' Gains (increase in market value of Brady Corporation Common Stock at assumed rates of stock price appreciation)(4)(6).... | \$373,536,401 |        |     |     |      |         |      |
| (6).....                                                                    | 1.82% | 1.82%   |           |                                                                                                                                             |               |        |     |     |      |         |      |

- (1) The options granted October 24, 2000, become exercisable as follows: 33 1/3% of the shares on October 24, 2001; 33 1/3% of the shares on October 24, 2002; and 33 1/3% of the shares on October 24, 2003. These options have a term of ten years.
- (2) The exercise price is the average of the highest and lowest sale prices of the Company's Class A Common Stock as reported by the New York Stock Exchange on the date of the grant.
- (3) Represents total potential appreciation of approximately 0%, 63% and 159% for assumed annual rates of appreciation of 0%, 5% and 10%, respectively, compounded annually for the ten-year option term.
- (4) Calculated from the \$28.3150 exercise price applicable to the options granted on October 24, 2000 and based on the 20,979,298 shares of Class A Common Stock outstanding on October 24, 2000.
- (5) Represents potential realizable value for all options granted in fiscal 2001 compared to the increase in market value of Brady Corporation Class A Common Stock at assumed rates of stock price appreciation.
- (6) The Company disavows the ability of any valuation model to predict or estimate the Company's future stock price or to place a reasonably accurate present value on these options because any model depends on assumptions about the stock's future price movement that the Company is unable to predict.

AGGREGATED OPTION EXERCISES IN FISCAL 2001  
AND VALUE OF OPTIONS AT END OF FISCAL 2001

| NUMBER OF UNEXERCISED OPTIONS AT SHARES JULY<br>31, 2001 ACQUIRED ON VALUE ----- |          |         |         |              |
|----------------------------------------------------------------------------------|----------|---------|---------|--------------|
| ----- EXERCISE REALIZED EXERCISABLE                                              |          |         |         |              |
| UNEXERCISABLE                                                                    | NAME (#) | (\$)    | (#)     | (#) -----    |
| -----                                                                            |          |         |         |              |
| K.M.                                                                             |          |         |         |              |
| Hudson.....                                                                      |          |         |         |              |
|                                                                                  | 0        | 0       | 228,334 | 317,666 R.L. |
| Fisk.....                                                                        |          |         |         |              |
|                                                                                  | 26,000   | 214,342 | 20,500  | 125,500 D.W. |
| Schroeder.....                                                                   |          |         |         |              |
|                                                                                  | 6,000    | 136,660 | 59,000  | 125,500 D.R. |
| Hawke.....                                                                       |          |         |         |              |
|                                                                                  | 6,750    | 146,892 | 52,250  | 125,500 F.M. |
| Jaehnert.....                                                                    |          |         |         |              |
|                                                                                  | 0        | 0       | 24,700  | 93,400       |

| VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT JULY 31,<br>2001(1) ----- EXERCISABLE |           |           |       |       |
|------------------------------------------------------------------------------------|-----------|-----------|-------|-------|
| UNEXERCISABLE                                                                      | NAME (\$) | (\$)      | ----- | ----- |
| --- K.M.                                                                           |           |           |       |       |
| Hudson.....                                                                        |           |           |       |       |
|                                                                                    | 3,216,798 | 2,620,627 |       | R.L.  |
| Fisk.....                                                                          |           |           |       |       |
|                                                                                    | 167,982   | 1,233,248 |       | D.W.  |
| Schroeder.....                                                                     |           |           |       |       |
|                                                                                    | 741,337   | 1,233,248 |       | D.R.  |
| Hawke.....                                                                         |           |           |       |       |
|                                                                                    | 592,018   | 1,233,248 |       | F.M.  |
| Jaehnert.....                                                                      |           |           |       |       |
|                                                                                    | 226,122   | 1,182,307 |       |       |

-----

(1) Represents the closing price for the Company's Class A Common Stock on July 31, 2001, of \$34.4500 less the exercise price for all outstanding exercisable and unexercisable options for which the exercise price is less than such closing price.

The graph below shows a comparison of the cumulative return over the last five fiscal years had \$100 been invested at the close of business on July 31, 1996, in each of Brady Corporation Class A Common Stock, the Standard & Poor's (S&P) 500 Index, the Russell 2000 Index and the New York Stock Exchange (NYSE) Composite Index.

[PERFORMANCE GRAPH]

[illegible]

\$139 \$  
99 \$169  
\$151  
\$173 ---  
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--- S&P  
500 \$100  
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RUSSELL  
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\$153 ---  
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--- NYSE  
Composite  
\$100  
\$144  
\$165  
\$183  
\$187  
\$180 ---  
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COMPENSATION OF DIRECTORS

Each director who is also an employee of the Company receives no additional compensation for service on the Board or on any committee of the Board. Directors who are not also employees of the Company receive an annual retainer of \$20,000 plus \$1,500 for each committee they chair and \$1,250 plus expenses for each meeting of the Board or any committee thereof which they attend and are a member. Directors receive \$750 for each meeting they attend of any committee for which they are not a member.

TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

In January, 2001, the Board approved new Change in Control Agreements for certain of its executive officers including Mrs. Hudson, Messrs. Fisk,

Schroeder, Hawke and Jaehnert. The agreements call for payment of an amount equal to three times the annual salary and bonus for Mrs. Hudson and two times the annual salary and bonus for Messrs. Fisk, Schroeder, Hawke, and Jaehnert in the event of termination or resignation upon a change of control. The agreements also call for reimbursement of any excise taxes imposed

and up to \$25,000 of attorney fees to enforce the executive's rights under the agreement. Payments under the agreements will be spread over three years for Mrs. Hudson and two years for Messrs. Fisk, Schroeder, Hawke and Jaehnert.

In May 1997, the Company created a Supplemental Executive Retirement Plan (SERP) for Mr. Fisk. The Plan calls for the Company to credit a deferred compensation account with \$200,000 on August 1 of each year beginning August 1, 1997, to and including August 1, 2001, provided Mr. Fisk is employed by the Company as of each of those dates. Interest accrues on the balance in the account at the prime rate in effect on August 1 of each year, but not less than 6% nor more than 10% per annum.

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

In fiscal 1994 the Company created a Supplemental Executive Retirement Plan (SERP) for Mrs. Hudson. The stated amount of the Plan at January 1, 1999, was \$500,000. The Company credited a deferred compensation account with the net present value of the stated amount in January 1994. The account is credited annually with the current year's increase in the net present value calculation. After January 1, 1999, interest accrues quarterly on the balance in the account at the prime rate in effect at the end of each calendar quarter.

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

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

#### RESTRICTED STOCK

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

#### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 2001, the Board's Compensation Committee was composed of Messrs. Bemis, Jarc and Peirce. Mr. Lettenberger serves as a nonvoting advisor to the Committee. None of these persons has at any time been an employee of the Company or any of its subsidiaries. There are no relationships among the Company's executive officers, members of the Compensation Committee or entities whose executives serve on the Board that require disclosure under applicable SEC regulations.

#### MONEY PURCHASE AND 401(k) PLAN

Substantially all Brady employees in the United States and certain expatriate employees working for its international subsidiaries are eligible to participate in the Company's Money Purchase ("Brady Corporation Funded Retirement Plan") and Employee 401K Plan (the "Brady Corporation Matched 401(k) Plan"). Under this plan the Company agrees to contribute certain amounts to the Brady Corporation Matched 401(k) Plan. Under the Funded Retirement Plan, the Company contributes 4% of the eligible earnings of each person covered by the Funded Retirement Plan. In addition, participants may elect to have their annual pay reduced by up to 4% and have the amount of this reduction contributed to the Brady Corporation Matched 401(k) Plan by the Company and matched by an additional, equal contribution by the Company. Participants may

also elect to have up to another 8% of their eligible earnings contributed to the Brady Corporation Matched 401(k) Plan (without an additional matching contribution by the Company). The assets of the Brady Corporation Matched 401(k) Plan and Brady Corporation Funded Retirement Plan credited to each participant are invested by the trustee of the Plans as directed in several investment funds as permitted by the Brady Corporation Matched 401(k) Plan and Brady Corporation Funded Retirement Plan. The annual contributions and forfeitures allocated to any participant under all defined contribution plans may not exceed the lesser of \$30,000 or 25% of the participant's base compensation and bonuses. Benefits are generally payable upon the death, disability, or retirement of the participant or upon termination of employment before retirement, although benefits may also be withdrawn from the Brady Corporation Matched 401(k) Plan and paid to the participant if required for certain emergencies. Under certain specified circumstances, the Brady Corporation Matched 401(k) Plan allows loans to be drawn on a participant's account. The participant is immediately fully vested with respect to the contributions attributable to reductions in pay; all other contributions become fully vested after three years of service.

#### DEFERRED COMPENSATION ARRANGEMENTS

During fiscal 1998, the Company adopted new deferred compensation plans whereby directors, executive officers, corporate staff officers and certain key management employees of the Company are permitted to defer portions of their fees, salary and bonus into a plan account, the value which is measured by the Company's Class A Common Stock. Participants in the old deferred compensation plan were allowed to convert their balances in the old plan to this new plan. The conversion to the new plan was funded by the issuance of 372,728 shares of Class A Common Stock to a Rabbi Trust (the "Trust") in November 1997. All deferrals into the new plan result in purchases of existing Class A Common Stock by the Trust. No deferrals are allowed into the old plan.

Upon the retirement, disability, or death of participant, the Company is required under the new plan to pay, each year for a period of ten years, a portion of the shares held in the participant's name by the Trust. The first payment must be one-tenth of the number of shares held; the second one-ninth; and so on, with the number of shares held in the Trust reduced by each payment.

If the participant's employment ends for reasons other than retirement, disability or death, the shares held by the Trust in the participant's name will be distributed over a period of ten years. At the request of the participant and for special situations at the sole discretion of the Compensation Committee, the Company may make distributions in larger installments or in a lump sum or other basis.

In the old deferred compensation plan, directors, executive officers, corporate staff officers and certain key management employees of the Company were permitted to defer portions of their fees, salary and bonus into a plan, the value of which was measured in "phantom stock" of the Company. "Phantom Stock" is not actual stock or rights to acquire stock in the Company, but it gives participants the right to share in increases in book value (as defined) of the common stock. At the end of each fiscal year, the deferred compensation balance (with interest) is credited to the purchase of phantom common stock at the then book value of the common stock of the Company, and is thereafter adjusted to reflect stock dividends and other dividends or distributions on the Company's Class A Common Stock. No new deferrals are allowed into this old deferred compensation plan. Upon the retirement, disability, or death of participant, the Company is required to pay, each year for a period of ten years, a portion of the book value of the phantom stock determined by the book value of the corresponding number of common shares as of the end of each fiscal year. The first payment must be one-tenth of the book value; the second one-ninth; and so on, with the number of phantom shares reduced by the equivalent in book value of each payment. At the request of the participant, the Company may make payments in larger installments or in a lump sum on a discounted or other basis.

All current directors and executives converted their balances to the new deferred compensation plan. Certain retired participants elected not to transfer their balances into the new plan. They were allowed to remain in the old deferred compensation plan until the end of fiscal 2002. At that point the old plan will terminate and participant's balances will earn simple interest at a rate equal to the yield on a 30-year U.S. Treasury Bond as of July 31 of each year.

## COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

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

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

### THE COMMITTEE BELIEVES THAT:

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

### Base Salary

Consistent with the Committee's philosophy, base salaries are generally maintained at or modestly above competitive base salary levels. Competitive salary level is defined as the average base salary for similar responsibilities in a group of companies selected by the Committee that the Committee considers to be of comparable size and complexity. In setting base salaries for fiscal 2001, the Committee reviewed compensation survey data and was satisfied that the base salary levels set would achieve the Company's objectives. Specific increases reflect the Committee's subjective evaluation of individual performance.

### Annual Shareholder Value Enhancement Plan

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

### Stock Options

In May 1997, the Company approved the Brady Corporation 1997 Omnibus Incentive Stock Plan and the Brady Corporation 1997 Nonqualified Stock Option Plan for Non-Employee Directors (the "Option Plans") under which 2,000,000 shares and 125,000 shares, respectively, of Class A Common Stock are available for grant. In 1989 the Board approved the Brady Corporation 1989 Non-Qualified Stock Option Plan (the "Option Plan") under which 1,500,000 shares of Class A Common Stock were available for grant. The Option Plans assist directors, executive officers, corporate staff officers and key management employees in becoming shareholders with an important stake in the Company's future, aligning their personal financial interest with that of all shareholders. Stock options are typically granted annually and have a term of ten years. Generally, the options become one-third exercisable one year after the date of the grant and one-third additional in each of the succeeding two years so that at the end of three years after the date of the grant they are fully exercisable. All grants under the Option Plans are at market price on the date of the grant.

## Compliance with Tax Regulations Regarding Executive Compensation

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

### Compensation of the Chief Executive Officer

Mrs. Hudson received \$497,231 in base salary in fiscal 2001, an increase of 5.7% from the prior year's base salary. She was not paid a bonus attributable to fiscal 2001, a decrease of 100%, or \$535,963, from the prior year's bonus. The bonus was determined in accordance with the Company's objective Bonus Plan, discussed above. Mrs. Hudson's compensation reflects:

- (i) an increase of 13.2%, from \$30.44 to \$34.45, in the Company's stock price, a decrease of 26.9%, or \$12,279,000, in profits (after removing the effects of the nonrecurring items) and a decrease 0.9% in sales over similar amounts from the prior year
- (ii) the successful acquisitions of Balkhausen GmbH and Eset, GmbH this year and the integration of last year's acquisitions of certain assets of Champion America, Inc., Data Recognition, Inc. and Imtec, Inc.
- (iii) continued improvement in asset utilization (a 10.5% decrease in inventory and accounts receivable)
- (iv) continued efforts to focus the Company's resources on sustainable value-enhancing long-term growth
- (v) continued improvement in intercompany teamwork.

During fiscal 2001, Mrs. Hudson was awarded options to purchase 35,000 shares of Class A Common Stock.

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

\* \* \* \* \*

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

Roger D. Peirce, Chairman  
Richard A. Bemis  
Frank R. Jarc

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners

The following table sets forth the current beneficial ownership of shareholders who are known by the Company to own five percent (5%) of any class of the Company's voting shares on September 12, 2001.

| AMOUNT OF NAME AND ADDRESS<br>OF BENEFICIAL PERCENT OF<br>TITLE OF CLASS BENEFICIAL<br>OWNER OWNERSHIP OWNERSHIP |
|------------------------------------------------------------------------------------------------------------------|
|------------------------------------------------------------------------------------------------------------------|

|       |
|-------|
| ----- |
|-------|

|                      |
|----------------------|
| ----- Class B Common |
|----------------------|

|            |
|------------|
| Stock..... |
|------------|

|                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| William H. Brady, Jr.<br>884,652 50% Trust f/b/o<br>Elizabeth B. Lurie(1) c/o<br>Quarles & Brady Attn:<br>Peter J. Lettenberger 411<br>East Wisconsin Avenue<br>Milwaukee, WI 53202 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                                                                                                                                               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| William H. Brady, Jr. III<br>884,652 50% Revocable<br>Trust 2001(1) c/o Quarles<br>& Brady Attn: Peter J.<br>Lettenberger 411 East<br>Wisconsin Avenue<br>Milwaukee, WI 53202 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

-----  
(1) The trustees of both trusts are Richard A. Bemis, Robert C. Buchanan, Peter J. Lettenberger, Roger D. Peirce and Gary E. Nei, each of whom shares voting and dispositive power.

(b) Security Ownership of Management

The following table sets forth the current beneficial ownership of each class of equity securities of the Company by each Director or Nominee and by all Directors and Officers of the Company as a group as of September 12, 2001. Except as otherwise indicated, all shares are owned directly.

NAME OF BENEFICIAL AMOUNT OF  
OWNER & NATURE OF BENEFICIAL  
PERCENT OF TITLE OF CLASS  
BENEFICIAL OWNERSHIP  
OWNERSHIP(10) OWNERSHIP ----  
-----  
-----

Class A Common  
Stock..... Peter J.  
Lettenberger(1)(2)(3)  
2,530,397 12.0% Richard A.  
Bemis(1)(4) 2,160,897 10.2%  
Gary E. Nei(1)(5) 2,156,397  
10.2% Roger D. Peirce(1)(6)  
2,154,897 10.2% Robert C.  
Buchanan(1)(7) 2,153,997  
10.2% Katherine M. Hudson(8)  
319,351 1.5% David W.  
Schroeder 100,200 0.5% David  
R. Hawke 100,119 0.5%  
Richard L. Fisk 58,166 0.3%  
Frank M. Jaehnert 36,841  
0.2% Conrad G. Goodkind  
17,847 0.1% Frank W. Harris  
8,533 \* % Mary K. Bush 1,500  
\* % Frank R. Jarc 1,500 \* %  
All Officers and Directors  
as a Group(16 persons)(9)  
2,890,076 13.7% Class B  
Common Stock.....  
Peter J. Lettenberger(1)  
1,769,314 100% Richard A.  
Bemis(1) 1,769,314 100% Gary  
E. Nei(1) 1,769,314 100%  
Roger D. Peirce(1) 1,769,314  
100% Robert C. Buchanan(1)  
1,769,314 100% All Officers  
and Directors as a Group  
1,769,314 100% 6% Cumulative  
Preferred  
Stock.....  
Peter J. Lettenberger(1)(2)  
3,303 82.9% Richard A.  
Bemis(1) 1,743 43.8% Gary E.  
Nei(1) 1,743 43.8% Roger D.  
Peirce(1) 1,743 43.8% Robert  
C. Buchanan(1) 1,743 43.8%  
All Officers and Directors  
as a Group 3,303 82.9% 10%  
Cumulative 1979 Series  
Preferred  
Stock..... Peter J.  
Lettenberger(2) 16,879 77.8%  
All Officers and Directors  
as a Group 16,879 77.8% 6%  
Cumulative 1972 Series  
Preferred  
Stock..... Peter J.  
Lettenberger(2) 2,600 100%  
All Officers and Directors  
as a Group(2) 2,600 100%

-----  
\* Indicates less than one-tenth of one percent

(1) The amount shown includes shares held directly by the William H. Brady, Jr. Trust f/b/o Elizabeth B. Lurie (the "William H. Brady, Jr. Trust"), the William H. Brady III Revocable Trust 2001 (the "Revocable Trust") and the William H. Brady, Jr. Family Trust (the "Family Trust") (collectively, the "Trusts"). The William H. Brady, Jr. Trust owns 885,769 shares of Class A Common

Stock, 884,652 shares of Class B Common Stock, and 855 shares of 6% Cumulative Preferred Stock. The Revocable Trust owns 1,260,128 shares of Class A Common Stock, 884,652 shares of Class B Common Stock and 888 shares of 6% Cumulative Preferred Stock. The Family Trust owns 10 shares of Class B Common Stock. The Trustees of the Trusts are Richard A. Bemis, Robert C. Buchanan, Peter J. Lettenberger, Gary E. Nei and Roger D. Peirce, each of whom shares voting and dispositive power.

- (2) Peter J. Lettenberger is a director of the W.H. Brady Foundation, Inc. (the "Foundation") which owns 16,879 shares of the 1979 Series 10% Cumulative Preferred Stock, 1,526 shares of the 6% Cumulative Preferred Stock and 2,600 shares of the 6% Cumulative Preferred Stock, 1972 Series. Mr. Lettenberger is also a trustee of the Irene B. Brady Trust f/b/o Elizabeth B. Lurie (the "Irene B. Brady Trust"), which owns 374,359 shares of Class A Common Stock and 34 shares of 6% Cumulative Preferred Stock.
- (3) In addition to shares beneficially owned as a trustee of the Trusts and the Irene B. Brady Trust and as a director of the Foundation, Mr. Lettenberger owns directly 3,875 shares of Class A Common Stock and holds vested options to acquire an additional 6,000 shares of Class A Common Stock.
- (4) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Bemis owns 9,000 shares of Class A Common Stock directly and holds vested options to acquire an additional 6,000 shares of Class A Common Stock.
- (5) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Nei owns 4,500 shares of Class A Common Stock directly and holds vested options to acquire an additional 6,000 shares of Class A Common Stock.
- (6) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Peirce owns 1,500 shares of Class A Common Stock directly, 1,500 shares through his Keogh plan and holds vested options to acquire an additional 6,000 shares of Class A Common Stock.
- (7) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Buchanan owns 600 shares of Class A Common Stock directly, 1,500 additional shares through his Keogh plan and holds vested options to acquire an additional 6,000 shares of Class A Common Stock.
- (8) Mrs. Hudson owns 57,351 shares of Class A Common Stock directly and holds vested options to acquire an additional 262,000 shares of Class A Common Stock.
- (9) The amount shown for all officers and directors as a group (17 persons) includes options to acquire a total of 558,317 shares of Class A Common Stock, which are currently exercisable or will be exercisable within 60 days of October 1, 2001. It does not include other options for Class A Common Stock, which have been granted at later dates.
- (10) In addition to the shares shown in this table, the officers and directors as a group owned the equivalent of 350,669 shares of the Company's Class A Common Stock in its deferred compensation plans, including 93,900 for Mrs. Hudson, 7,817 for Mr. Jaehnert, 34,000 for Mr. Fisk, 35,171 for Mr. Hawke, 28,199 for Mr. Schroeder, 4,847 for Mr. Oliver and 5,329 for Mr. Rearic.

(c) Changes in Control

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

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Peter J. Lettenberger serves as a Director of the Company; he is also a partner of Quarles & Brady, general counsel to the Company.

PART IV

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

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

1) The selected financial data and stock price disclosure presented on Pages 8 through 10 of the Company's 2001 Annual Report are incorporated herein by reference.

2) Consolidated Financial Statement Schedule --

Schedule II Valuation and Qualifying Accounts

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

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

(b) Reports on Form 8-K.

No report on form 8-K was filed by the Company during the fourth quarter of fiscal 2001.

# EXHIBIT INDEX

| EXHIBIT<br>NUMBER | DESCRIPTION - |
|-------------------|---------------|
| -----             | -----         |
| ----- 3.1         | Restated      |
|                   | Articles of   |
|                   | Incorporation |
|                   | of Brady      |
| Corporation(1)    |               |
| 3.2               | By-laws       |
|                   | of Brady      |
|                   | Corporation,  |
| as amended(2)     |               |
| 10.2              | Brady         |
|                   | Corporation   |
|                   | BradyGold     |
|                   | Plan, as      |
| amended(2)        |               |
| 10.3              |               |
|                   | Executive     |
|                   | Additional    |
|                   | Compensation  |
|                   | Plan, as      |
| amended(2)        |               |
| 10.4              | Form of       |
|                   | Executive's   |
|                   | Deferred      |
|                   | Compensation  |
|                   | Agreement, as |
| amended(2)        |               |
| 10.5              | Forms of      |
|                   | Director's    |
|                   | Deferred      |
|                   | Compensation  |
|                   | Agreement, as |
| amended(2)        |               |
| 10.6              | Brady         |
|                   | Corporation   |
|                   | 1989 Non-     |
|                   | Qualified     |
|                   | Stock Option  |
| Plan(4)           |               |
| 10.7              |               |
|                   | Shareholder   |
|                   | Value         |
|                   | Enhancement   |
| (SVE) Plan(6)     |               |
| 10.9              | Brady         |
|                   | Corporation   |
|                   | Automatic     |
|                   | Dividend      |
|                   | Reinvestment  |
| Plan(4)           |               |
| 10.10             |               |
|                   | Supplemental  |
|                   | Executive     |
|                   | Retirement    |
|                   | Plan between  |
|                   | Brady         |
|                   | Corporation   |
|                   | and Katherine |
| M. Hudson(5)      |               |
| 10.12             | Brady         |
|                   | Corporation   |
|                   | 1997 Omnibus  |
|                   | Incentive     |
| Stock Plan(7)     |               |
| 10.13             | Brady         |
|                   | Corporation   |
| 1997              |               |
|                   | Nonqualified  |
|                   | Stock Option  |
|                   | Plan for Non- |
|                   | Employee      |
|                   | Directors(7)  |
| 10.14             | Change        |
|                   | of Control    |
|                   | Agreement     |
|                   | dated January |
| 5, 2001,          |               |
|                   | between Brady |
|                   | Corporation   |
|                   | and Katherine |
| M. Hudson         |               |
| 10.15             | Change        |
|                   | of Control    |
|                   | Agreement     |
|                   | dated January |
| 5, 2001,          |               |
|                   | between Brady |
|                   | Corporation   |
|                   | and David W.  |
| Schroeder         |               |

10.16 Change  
of Control  
Agreement  
dated January  
5, 2001,  
between Brady  
Corporation  
and Richard  
L. Fisk 10.17  
Change of  
Control  
Agreement  
dated January  
5, 2001,  
between Brady  
Corporation  
and David R.  
Hawke 10.19  
Supplemental  
Executive  
Retirement  
Plan dated  
May 14, 1997,  
between Brady  
Corporation  
and Richard  
L. Fisk(7)  
10.20  
Restricted  
Stock  
Agreement  
dated August  
1, 1997,  
between Brady  
Corporation  
and Katherine  
M. Hudson(8)  
10.21  
Restricted  
Stock  
Agreement  
dated August  
1, 1997,  
between Brady  
Corporation  
and Richard  
L. Fisk(8)  
10.22  
Restricted  
Stock  
Agreement  
dated August  
1, 1997,  
between Brady  
Corporation  
and David W.  
Schroeder(8)  
10.23  
Restricted  
Stock  
Agreement  
dated August  
1, 1997,  
between Brady  
Corporation  
and David R.  
Hawke(8)  
10.24 Change  
of Control  
Agreement  
dated January  
5, 2001,  
between Brady  
Corporation  
and Frank M.  
Jaehnert  
10.25 Brady  
Corporation  
Restoration  
Plan dated  
January 1,  
2000(9) 13.1  
Annual Report  
to  
Shareholders  
for year  
ended July  
31, 2001 18.1  
Letter  
regarding  
change in  
accounting  
method(3)  
21.1  
Subsidiaries  
of Brady  
Corporation

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

- (6) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1995
- (7) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1997
- (8) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1997
- (9) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000

## BRADY CORPORATION AND SUBSIDIARIES

## SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

YEAR ENDED JULY 31, -----  
 ----- DESCRIPTION 2001 2000 1999  
 ----- (DOLLARS IN  
 THOUSANDS) Valuation accounts deducted  
 in balance sheet from assets to which  
 they apply -- Accounts receivable --  
 allowance for losses: Balances at  
 beginning of  
 period..... \$  
 2,919 \$ 2,339 \$ 2,011 Additions --  
 Charged to  
 expense.....  
 1,537 1,830 966 Due to acquired  
 businesses..... 45 97  
 Deductions -- Bad debts written off,  
 net of recoveries.... (2,159) (1,295)  
 (735) ----- Balances  
 at end of  
 period.....  
 \$ 2,297 \$ 2,919 \$ 2,339 =====  
 ===== Inventory -- reserve  
 for slow-moving inventory: Balances at  
 beginning of  
 period..... \$  
 4,714 \$ 5,506 \$ 3,544 Additions --  
 Charged to  
 expense.....  
 1,962 Due to acquired  
 businesses..... 349  
 Deductions -- Inventory written  
 off..... (441)  
 (1,141) -----  
 Balances at end of  
 period.....  
 \$ 4,273 \$ 4,714 \$ 5,506 =====  
 =====

# SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this twenty-third day of October 2001.

## BRADY CORPORATION

By /s/ F. M. JAEHNERT

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

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

|                  |                        |                  |
|------------------|------------------------|------------------|
| /s/ K. M. HUDSON | President and Director | October 23, 2001 |
| -----            | (Principal Executive   |                  |
| K. M. Hudson     | Officer)               |                  |

|                        |          |                  |
|------------------------|----------|------------------|
| /s/ P. J. LETTENBERGER | Director | October 23, 2001 |
| -----                  |          |                  |
| P. J. Lettenberger     |          |                  |

|                 |          |                  |
|-----------------|----------|------------------|
| /s/ R. A. BEMIS | Director | October 23, 2001 |
| -----           |          |                  |
| R. A. Bemis     |          |                  |

|                  |          |                  |
|------------------|----------|------------------|
| /s/ F. W. HARRIS | Director | October 23, 2001 |
| -----            |          |                  |
| F. W. Harris     |          |                  |

|                    |          |                  |
|--------------------|----------|------------------|
| /s/ R. C. BUCHANAN | Director | October 23, 2001 |
| -----              |          |                  |
| R. C. Buchanan     |          |                  |

|                  |          |                  |
|------------------|----------|------------------|
| /s/ R. D. PEIRCE | Director | October 23, 2001 |
| -----            |          |                  |
| R. D. Peirce     |          |                  |

|               |          |                  |
|---------------|----------|------------------|
| /s/ G. E. NEI | Director | October 23, 2001 |
| -----         |          |                  |
| G. E. Nei     |          |                  |

|                |          |                  |
|----------------|----------|------------------|
| /s/ M. K. BUSH | Director | October 23, 2001 |
| -----          |          |                  |
| M. K. Bush     |          |                  |

|                |          |                  |
|----------------|----------|------------------|
| /s/ F. R. JARC | Director | October 23, 2001 |
| -----          |          |                  |
| F. R. Jarc     |          |                  |

## BRADY CORPORATION

## CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of January 5, 2001, between Brady Corporation, a Wisconsin corporation, ("Company") and Katherine M. Hudson.

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

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

WHEREAS, the Company 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 Company 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 W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

(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 Company is involuntarily terminated (other than by reason of death, disability or Cause) or (ii) the Executive's employment with the Company 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 Company 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 Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Executive by the Company which specifically identifies the manner in which the Company 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 Company, as determined in good faith by the Board of Directors of the Company.

(d) "Beneficiary" means any one or more primary or secondary beneficiaries designated in writing by the Executive on a form provided by the Company 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 Company. The designation on file with the Company 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 three times the annual base salary paid the Executive by the Company in effect immediately prior to the date the Change of Control occurs, and three 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 36 monthly installments beginning on the 15th day of the month following the month in which the Executive's employment with the Company terminates.

(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Company'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 as soon as deductible by the Company. However, in such event, the Company 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.

#### 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 Company (the "Total Payments") would result in the Executive incurring an excise tax as a result of Section 280(G) of the Code, the Company will reimburse the Executive for such Excise Tax.

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement, the Executive's Restricted Stock Agreement dated August 1, 1997 or the Executive's Nonqualified Retention Stock Option Agreement dated May 13, 1997, and November 17, 1999, and the Executive prevails in such lawsuit, the Company 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 Company 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 Company 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 Company, 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 Company and its successors and assigns and shall also be enforceable by the Executive's legal representatives.

(b) Successors. The Company 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 Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company 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: Katherine M. Hudson  
10537 N. Riverlake Drive  
Mequon, WI 53092

If to the Company: Brady Corporation  
6555 West Good Hope Road  
Milwaukee, WI 53223  
Attention: Corporate Secretary

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 Company or affect the right of the Company 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 Company, except as otherwise may be specifically provided by such plan or agreement.

(i) Other Agreements. This Agreement supersedes any other severance arrangement between the Company 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 Company 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 Company.

(k) Facility of Payment. If the Executive or, if applicable, the Executive's Beneficiary, is under legal disability, the Company 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 Company and the Company shall not be required to see to the application of any distribution so made.

SECTION 7. CLAIMS PROCEDURE.

(a) 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 Company. The Company shall review the claim and notify the Claimant of the Company'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 Company'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.

(b) 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 Company has caused this Agreement to be signed, all as of the date first set forth above.

-----  
Executive -- Katherine M. Hudson

Brady Corporation

By: \_\_\_\_\_

Attest \_\_\_\_\_

## BRADY CORPORATION

## CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of January 5, 2001, between Brady Corporation, a Wisconsin corporation, ("Company") and David W. Schroeder.

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

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

WHEREAS, the Company 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 Company 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 W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

(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 Company is involuntarily terminated (other than by reason of death, disability or Cause) or (ii) the Executive's employment with the Company 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 Company 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 Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Executive by the Company which specifically identifies the manner in which the Company 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 Company, as determined in good faith by the Board of Directors of the Company.

(d) "Beneficiary" means any one or more primary or secondary beneficiaries designated in writing by the Executive on a form provided by the Company 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 Company. The designation on file with the Company 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 Company 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 Company terminates.

(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Company'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 as soon as deductible by the Company. However, in such event, the Company 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.

#### 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 Company (the "Total Payments") would result in the Executive incurring an excise tax as a result of Section 280(G) of the Code, the Company will reimburse the Executive for such Excise Tax.

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement, the Executive's Restricted Stock Agreement dated August 1, 1997 or the Executive's Nonqualified Retention Stock Option Agreement dated May 13, 1997, and the Executive prevails in such lawsuit, the Company will reimburse the Executive for his 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 Company 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 Company 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 Company, 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 Company and its successors and assigns and shall also be enforceable by the Executive's legal representatives.

(b) Successors. The Company 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 Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company 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: | David W. Schroeder         |
|                      | 10629 N. Gazebo Hill Pkwy. |
|                      | Mequon, WI 53092           |

If to the Company:

Brady Corporation  
6555 West Good Hope Road  
Milwaukee, WI 53223  
Attention: Corporate Secretary

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 Company or affect the right of the Company 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 Company, except as otherwise may be specifically provided by such plan or agreement.

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

(j) Withholding. To the extent required by law, the Company 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 Company.

(k) Facility of Payment. If the Executive or, if applicable, the Executive's Beneficiary, is under legal disability, the Company 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 Company and the Company shall not be required to see to the application of any distribution so made.

SECTION 7. CLAIMS PROCEDURE.

(a) 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 Company. The Company shall review the claim and notify the Claimant of the Company'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 Company'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.

(b) 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 Company has caused this Agreement to be signed, all as of the date first set forth above.

-----  
Executive - David W. Schroeder

Brady Corporation

By:

-----

Attest

-----

## BRADY CORPORATION

## CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of January 5, 2001, between Brady Corporation, a Wisconsin corporation, ("Company") and Richard L. Fisk

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

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

WHEREAS, the Company 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 Company 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 W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

(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 Company is involuntarily terminated (other than by reason of death, disability or Cause) or (ii) the Executive's employment with the Company 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 Company 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 Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Executive by the Company which specifically identifies the manner in which the Company 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 Company, as determined in good faith by the Board of Directors of the Company.

(d) "Beneficiary" means any one or more primary or secondary beneficiaries designated in writing by the Executive on a form provided by the Company 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 Company. The designation on file with the Company 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 Company 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 Company terminates.

(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Company'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 as soon as deductible by the Company. However, in such event, the Company 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.

## 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 Company (the "Total Payments") would result in the Executive incurring an excise tax as a result of Section 280(G) of the Code, the Company will reimburse the Executive for such Excise Tax.

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement, the Executive's Restricted Stock Agreement dated August 1, 1997 or the Executive's Nonqualified Retention Stock Option Agreement dated May 13, 1997, and the Executive prevails in such lawsuit, the Company will reimburse the Executive for his 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 Company 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 Company 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 Company, 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 Company and its successors and assigns and shall also be enforceable by the Executive's legal representatives.

(b) Successors. The Company 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 Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company 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: | Richard L. Fisk   |
|                      | 33 Park Avenue    |
|                      | Madison, CT 06443 |

If to the Company:

Brady Corporation  
6555 West Good Hope Road  
Milwaukee, WI 53223  
Attention: Corporate Secretary

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 Company or affect the right of the Company 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 Company, except as otherwise may be specifically provided by such plan or agreement.

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

(j) Withholding. To the extent required by law, the Company 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 Company.

(k) Facility of Payment. If the Executive or, if applicable, the Executive's Beneficiary, is under legal disability, the Company 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 Company and the Company shall not be required to see to the application of any distribution so made.

SECTION 7. CLAIMS PROCEDURE.

(a) 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 Company. The Company shall review the claim and notify the Claimant of the Company'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 Company'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.

(b) 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 Company has caused this Agreement to be signed, all as of the date first set forth above.

-----  
Executive - Richard L. Fisk

Brady Corporation

By:

-----

Attest

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## BRADY CORPORATION

## CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of January 5, 2001, between Brady Corporation, a Wisconsin corporation, ("Company") and David R. Hawke.

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

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

WHEREAS, the Company 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 Company 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 W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

(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 Company is involuntarily terminated (other than by reason of death, disability or Cause) or (ii) the Executive's employment with the Company 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 Company 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 Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Executive by the Company which specifically identifies the manner in which the Company 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 Company, as determined in good faith by the Board of Directors of the Company.

(d) "Beneficiary" means any one or more primary or secondary beneficiaries designated in writing by the Executive on a form provided by the Company 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 Company. The designation on file with the Company 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 Company 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 Company terminates.

(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Company'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 as soon as deductible by the Company. However, in such event, the Company 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.

#### 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 Company (the "Total Payments") would result in the Executive incurring an excise tax as a result of Section 280(G) of the Code, the Company will reimburse the Executive for such Excise Tax.

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement, the Executive's Restricted Stock Agreement dated August 1, 1997 or the Executive's Nonqualified Retention Stock Option Agreement dated May 13, 1997, and the Executive prevails in such lawsuit, the Company will reimburse the Executive for his attorney fees incurred up to a maximum of \$25,000.00.

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(b) Successors. The Company 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 Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company 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: | David R. Hawke       |
|                      | 10719 N. Gazebo Hill |
|                      | Mequon, WI 53092     |

If to the Company:

Brady Corporation  
6555 West Good Hope Road  
Milwaukee, WI 53223  
Attention: Corporate Secretary

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 Company or affect the right of the Company 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 Company, except as otherwise may be specifically provided by such plan or agreement.

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

(j) Withholding. To the extent required by law, the Company 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 Company.

(k) Facility of Payment. If the Executive or, if applicable, the Executive's Beneficiary, is under legal disability, the Company 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 Company and the Company shall not be required to see to the application of any distribution so made.

SECTION 7. CLAIMS PROCEDURE.

(a) 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 Company. The Company shall review the claim and notify the Claimant of the Company'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 Company'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.

(b) 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 Company has caused this Agreement to be signed, all as of the date first set forth above.

-----  
Executive - David R. Hawke

Brady Corporation

By: \_\_\_\_\_

Attest \_\_\_\_\_

## BRADY CORPORATION

## CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of January 5, 2001, between Brady Corporation, a Wisconsin corporation, ("Company") and Frank M. Jaehnert.

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

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

WHEREAS, the Company 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 Company 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 W. H. Brady Foundation, Inc., collectively, directly or indirectly controls in excess of 50% of the voting common stock of the Company.

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expected to result in significant injury (monetarily or otherwise) to the Company, as determined in good faith by the Board of Directors of the Company.

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(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Company'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 as soon as deductible by the Company. However, in such event, the Company 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.

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

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement, or the Executive's Nonqualified Retention Stock Option Agreement dated August 1, 1998, and the Executive prevails in such lawsuit, the Company will reimburse the Executive for his 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.

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The Executive has obligations under the separate Confidential Information Agreement between the Executive and the Company 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 Company 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.

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(b) Successors. The Company 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 Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would have been required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean both the Company 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.

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|                      |                                                                  |
|----------------------|------------------------------------------------------------------|
| If to the Executive: | Frank M. Jaehnert<br>W68 N1068 Kensington<br>Cedarburg, WI 53012 |
|----------------------|------------------------------------------------------------------|

|                    |                                                                                                        |
|--------------------|--------------------------------------------------------------------------------------------------------|
| If to the Company: | Brady Corporation<br>6555 West Good Hope Road<br>Milwaukee, WI 53223<br>Attention: Corporate Secretary |
|--------------------|--------------------------------------------------------------------------------------------------------|

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.

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

(j) Withholding. To the extent required by law, the Company 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 Company.

(k) Facility of Payment. If the Executive or, if applicable, the Executive's Beneficiary, is under legal disability, the Company 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 Company and the Company shall not be required to see to the application of any distribution so made.

#### SECTION 7. CLAIMS PROCEDURE.

(a) 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 Company. The Company shall review the claim and notify the Claimant of the Company'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 Company'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.

(b) 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 Company has caused this Agreement to be signed, all as of the date first set forth above.

-----  
Executive -- Frank M. Jaehnert

Brady Corporation

By: -----

Attest -----

WE'VE TAKEN A LESSON FROM BAMBOO, ONE OF THE WORLD'S MOST  
ENDURING AND VERSATILE MATERIALS.

BRADY CORPORATION  
2001 Annual Report

[BRADY LOGO]



463  
479  
551  
546

NET INCOME  
in millions  
[BAR GRAPH]

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97  
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28  
32  
33\*  
39\*  
46\*  
33\*

\* excluding non-recurring items

STOCKHOLDERS' INVESTMENT  
in millions  
[BAR GRAPH]

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233  
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291  
302

DEAR FELLOW SHAREHOLDERS

"LET ME TELL YOU A STORY"

Earlier in my career, I had occasion to visit an important customer in Kyoto at the beginning of the Japanese economic crisis. This customer's father had worked very hard to build a successful family business from scratch. Over the years, they developed a strong and loyal relationship with the company I was working for at the time.

At this particular meeting, I was surprised when the customer handed me an order for an extremely expensive piece of equipment. "Given the difficult economic conditions in your country, are you sure you want to make this investment now?" I asked.

He pointed to a large bamboo plant in his office and explained, "It's during the times of slower growth that the bamboo plant builds the strong rings that serve as the foundation for its next growth spurt."

I've never forgotten that meeting, and often think of it in executive planning sessions. It seems particularly appropriate in these times of economic uncertainty.

[PHOTO]

KATHERINE M. HUDSON  
President and Chief Executive Officer

By taking a lesson from the bamboo plant, Brady is continuing to invest and build our platforms for faster growth so that we may be better prepared when this manufacturing slow down moves into a recovery.

2001 ANNUAL REPORT

LETTER TO SHAREHOLDERS

FINANCIAL RESULTS

Fiscal 2001 was demanding, difficult and disappointing. We faced weak economies, a strong U.S. dollar, and business contraction in many markets. In fact, U.S. industrial production in 2001 fell to levels not seen since the 1991 recession, and U.S. factories operated at their slowest pace in more than 17 years.

For Brady, that meant a swing from 15-percent sales growth in the first quarter to a 15-percent decline in the fourth quarter. Our sales for the year were \$545.9 million, down 0.9 percent from fiscal 2000's record \$550.7 million in sales. In local currencies, sales rose 3.3 percent to \$568.8 million.

As telecommunications, electronics and other Brady markets continued to struggle with double-digit declines throughout the year, we focused on creative and strategic cost-control initiatives to weather the storm. We aggressively took steps to reduce spending, including instituting a summer hours program for employees aimed at trimming our expenses while retaining our workforce. Unfortunately our efforts could not keep up with the dramatic business decline, and it was necessary to take additional steps.

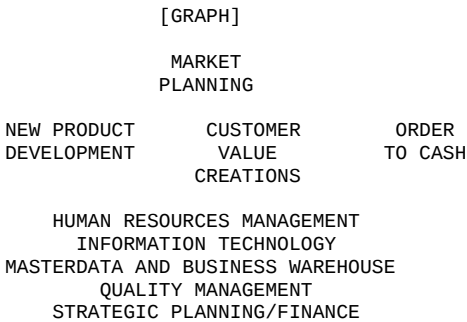
To better align our operations with market conditions, we undertook a restructuring in the fourth quarter. It included consolidating manufacturing operations and reducing our workforce by about 5 percent. One-time charges totaling \$5.9 million after tax for this restructuring were recorded in the fourth quarter.

Excluding nonrecurring items, net income for fiscal 2001 was \$33.4 million or \$1.44 per diluted share, down from \$1.98 per share in fiscal 2000. Net income including the charge and a one-time gain in fiscal 2000, was \$27.5 million or \$1.18 per diluted share, compared to \$2.05 in the previous year.

Through our restructuring, we strive to balance the short- and long-term needs of employees, customers and our shareholders, and put Brady in a much stronger position when economic conditions improve. We expect to realize after-tax savings of about \$6 million in fiscal 2002.

PROGRESS ON KEY INITIATIVES

It is during times of slower growth that it is most important to lay an even stronger foundation for the future. As a company focused on long-term growth and value creation, we continued to invest in our five key initiatives: process improvement, e-business, proprietary products, acquisitions and market-driven growth.



BRADY'S VALUE CHAIN

Brady's process improvement initiative integrates four key process areas supported by five key enablers.

Process improvement and innovation, focused fully on the customer, are making Brady an even stronger leader in manufacturing. Our process-improvement initiative, named "Eclipse" for "Earning Customer Loyalty through Integrated Processes and Systems Everywhere," is transforming our processes for developing new products, creating value for customers and converting a customer order into cash. Eclipse is also improving strategic planning and financial operations throughout the company.

Over the course of fiscal 2000 to fiscal 2004, we are investing more than \$30 million in Eclipse to reduce Selling, General and Administrative

2001 HIGHLIGHTS

| SEPTEMBER 2000                                                                                                                                                            | FEBRUARY 2001                                                                        | MARCH 2001                                                                                                                               |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Brady increases quarterly dividend to shareholders to \$0.18 per share, marking the 15th consecutive year the company has increased dividends since going public in 1984. | Brady establishes manufacturing operations in Manaus in the Amazon region of Brazil. | Brady again named to the list of "The 100 Best Corporate Citizens" by Business Ethics magazine, moving up from 44th to 27th on the list. |



## LETTER TO SHAREHOLDERS

expenses as a percentage of sales; support ongoing double-digit sales growth with better customer and market information worldwide and a more robust new product-development process; and make other improvements including increasing inventory turns. Brady is streamlining and standardizing more than 1,200 specific processes throughout the entire organization to further enhance speed, flow, quality, cost and customer focus in everything from strategy to new product development to making and shipping product, and collecting on goods and services.

This year we successfully implemented SAP software as the global enterprise resource planning (ERP) platform in many of our U.S. businesses and corporate headquarters. We launched modules for production planning, sales and distribution, quality management, finance and control, and materials management. We are in the process of converting our European operations to the system, and other operations worldwide will follow.

Another change, effective August 1, 2001, is the combination of two of Brady's global operating groups, Graphics and Direct Marketing, into Graphics & Workplace Solutions. While each group had a distinct way of taking products to market, both supplied safety and facility identification products to the maintenance, repair and operations market. Now as one group with shared infrastructure, Graphics & Workplace Solutions can harness the power of a global production and distribution system to serve customers around the world more cost-effectively.

### E-BUSINESS

We are also taking advantage of today's technologies to make our products and services more easily accessible around the world and to significantly reduce transaction costs. We continue to work to make every Brady business an electronic or Internet-enabled business with a goal of 50 percent of our business done electronically in 2003. This year, about 15 percent of total sales were done electronically, nearly doubled from about 8 percent of total sales last year.

This year about three times as many distributors as last year took advantage of BradyServe(TM) online services to check the availability and pricing of stock products, order products and check the status of open orders and invoices. By connecting electronically to our channel partners, we can maximize service and reduce transaction costs.

We also launched an automated Internet-based procurement system to encourage more competitive pricing from our suppliers and further reduce expenses. The new system includes evaluated receipt settlement (ERS), which eliminates the generation of paper purchase orders and paper invoices, and automatically matches receiving information to accounts payable activities.

Today Brady and Seton offer more than 50,000 safety and facility identification products on the Internet. A new "Compliance Resource Center" provides instant access to Federal safety regulations with links to related Seton products, compliance checklists and other information. Customers can also access their order history, current business activity, tracking numbers and delivery dates. And they can also find value-adding features including the opportunity to have real-time chats with customer service representatives, pay online via credit card, and design custom safety signs and asset tags on-line.

### 2001 SALES BY BUSINESS SEGMENT [PIE CHART]

2001 ----  
Graphics 23%  
Direct  
Marketing 31%  
Identification  
Solutions &  
Specialty  
Tapes 46%

| MARCH 2001                                                                                                  | APRIL 2001                                          | MAY 2001                                                             | JULY 2001                                                                             |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|----------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Brady acquires Balkhausen GmbH, a European manufacturer of precision die-cut parts and specialty materials. | Seton begins marketing of safety products in Japan. | Brady Corporation stock begins trading on the Berlin Stock Exchange. | Brady expands software offerings with the acquisition of Eset, GmbH, Munich, Germany. |

## LETTER TO SHAREHOLDERS

Our Web-to-Workbench(TM) initiative allows customers to customize products on-line, automatically send the order into Brady's system for processing, and electronically pass it on to the shop floor for manufacturing and shipment. This breakthrough technology, integrating the Web to the manufacturing floor, allows Brady and Seton customers to create and purchase products such as Seton Duraguard(R) Property Identification Tags and custom signs with unprecedented speed, ease and convenience.

[PHOTO]

### WEB-TO-WORKBENCH(TM)

With Brady's Web-to-Workbench(TM) technology, custom-product orders move seamlessly from the customer to Brady's manufacturing floor.

We are also meeting the challenge of serving customers from many European countries electronically with a multi-lingual Web site launched this year at [www.bradyeurope.com](http://www.bradyeurope.com). The advanced programming behind this site automatically selects the language specified by the user's browser. Customers can access country-specific technical support and customer-service information in seven predominant European languages (English, French, German, Dutch, Italian, Spanish and Swedish). The site also features downloadable product information and software customized for the language selected.

Other e-business initiatives this year included customized Web interfaces for some of our key customers, enhanced "virtual" learning to ensure employees have the most up-to-date tools and skills needed in today's competitive marketplace, and a more robust investor-relations area of our Web site at [www.investor.bradycorp.com](http://www.investor.bradycorp.com).

These efforts are all part of a multi-faceted, comprehensive and innovative e-business strategy designed to help the company utilize the Internet to leverage its position as a leading provider of high-performance identification solutions and safety products.

### NEW PRODUCTS

Proprietary products continue to be a key growth strategy for Brady. Our research and development teams are focusing on high-impact initiatives as well as process-improvement efforts designed to maximize everything from "idea generation" to "commercialization" of new products. This year we launched a number of new label products, safety devices, printers and software, all designed to make the job -- from identifying and tracking, to safely repairing and maintaining -- more efficient, effective and easier to do.

New label products include thinner, lighter labels for meeting the extreme challenges of printed-circuit-board manufacturing; and a new line of low-level security labels that provide the ideal deterrent to product theft, warranty-related tampering and product fraud.

[PHOTO]

### NEW PRODUCTS

Only 1 mil thick, Brady's new EDS labels are ideal for sensitive electronics applications where reducing overall product weight is critical.

New safety products range from the Brady EZ Panel Loc(TM) circuit breaker lock-out system to a complete line of safety signage products compliant with new federal standards for size, shape, reflectivity and color.

We also expanded our printer offerings with a new Bradyprinter(TM) model that offers 600 dpi resolutions for labels as small as one-eighth-inch high; and the next generation of our popular line of TLS 2200(R) printers, now with the capability to work as both a desktop or portable printer.

BRADY CORPORATION

## LETTER TO SHAREHOLDERS

In addition to upgrades to our Codesoft(TM), LabelMark(TM) and LabelView(TM) lines of barcode software, we also offered MarkWare(TM) FE 1.0, our first Asian language version of our popular make-it-yourself safety and facility identification

[PHOTO]

### NEW PRODUCTS

Brady's EZ Panel Loc(TM) system provides a convenient solution to safely lockout virtually any circuit breaker.

software; and new Brady Lockout-PRO(TM) Graphical Procedure Writing Software, a turnkey program for building an OSHA-compliant lockout-tagout program.

You can read more about all of our new products on our Web site at [www.bradycorp.com](http://www.bradycorp.com).

### ACQUISITIONS

We made two acquisitions this year, both in Germany. In March 2001, we acquired Balkhausen GmbH, a manufacturer of precision die-cut parts and specialty materials. Balkhausen has developed a unique material and application solution to dissipate heat from electronic components, and provides us new development opportunities for specialty thermal-management materials. With electronics becoming more and more powerful, there is a tremendous amount of heat concentrated in smaller and smaller areas, shortening the lifespan of electronic components. Balkhausen's material/technology combination helps to remove the heat from isolated areas and effectively transfer it away from the devices by using heat sinks -- pieces of precision-cut copper or aluminum attached to printed circuit boards. The materials are particularly attractive to automotive electronics manufacturers, as an increasing portion of an auto's bill of materials is comprised of electronics.

We expanded our software offerings with the acquisition of Eset, GmbH in July 2001. Eset has developed nearly 200 Windows(R) printer drivers in conjunction with its label-design software which will allow us to offer customers products that add even more value to their identification systems.\* Eset's signature product, "Label and Form" software, is produced in German, French, Swedish and English, and is capable of printing directly from SAP and other enterprise-resource-planning systems without customization.

We continue to look for acquisitions that expand our geographic and market reach, or bring new technologies to ensure Brady continues to be on the forefront in our markets.

### MARKET-DRIVEN GROWTH

Market-driven growth for Brady has taken a decidedly international focus this year. Recognizing the potential for growth in Eastern Europe, we recently opened our first sales offices in Hungary and Poland.

Brazil is providing us opportunities to grow our business with multinational companies there. To position Brady to best serve these customers, we opened our second manufacturing facility in Brazil, this time in the city of Manaus in the Amazon region. About 1,600 miles from our operation in Sao Paulo, it is located in an industrial free trade zone created by the Brazilian government and home to more than 400 multinational and domestic companies specializing in commercial electronics, injection molding and telecommunication manufacturing. The Brazilian government estimates total sales from the region to exceed \$10 billion this year, and the region is experiencing industrial growth of more than 50 percent.

We also began direct marketing safety products in Japan, offering signs, labels and other products with Kanji characters. Seton established a sales office, call center and

[PHOTO]

### BALKHAUSEN

Heat-sink technology, a Balkhausen specialty, extends the lifespan of small electronics components.

\*Windows is a registered trademark of Microsoft Corporation.

warehouse in Yokohama, Japan, to provide local customer service and order processing, convenient shipping, and customized products for customers in manufacturing, construction and other industries. Japanese companies take safety recommendations very seriously. To meet their

[PHOTO]

#### INTERNATIONAL EXPANSION

Seton now offers safety signs and labels with Kanji characters to customers in Japan.

needs, Seton is now one of the few companies to offer a convenient "one-stop-shopping" experience for hundreds of products to help customers provide a better, safer work environment.

#### LOOKING AHEAD

Through the years, Brady investors have enjoyed a tradition of strong growth and profitability. And we fully expect that tradition to continue over the long-term. Despite the economic difficulties of fiscal 2001, Brady remains a strong company, with a solid cash reserve and cash flow, and virtually no debt.

We continue to strive for compound annual growth in sales of 15 percent on a rolling five-year basis, net income growth in excess of sales growth, and positive shareholder value enhancement. And we believe that we are on the right path to position Brady to thrive in the 21st century, by continuing our investments in process improvement, e-business, proprietary products, acquisitions and market-driven growth.

The Brady management team and all 3,000 employees remain committed to revenue growth, cost control and resource utilization. We are working every day to create value for our customers, our employees, and our shareholders.

Thank you for your support.  
Katherine M. Hudson

Katherine M. Hudson

President and Chief Executive Officer

#### FINANCIAL REVIEW

NOTE OF REPORTING CHANGE: Throughout this report, net sales and cost of sales figures reflect new accounting standards relative to costs incurred for shipping and handling in a sales transaction. As a result, net sales increased approximately 2 percent, with an offsetting increase in cost of sales. Earnings per share reporting is not impacted by this change.

#### SELECTED FINANCIAL INFORMATION

|                                                                                            | (Dollars in Thousands,<br>Except Per Share Amounts) |            |
|--------------------------------------------------------------------------------------------|-----------------------------------------------------|------------|
| Years Ended July 31, 1991 through 2001                                                     |                                                     | 2001       |
|                                                                                            |                                                     | -----      |
| OPERATING DATA                                                                             |                                                     |            |
| NET SALES                                                                                  |                                                     | \$ 545,944 |
| Operating expenses:                                                                        |                                                     |            |
| Cost of products sold                                                                      |                                                     | 257,313    |
| Research and development                                                                   |                                                     | 20,329     |
| Selling, general and administrative                                                        |                                                     | 214,220    |
| Nonrecurring (credit) charge                                                               |                                                     | 9,560      |
|                                                                                            |                                                     | -----      |
| Total operating expenses                                                                   |                                                     | 501,422    |
|                                                                                            |                                                     | -----      |
| OPERATING INCOME                                                                           |                                                     | 44,522     |
| OTHER INCOME AND (EXPENSE):                                                                |                                                     |            |
| Investment and other income - net                                                          |                                                     | 686        |
| Interest expense                                                                           |                                                     | (418)      |
|                                                                                            |                                                     | -----      |
| Net other income                                                                           |                                                     | 268        |
|                                                                                            |                                                     | -----      |
| Income before income taxes and<br>cumulative effect of changes in<br>accounting principles |                                                     | 44,790     |
| INCOME TAXES                                                                               |                                                     | 17,244     |
|                                                                                            |                                                     | -----      |
| Income before cumulative effect of<br>changes in accounting principles                     |                                                     | 27,546     |
| CUMULATIVE EFFECT OF CHANGES IN<br>ACCOUNTING PRINCIPLES FOR:                              |                                                     |            |
| Postretirement benefits (net of<br>income taxes of \$2,663)                                |                                                     | --         |
| Income taxes                                                                               |                                                     | --         |
| NET INCOME                                                                                 |                                                     | \$ 27,546  |
|                                                                                            |                                                     | -----      |

NET INCOME PER COMMON SHARE (DILUTED):

|                             |    |         |
|-----------------------------|----|---------|
| Class A Nonvoting           | \$ | 1.18    |
| Class B Voting              | \$ | 1.15    |
| CASH DIVIDENDS ON:          |    |         |
| Class A Common Stock        | \$ | .72     |
| Class B Common Stock        | \$ | .69     |
| BALANCE SHEET (at year end) |    |         |
| Working capital             | \$ | 123,830 |
| Total assets                |    | 392,476 |
| Long-term obligations, less |    |         |
| current maturities          |    | 4,144   |
| Stockholders' investment    |    | 302,579 |
|                             |    | -----   |

BRADY CORPORATION

[BAR GRAPH]

## 2001 SALES BY REGION

[PIE CHART]

**DIVIDEND HISTORY**  
annually per share  
In September 2001, Brady increased its dividend  
for the 16th consecutive year to \$0.76 per share.

[BAR GRAPH]

[illegible]

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.40  
.52  
.60  
.64  
.68  
.72

| 2000       | 1999       | 1998       | 1997       | 1996       | 1995       | 1994       | 1993       | 1992       | 1991       |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
|            |            |            |            |            |            |            |            |            |            |
| \$ 550,664 | \$ 479,025 | \$ 463,235 | \$ 433,649 | \$ 365,929 | \$ 319,946 | \$260,386  | \$ 247,286 | \$ 240,156 | \$ 214,812 |
| 245,587    | 216,060    | 212,980    | 201,664    | 172,813    | 149,218    | 122,661    | 118,617    | 114,321    | 100,546    |
| 20,555     | 17,116     | 20,287     | 16,300     | 11,309     | 10,426     | 10,318     | 12,132     | 10,001     | 9,176      |
| 215,231    | 182,688    | 178,648    | 165,317    | 140,642    | 119,717    | 97,932     | 92,449     | 93,931     | 84,936     |
| --         | (611)      | 5,390      | --         | --         | --         | --         | (1,236)    | 6,562      | --         |
|            |            |            |            |            |            |            |            |            |            |
| 481,373    | 415,253    | 417,305    | 383,281    | 324,764    | 279,361    | 230,911    | 221,962    | 224,815    | 194,658    |
|            |            |            |            |            |            |            |            |            |            |
| 69,291     | 63,772     | 45,930     | 50,368     | 41,165     | 40,585     | 29,475     | 25,324     | 15,341     | 20,154     |
|            |            |            |            |            |            |            |            |            |            |
| 7,418      | 1,455      | 638        | 1,159      | 4,570      | 4,609      | 837        | 559        | 239        | 2,845      |
| (578)      | (445)      | (403)      | (256)      | (302)      | (555)      | (410)      | (54)       | (219)      | (548)      |
|            |            |            |            |            |            |            |            |            |            |
| 6,840      | 1,010      | 235        | 903        | 4,268      | 4,054      | 427        | 505        | 20         | 2,297      |
|            |            |            |            |            |            |            |            |            |            |
| 76,131     | 64,782     | 46,165     | 51,271     | 45,433     | 44,639     | 29,902     | 25,829     | 15,361     | 22,451     |
|            |            |            |            |            |            |            |            |            |            |
| 28,930     | 25,198     | 18,129     | 19,564     | 17,406     | 16,728     | 11,362     | 8,973      | 6,972      | 7,054      |
|            |            |            |            |            |            |            |            |            |            |
| 47,201     | 39,584     | 28,036     | 31,707     | 28,027     | 27,911     | 18,540     | 16,856     | 8,389      | 15,397     |
|            |            |            |            |            |            |            |            |            |            |
| --         | --         | --         | --         | --         | --         | --         | --         | (3,995)    | --         |
| --         | --         | --         | --         | --         | --         | --         | --         | 661        | --         |
| \$ 47,201  | \$ 39,584  | \$ 28,036  | \$ 31,707  | \$ 28,027  | \$ 27,911  | \$ 18,540  | \$ 16,856  | \$ 5,055   | \$ 15,397  |
|            |            |            |            |            |            |            |            |            |            |
| \$ 2.05    | \$ 1.73    | \$ 1.23    | \$ 1.43    | \$ 1.26    | \$ 1.26    | \$ .84     | \$ .77     | \$ .22     | \$ .70     |
| \$ 2.02    | \$ 1.70    | \$ 1.20    | \$ 1.40    | \$ 1.23    | \$ 1.23    | \$ .81     | \$ .74     | \$ .19     | \$ .67     |
|            |            |            |            |            |            |            |            |            |            |
| \$ .68     | \$ .64     | \$ .60     | \$ .52     | \$ .40     | \$ .27     | \$ .23     | \$ .20     | \$ .19     | \$ .16     |
| \$ .65     | \$ .61     | \$ .57     | \$ .49     | \$ .37     | \$ .23     | \$ .19     | \$ .17     | \$ .15     | \$ .13     |
|            |            |            |            |            |            |            |            |            |            |
| \$ 116,084 | \$ 129,884 | \$ 125,386 | \$ 130,724 | \$ 109,688 | \$ 129,938 | \$ 100,023 | \$ 77,943  | \$ 66,093  | \$ 70,883  |
| 398,134    | 351,120    | 311,824    | 291,662    | 261,835    | 230,005    | 202,509    | 179,901    | 173,054    | 156,812    |
|            |            |            |            |            |            |            |            |            |            |
| 4,157      | 1,402      | 3,716      | 3,890      | 1,809      | 1,903      | 1,855      | 1,978      | 2,524      | 1,982      |
| 291,224    | 260,564    | 233,373    | 206,547    | 189,263    | 170,823    | 145,129    | 128,068    | 119,771    | 115,260    |

## SHAREHOLDER SERVICES

### COMMON SHARES

Brady Corporation Class A Common Stock trades on the New York Stock Exchange under the symbol BRC. As of September 17, 2001, there were 362 Class A Common Stock shareholders of record and about 4,000 beneficial shareholders. There are three Class B Common Stock shareholders. Brady Corporation stock is also listed on the Berlin stock exchange.

### QUARTERLY STOCK DATA

|             | 2001    |         | 2000    |         | 1999    |         |
|-------------|---------|---------|---------|---------|---------|---------|
|             | High    | Low     | High    | Low     | High    | Low     |
| 4th Quarter | \$35.94 | \$28.67 | \$34.13 | \$27.00 | \$35.00 | \$24.13 |
| 3rd Quarter | \$38.83 | \$30.48 | \$32.38 | \$24.50 | \$27.50 | \$19.50 |
| 2nd Quarter | \$38.35 | \$27.08 | \$34.56 | \$26.25 | \$29.38 | \$22.50 |
| 1st Quarter | \$32.67 | \$26.92 | \$36.31 | \$25.63 | \$23.13 | \$16.25 |

### DIVIDENDS

Brady has paid dividends on its Common Stock every quarter since going public in June 1984, and the Company has increased the dividend every year for each of the past 16 years. At its September 2001 meeting, the Board of Directors increased the quarterly dividend on Class A Common Stock to 19 cents per share per quarter, or \$0.76 per year. Dividends are normally paid on the last day of October, January, April and July.

### DIVIDEND REINVESTMENT

Shareholders of record may have their dividends automatically reinvested in Brady stock through a Dividend Reinvestment Program. For more information on this program, see the description on the Internet at [www.bradycorp.com](http://www.bradycorp.com) or call Brady's investor line at 414-438-6918.

### STOCK TRANSFER AGENT

Firstar Bank N.A., 1555 North RiverCenter  
Drive, Suite 301, Milwaukee, WI 53212;  
phone: 1-800-637-7549  
[www.firstarinvestorservice.com](http://www.firstarinvestorservice.com)

[PHOTO]

### BRADY INFORMATION

Brady's Internet site at [www.investor.bradycorp.com](http://www.investor.bradycorp.com) contains investor presentations, 10-K and 10-Q filings, annual reports, news releases, frequently asked investor questions, stock prices, a Brady investment calculator, product information and a variety of other information about Brady.

### INFORMATION REQUESTS AND INVESTOR NEWS LINE

A phone system at 414-438-6918 enables you to listen to financial news highlights, request printed 10-K and other financial information, request dividend reinvestment information, or be transferred to an investor relations representative. Or you may send your information requests to Investor Relations, Brady Corporation, P.O. Box 571, Milwaukee, WI 53201-0571, or e-mail [investor@bradycorp.com](mailto:investor@bradycorp.com).

### ANALYST AND INVESTOR CONTACT

Barbara Bolens, Director of Investor Relations,  
414-438-6940.

### ANNUAL MEETING

The Brady Corporation Annual Meeting will be at 9 a.m., Thursday, November 15, 2001, at Brady Corporate Headquarters, 6555 W. Good Hope Road, Milwaukee, Wisconsin. Highlights will be posted on the Internet at [www.investor.bradycorp.com](http://www.investor.bradycorp.com).

### 2001 ANNUAL REPORT

From recycling last year's photo of President and CEO Katherine Hudson, to reducing the number of pages, selecting in-house design and less expensive paper, and substituting SEC Form 10-K for a separate financial section, Brady's 2001 annual report reflects just one of the many ways Brady is managing costs in these challenging economic times. Cost-control and resource-utilization efforts such as these help Brady to focus on the strategic initiatives that will add long-term value for shareholders, customers and employees.

[PHOTO]

## BRADY LOCATIONS

|                                                                                                                 |                                                                                                                                                      |                                                                                                                                                                           |                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| - United States                                                                                                 | Brady Australia Pty. Ltd. -<br>Visi Sign<br>10 Reid Street<br>Bayswater, Victoria 3153<br>Australia                                                  | - France                                                                                                                                                                  | - Korea                                                                                                                         |
| Brady Corporation<br>P.O. Box 571<br>Milwaukee, WI 53201                                                        |                                                                                                                                                      | Braton Group s.a.r.l.<br>Brady France<br>1 Rue de Terre Nueve - Bat. E<br>BP 362 - ZAC Les Ulis<br>91959 Courtaboeuf Cedex,<br>France                                     | Brady Korea Ltd.<br>5F Hyo-Won Building<br>99-5 GaRak-Dong, SongPa-Ku<br>Seoul, 138-720<br>Republic of Korea (South)            |
| Brady Worldwide, Inc. -<br>Identification Solutions and                                                         | - Belgium                                                                                                                                            | Tricor Groupe S.A. - Seton                                                                                                                                                | Brady Korea Ltd.                                                                                                                |
| Global Die-Cut Products<br>6555 W. Good Hope Rd.<br>Milwaukee, WI 53223                                         | W.H. Brady, n.v.<br>Industrie Park C/3<br>Lindestraat 20<br>B-9240 Zele, Belgium                                                                     | 45 Avenue de L'Europe<br>BP 132<br>59436 Roncq Cedex, France                                                                                                              | 130-8 Dong An-Ri, Okchon-EUP<br>Okchon-Gun, Chung Buk, 373-800<br>Republic of Korea (South)                                     |
| Brady Worldwide, Inc. -<br>Coated Products<br>P.O. Box 298<br>2230 W. Florist Ave.<br>Milwaukee, WI 53201-0298  | - BRAZIL                                                                                                                                             | Brady LettraSoft S.A.<br>13 Rue des Emaraudes<br>F-69006 Lyons, France                                                                                                    | - MALAYSIA                                                                                                                      |
| Brady Worldwide, Inc. -<br>Signmark<br>Tobey Research & Innovation<br>2221 W. Camden Rd.<br>Milwaukee, WI 53209 | W.H.B. do Brasil Ltda.<br>Rua Rosangela Donata<br>De Oliveira 30<br>06236-110 Osasco<br>Sao Paulo, Brazil<br>32020 Auch,                             | Brady Software Group Europe<br>Z.I. Est<br>2 rue Vincent Van Gogh<br>France<br>Signals<br>Rond Point de la Republique<br>Z.I. de Perigny<br>17181 Perigny Cedex, France   | Brady Corporation S.E.A.<br>Pte. Ltd.<br>54-G-2, Wisma Sri Mata<br>Jalan Van Praagh<br>11600 Penang, Malaysia                   |
| Brady Worldwide, Inc. -<br>AIDC Software & Services<br>12000 W. Park Place<br>Milwaukee, WI 53224               | W.H.B. do Brasil Ltda.<br>Seton Brazil<br>Centro Empresarial<br>Alphaville<br>Av. Jurua, 105- Modelo 5<br>06455-010 Barueri<br>Sao Paulo, Brazil     | - GERMANY                                                                                                                                                                 | Brady Technology Sdn Bhd<br>Level 41 - Suite B<br>Menara Maxis<br>Kuala Lumpur City Center<br>50088 Kuala Lumpur                |
| Brady Business Process<br>Innovation Center<br>5300 N. 118th Court, Bldg. F<br>Milwaukee, WI 53225              | W.H.B. do Brasil Ltda.<br>Brady Manaus<br>Avenida Solimoes, N. 2100<br>Distrito Industrial da<br>Suframa<br>69075-200 Manaus<br>Amazonas, Brazil     | Brady GmbH<br>Division ISST<br>Lagerstrasse 13<br>64807 Dieburg, Germany<br>Brady GmbH- Division Systeme<br>Seton Division<br>Otto-Hahn-Str. 5-7<br>63222 Langen, Germany | - MEXICO                                                                                                                        |
| Brady Worldwide, Inc. -<br>Varitronics<br>6835 Winnetka Circle<br>Brooklyn Park, MN 55428                       | - CANADA                                                                                                                                             | Brady LettraSoft GmbH<br>Felix Klein Strasse 2<br>40474 Duesseldorf, Germany                                                                                              | W.H. Brady S. de R.L. de C. V.<br>Iago Iseo No. 91<br>Col. Anahuac<br>11320 Mexico D.F., Mexico                                 |
| Brady Worldwide, Inc. -<br>Barcodes West<br>1560 First Avenue South<br>Seattle, WA 98134                        | W.H.B. Identification<br>Solutions, Inc.<br>Seton & Brady Canada<br>56 Leek Crescent<br>Richmond Hill<br>Ontario, Canada                             | Brady GmbH - Balkhausen<br>Rudolph-Diesel-Strasse 17<br>28857 Syke, Germany                                                                                               | PHILIPPINES                                                                                                                     |
| Seton Identification Products<br>20 Thompson Rd.<br>Branford, CT 06405                                          | - CHINA                                                                                                                                              | - HONG KONG                                                                                                                                                               | Brady Corporation S.E.A.<br>Pte. Ltd.<br>9 Narra Drive,<br>Palmera Heights III<br>Valley Golf, Cainta Rizal<br>Philippines 1900 |
| Seton Identification Products<br>4451 Eucalyptus Ave.<br>Suite 330<br>Chino, CA 91710                           | Brady (Wuxi) Co. Ltd.<br>Room 806, Block 1, Bright<br>China<br>Chang An Building<br>7 Jian Guo Men Nei Da Jie<br>Dong Cheng District<br>Beijing, PRC | Brady Corporation S.E.A.<br>Pte. Ltd.<br>Unit 03/04, 18th Floor<br>CRE Centre<br>889 Cheung Sha Wan Road<br>Kowloon, Hong Kong                                            | - SINGAPORE                                                                                                                     |
| Brady Precision Die-Cut<br>Products South<br>6500 NW 12th Avenue, Suite 119<br>Fort Lauderdale, FL 33309        | Brady (Wuxi) Co. Ltd.<br>Unit F. 23F<br>Zhao Feng World Trade<br>Building<br>369 Jiangsu Rd.<br>Shanghai 200050, PRC                                 | - ITALY                                                                                                                                                                   | Brady Corporation S.E.A.<br>Pte. Ltd.<br>55 Ayer Rajah Crescent<br>#03-25<br>Ayer Rajah Industrial Estate<br>Singapore 139949   |
| Brady Imtec<br>7 Corporate Dr.<br>Keene, NH 03431                                                               | Brady (Wuxi) Co. Ltd.<br>No. 229<br>Xing Chuang Ba Lu<br>Wuxi-Singapore<br>Industrial Park<br>Wuxi, Jinagsu, PRC 214028                              | Seton Italia Srl<br>Via Luigi Lazzaroni 7<br>21047 Saronno (VA), Italy                                                                                                    | - SWEDEN                                                                                                                        |
| Brady Data Recognition<br>International<br>2929 Longhorn Blvd., Suite 103<br>Austin, TX 78758                   |                                                                                                                                                      | - JAPAN                                                                                                                                                                   | Brady AB<br>Karins Vag 5<br>194 54 Upplands Vasby<br>Sweden                                                                     |
| - AUSTRALIA                                                                                                     |                                                                                                                                                      | Nippon Brady K.K.<br>Seton Japan<br>TVP Building , 3rd Floor<br>3-9-13 Moriya-cho, Kanagawa-Ku<br>Yokohama, Kanagawa 221-0022<br>Japan                                    | - TAIWAN                                                                                                                        |
| Brady Australia Pty. Ltd.<br>Seton Australia Pty. Ltd.<br>112 Christina Road<br>Villawood NSW 2163<br>Australia | Brady (Shanghai)<br>International<br>Trading Co. Ltd.<br>Rm. 518, Hengshan<br>Office Bldg.<br>38# Yinglun Rd.,<br>Waigaoqiao<br>Shanghai 200131, PRC |                                                                                                                                                                           | Brady Corporation S.E.A.<br>Pte. Ltd.<br>6F-2, 412, Chung Hsiao E. Rd.<br>SEC 5<br>Taipei 110, Taiwan                           |
|                                                                                                                 |                                                                                                                                                      |                                                                                                                                                                           | - UNITED KINGDOM                                                                                                                |
|                                                                                                                 |                                                                                                                                                      |                                                                                                                                                                           | W.H. Brady Co. Ltd.<br>Wildmere Industrial Estate<br>Banbury, Oxfordshire<br>OX16 7JU, United Kingdom                           |
|                                                                                                                 |                                                                                                                                                      |                                                                                                                                                                           | Seton Ltd.<br>Canada Close<br>Banbury, Oxon<br>OX16 7RT, United Kingdom                                                         |

BRADY CORPORATION  
P.O. BOX 571  
MILWAUKEE, WI 53201-0571

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SCHEDULE OF SUBSIDIARIES OF BRADY CORPORATION

| Name of Company                        | State (Country)<br>of Incorporation | Percentage<br>of Voting<br>Securities<br>Owned |
|----------------------------------------|-------------------------------------|------------------------------------------------|
| Brady Corporation                      | Wisconsin                           | Parent                                         |
| Brady Financial Co.                    | Delaware                            | 100%                                           |
| Braton Holding Co.                     | Delaware                            | 100%                                           |
| Tricor Direct Inc.-                    | Delaware                            | 100%                                           |
| Doing Business As:                     |                                     |                                                |
| Seton                                  |                                     |                                                |
| Seton Name Plate Company               |                                     |                                                |
| D&G Sign and Label Co.                 |                                     |                                                |
| Seton Identification Products          |                                     |                                                |
| The Hirol Company                      |                                     |                                                |
| Worldmark of Wisconsin Inc.            | Delaware                            | 100%                                           |
| Brady Investment Co.                   | Nevada                              | 100%                                           |
| Brady International Sales, Inc.        | U.S. Virgin Islands                 | 100%                                           |
| Brady International Co.                | Wisconsin                           | 100%                                           |
| Brady Worldwide, Inc.                  | Wisconsin                           | 100%                                           |
| Also Doing Business As:                |                                     |                                                |
| Varitronic Systems                     |                                     |                                                |
| Teklynx International                  |                                     |                                                |
| Barcodes West                          |                                     |                                                |
| Imtec, Inc.                            | New Hampshire                       | 100%                                           |
| Data Recognition, Inc.                 | Texas                               | 100%                                           |
| Brady Australia Pty. Ltd.              | Australia                           | 100%                                           |
| Also Doing Business As:                |                                     |                                                |
| Visi Sign Pty.                         |                                     |                                                |
| Seton Australia Pty. Ltd.              | Australia                           | 100%                                           |
| W.H. Brady, N.V.                       | Belgium                             | 100%                                           |
| W.H.B. do Brasil Ltda.                 | Brazil                              | 100%                                           |
| B.I. Canada Incorporated               | Canada                              | 100%                                           |
| W.H.B. Identification Solutions, Inc.- | Canada                              | 100%                                           |
| Doing Business As:                     |                                     |                                                |
| Brady                                  |                                     |                                                |
| GrafTek                                |                                     |                                                |
| Revere-Seton                           |                                     |                                                |
| Seton                                  |                                     |                                                |
| 1167232 Ontario, Inc.                  | Canada                              | 100%                                           |

## SCHEDULE OF SUBSIDIARIES OF BRADY CORPORATION (Continued)

| Name of Company                                                                                       | State (Country)<br>of Incorporation | Percentage<br>of Voting<br>Securities<br>Owned |
|-------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------|
| Brady Shanghai International Trading Co., Ltd.                                                        | China                               | 100%                                           |
| Brady (Wuxi) Co. Ltd.                                                                                 | China                               | 100%                                           |
| B.I. Financial Limited                                                                                | England                             | 100%                                           |
| B.I. U.K. Limited                                                                                     | England                             | 100%                                           |
| W.H. Brady Co. Ltd.                                                                                   | England                             | 100%                                           |
| Brady Corporation Limited                                                                             | England                             | 100%                                           |
| Brady LettraSoft S.A.                                                                                 | France                              | 100%                                           |
| Braton Europe Eurl                                                                                    | France                              | 100%                                           |
| Braton Groupe S.A.R.L. -<br>Doing Business As:<br>Brady<br>Techniques Avancees<br>Holman<br>Periprint | France                              | 100%                                           |
| Tricor Group, S.A. -<br>Doing Business As:<br>Seton<br>Signals                                        | France                              | 100%                                           |
| Brady GmbH<br>Doing Business As:<br>Seton<br>Balkhausen<br>Brady ISST<br>Soft                         | Germany                             | 100%                                           |
| Seton Italia, SRL                                                                                     | Italy                               | 100%                                           |
| Nippon Brady K.K.                                                                                     | Japan                               | 100%                                           |
| Brady Korea Co., Ltd.                                                                                 | Korea                               | 100%                                           |
| Brady Technology SDN, BHD.                                                                            | Malaysia                            | 100%                                           |
| W. H. Brady S. de R.L. de C.V.                                                                        | Mexico                              | 100%                                           |
| Brady Corporation S.E.A. Pte. Ltd.                                                                    | Singapore                           | 100%                                           |
| Brady Corporation Asia Pte. Ltd.                                                                      | Singapore                           | 100%                                           |
| Brady Lettrasoft S.L.                                                                                 | Spain                               | 100%                                           |
| Brady AB                                                                                              | Sweden                              | 100%                                           |
| Seton Scandinavia AB                                                                                  | Sweden                              | 100%                                           |

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements Nos. 333-38857, 333-38859, 333-44505 and 333-92417 of Brady Corporation on Form S-8 of our reports dated October 9, 2001, appearing in this Annual Report on Form 10-K of Brady Corporation for the year ended July 31, 2001.

Deloitte & Touche LLP  
Milwaukee, Wisconsin  
October 23, 2001