
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

/X/ 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, 1996

Commission File Number 0-12730

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

WISCONSIN
(State of Incorporation)

39-0178960
(IRS Employer Identification No.)

6555 West Good Hope Road
Milwaukee, WI 53223
(Address of Principal Executive Offices and Zip Code)

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

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

None

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

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

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

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

As of September 30, 1996, there were outstanding 20,131,551 shares of Class
A Nonvoting Common Stock (the "Class A Common Stock"), and 1,769,314 shares of
Class B Common Stock. The Class B Common Stock, all of which is held by
affiliates of the Registrant, is the only voting stock.

DOCUMENTS INCORPORATED BY REFERENCE
W.H. Brady Co. 1996 Annual Report, Incorporated into Part II & IV

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PART I

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

ITEM 1 BUSINESS

(a) General Development of Business

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

(b) Financial Information About Industry Segments

Not applicable.

(c) Narrative Description of Business

OVERVIEW

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

The Company's markets include a wide variety of industrial, commercial, governmental, public utility, medical equipment, computer and consumer product markets. The need for the Company's products is driven by specification of customer engineering departments, by regulatory compliance requirements imposed by agencies such as OSHA and the EPA, or by the need to identify, direct, warn, inform and protect employees and customers. The Company markets and sells its products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order catalog marketing and electronic access through the Internet. The Company has a broad customer base, which in fiscal 1996 consisted of more than 50,000 customers, with the largest customer representing less than 3% of net sales. International sales represented 43.6%, 41.1% and 37.1% of net sales in fiscal 1996, 1995 and 1994, respectively.

BUSINESS STRATEGY

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

Product innovation. The Company continually seeks to improve existing products and to develop innovative products to satisfy its customers' requirements and expectations. W.H. Brady's commitment to product innovation is reflected in research and development efforts that include two facilities and approximately 100 employees primarily dedicated to research and development activities.

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

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

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

GROWTH STRATEGY

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

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

Geographic expansion. W.H. Brady's international sales have increased from \$50,707,000 or 26.5% of net sales in fiscal 1990 to \$156,761,000, or 43.6%, of net sales in fiscal 1996. The Company believes that international markets continue to represent a significant growth opportunity. Accordingly, the Company is actively seeking to increase its penetration in established markets in Europe, Japan, Hong Kong, and Korea and to enter new emerging markets elsewhere in the Pacific Rim and in Latin America.

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

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

PRODUCTS

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

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

INDUSTRIAL AND FACILITY IDENTIFICATION PRODUCTS

Pipe and Valve Markers

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

Wire Markers

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

Computer Printable Labels

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

Storage Markers

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

Asset Identification Markers

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

Informational Signs

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

Stand-Alone Printing Systems

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

Automatic Identification and Data Collection Systems

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

Other

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

SAFETY AND REGULATORY COMPLIANCE PRODUCTS

Safety Signs

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

Lockout/Tagout Products

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

Traffic Control Products

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

Other

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

OEM COMPONENTS

Specialty Tapes

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

Computer Application Products

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

Die-Cut Tapes

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

OTHER PRODUCTS

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

MARKETING AND SALES

The Company's products are sold in a wide variety of industrial, commercial, governmental, public utility, medical equipment, computer and consumer product markets. W.H. Brady has a diverse customer base that consisted of over 50,000 customers in fiscal 1996. No material part of the Company's business is dependent upon a single customer or group of customers, and the loss of a particular customer would have not material adverse effect upon the Company's business. In fiscal 1996, no single customer accounted for more than 3% of the Company's net sales.

The Company seeks to offer the right product with rapid response times and superior service so that it can provide solutions to the customer that are better, faster and more economical than those available from competitors or on a do-it-yourself basis. The Company markets and sells its products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order catalog marketing and electronic access through the Internet. The Company currently has over 2,500 established relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. To support its distributor network, the Company employs a 330 person internal sales force. The Company's sales force seeks to establish and foster ongoing relationships with the end-users (and distributors) by providing technical support and product application advice.

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

MANUFACTURING PROCESS AND RAW MATERIALS

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

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

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

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

TECHNOLOGY AND PRODUCT DEVELOPMENT

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

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

The Company conducts most of its research and development activities at its approximately 39,600 sq. ft. Frederic S. Tobey Research and Innovation Center in Milwaukee, Wisconsin. The Company spent approximately \$11,300,000, \$10,400,000, and \$10,300,000 in fiscal 1996, 1995, and 1994, respectively, on its research and development activities, all of which were Company sponsored. In fiscal 1996, approximately 100 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 1996, 1995, and 1994, international sales accounted for 43.6%, 41.1%, and 37.1%, respectively, of the Company's net sales. The Company's global infrastructure now supports sales and operations through subsidiaries in Australia, Belgium, Brazil, Canada, England, France, Germany, Italy, Japan, Korea, Singapore and Sweden and sales offices in Hong Kong, Italy, New Zealand, Malaysia, Spain and Taiwan. Several of these locations manufacture or have the capability to manufacture certain of the products they sell. The Company opened new operations in Australia, Brazil, England, Italy, Korea, Malaysia and Taiwan in the last two years. The Company expects to continue to expand its international operations as appropriate.

COMPETITION

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

BACKLOG

As of July 31, 1996, the amount of the Company's backlog orders believed to be firm was \$15.2 million. This compares with approximately \$14.6 million and \$17.4 million of backlog orders as of July 31, 1995 and 1994, respectively. Average delivery time for the Company's orders varies from one day to twelve weeks, depending on the type of product, and whether the product is stock or custom designed and manufactured.

ENVIRONMENT

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

EMPLOYEES

As of July 31, 1996, the Company employed approximately 2,400 individuals. The Company has never experienced a material work stoppage due to a labor dispute, is not a party to any labor contracts and considers its relations with employees to be excellent. To meet present and future labor requirements, the Company maintains an active college recruiting program for sales, technical and administrative personnel.

ACQUISITIONS

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

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

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

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

See Note 7 to Notes to Consolidated Financial Statements on Page 32 of the W.H. Brady Co. 1996 Annual Report.

ITEM 2 PROPERTIES

The Company currently operates in 16 manufacturing facilities. Eight are located in the United States, and one each in Australia, Belgium, Canada, England, Japan, Korea, Scotland and Singapore. The Company's primary research facility of approximately 39,600 square feet is located in Milwaukee, Wisconsin. The Company's present operating facilities contain a total of approximately 1,080,000 square feet of space, of which approximately 420,000 square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for its present needs.

ITEM 3 LEGAL PROCEEDINGS

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

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

(a) Market Information

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

Stock price disclosure required by this item is incorporated by reference to Page 36 of the W.H. Brady Co. 1996 Annual Report.

(b) Holders

The number of holders of record of the Company's Class A and Class B Common Stock as of September 12, 1996, was 496 and 2, respectively.

(c) Dividends

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

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

	YEAR ENDED 7/31/95				YEAR ENDED 7/31/96				YEAR ENDING 7/31/97
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR
Class A.....	\$.07	\$.07	\$.07	\$.07	\$.10	\$.10	\$.10	\$.10	\$.13
Class B.....	.04	.07	.07	.07	.07	.10	.10	.10	.10

ITEM 6 SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to Page 18 and 19 of the W.H. Brady Co. 1996 Annual Report.

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

The information required by this Item is incorporated by reference to Pages 20 through 22 of the W.H. Brady Co. 1996 Annual Report.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to Pages 23 through 34 of the W.H. Brady Co. 1996 Annual Report.

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

None.

PART III

ITEM 10 DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

NAME	AGE	TITLE
Katherine M. Hudson.....	49	President, CEO and Director
Donald P. DeLuca.....	56	Senior Vice President, Treasurer, Assistant Secretary, and Director
Mary T. Arnold.....	53	Vice President, Research and Development
Richard L. Fisk.....	52	Vice President, Seton Group
David R. Hawke.....	42	Vice President, Graphics Group
		Vice President, Identification Systems & Specialty Tapes Group
David W. Schroeder.....	41	Group
Peter J. Lettenberger.....	59	Secretary and Director
William H. Brady III.....	54	Director
Elizabeth B. Lurie.....	51	Director
Robert C. Buchanan.....	56	Director
Roger D. Peirce.....	59	Director
Richard A. Bemis.....	55	Director
Frank W. Harris.....	54	Director
Gary E. Nei.....	52	Director

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

DONALD P. DELUCA -- Mr. DeLuca joined the Company as Vice President-Finance and Chief Financial Officer in May 1990. He was promoted to Senior Vice President in August 1994. Before joining Brady, he served as Executive Vice President-Finance and Administration of CSC Industries, Inc. from 1987 to April 1990. Prior to that he served as Vice President, Treasurer and Secretary of Copperweld Corp. from 1974 to 1987. He is also a director of GAN North American Insurance Company and GAN National Insurance Company and serves on the Wisconsin Council on Economic Education and the Issuer's Affairs Committee of the Board of Governors of the NASD.

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

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

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

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

PETER J. LETTENBERGER -- Mr. Lettenberger has served as a Director and Secretary of the Company since January 1977. Mr. Lettenberger has been a member of the Company's audit and compensation committees

since April 1977 and October 1978, respectively, and has been chairman of the compensation committee since June 1985. He is a partner of Quarles & Brady, general counsel to Company, which firm he joined in 1964. He is also a director of Electronic Tele-Communications, Inc.

WILLIAM H. BRADY III -- Mr. Brady has been a director of the Company since January of 1979. Mr. Brady is a private investor.

ELIZABETH B. LURIE -- Ms. Lurie has been a director of the Company since January of 1979. Ms. Lurie is President of the W.H. Brady Foundation, Inc., a private charitable foundation. Ms. Lurie is also President of Continuity, Inc., which provides communications consulting services to various public policy organizations and individuals. Until December 31, 1995, Continuity, Inc. also operated a retail fine arts and fine crafts business located in Maggie Valley, NC. Ms. Lurie serves as a director and officer of National Empowerment Television, Inc., (Washington, DC), and Independent Women's Forum, Inc. (Washington, DC). Ms. Lurie is also a director of Free Congress Research and Education Foundation, Inc. (Washington, DC).

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

ROGER D. PEIRCE -- Mr. Peirce has served as a director and a member of the compensation committee of the Company since September, 1988. Mr. Peirce is a private investor and consultant. He was President of Valuation Research Corporation from April, 1995 to May, 1996. From September 1986 to December 1993, he was President of Super Steel Products Corp. in Milwaukee, Wisconsin. Prior to that he was a managing partner for Arthur Andersen & Co., independent certified public accountants.

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

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

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

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, except that William H. Brady III is the brother of Elizabeth B. Lurie.

SECTION 16A BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

During fiscal year 1996, Frank W. Harris, a director of the Company, purchased 350 shares of the Company's Class A Common Stock on May 31, 1996, and reported such transaction on a Form 4 during the month of July, 1996.

ITEM 11 EXECUTIVE COMPENSATION

The following table summarizes the compensation paid or accrued by the Company during the three fiscal years ended July 31, 1996, to those persons who, as of the end of fiscal 1996, were the Named Executive Officers.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	FISCAL YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION AWARDS	ALL OTHER COMPENSATION (\$)(4)
		SALARY (\$)	BONUS (\$)(1)	OTHER ANNUAL COMPENSATION (\$)(2)	OPTIONS/SAR (# OF SHARES)(3)	
K. M. Hudson.....	1996	342,500	174,505	5,381	36,000	41,412(5)
President & Chief Executive Officer	1995	315,000	369,914	4,163	30,000	87,333(5)
	1994	175,000	175,000	--	75,000	400,366(5)
D. P. DeLuca.....	1996	238,842	77,294	5,001	18,000	69,436(6)
Senior Vice President, Treasurer & Chief Financial Officer	1995	217,875	175,273	4,480	12,000	64,349(6)
	1994	182,750	127,925	2,825	7,500	18,161(6)
D. W. Schroeder.....	1996	190,558	75,804	4,214	12,000	12,632
Vice President, ISST Group	1995	170,449	124,446	2,979	6,000	12,394
	1994	157,279	90,404	2,887	5,250	12,775
R. L. Fisk.....	1996	197,631	51,575	3,835	27,000	13,743
Vice President, Seton Group	1995	189,954	156,861	3,425	9,000	13,691
	1994	182,577	127,804	3,097	7,500	15,462
D. R. Hawke.....	1996	175,558	53,452	--	12,000	26,076(7)
Vice President, Graphics Group	1995	160,939	112,497	--	6,000	202,113(7)
	1994	147,468	95,855	--	5,250	62,459(7)

(1) Reflects bonus earned during fiscal year 1996 which was paid during the next fiscal year.

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

(3) Options issued in fiscal 1996, 1995 and 1994 adjusted for the 200% stock dividend paid on December 15, 1995.

(4) All other compensation for fiscal 1996 for Mrs. Hudson, and Messrs. DeLuca, Schroeder, Fisk and Hawke, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$12,000 each and (ii) the cost of group term life insurance for each named executive officer of \$1,705, \$3,311, \$632, \$1,743 and \$570, respectively.

All other compensation for fiscal 1995 for Mrs. Hudson, and Messrs. DeLuca, Schroeder, Fisk and Hawke, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$12,000 each and (ii) the cost of group term life insurance for each named executive officer of \$1,544, \$2,349, \$394, \$1,691, and \$480, respectively.

All other compensation for fiscal 1994 for Mrs. Hudson, and Messrs. DeLuca, Schroeder, Fisk and Hawke, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift (i.e. "BradyGold") Plan for each named executive officer of \$13,000, \$14,620, \$12,582, \$14,606 and \$11,798, respectively and (ii) the cost of group term life insurance for each named executive officer of \$660, \$1,022, \$193, \$856 and \$246, respectively.

(5) Fiscal 1996 includes relocation expenses of \$3,112 and \$24,595 accrued, but not paid, for the current year's portion of a Supplemental Executive Retirement Plan (SERP). Fiscal 1995 includes relocation expenses of \$50,586 and \$23,203 accrued, but not paid, for that year's portion of the SERP. Fiscal 1994 includes \$386,706 accrued, but not paid, for that year's portion of the SERP.

- (6) Fiscal 1996 includes \$54,125 accrued, but not paid, for the current year's portion of a Supplemental Executive Retirement Plan (SERP). Fiscal 1995 includes \$50,000 accrued, but not paid, for that year's portion of the SERP. Fiscal 1994 includes relocation expenses of \$2,519.
- (7) Fiscal 1996 includes relocation expenses of \$1,743 and expatriation expenses of \$11,764 related to Mr. Hawke's Belgium assignment. Fiscal 1995 includes relocation expenses of \$25,282 and expatriation expenses of \$164,351. Fiscal 1994 includes relocation expenses of \$1,104 and expatriation expenses of \$49,311.

STOCK OPTIONS

The following tables summarize option grants and exercises during fiscal 1996 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, 1996. Stock Appreciation Rights are not available under any of the Company's plans.

OPTION GRANTS IN FISCAL 1996

INDIVIDUAL GRANTS

NAME	OPTIONS GRANTED(1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1996	EXERCISE PRICE(\$/SH)(2)	EXPIRATION DATE
K. M. Hudson.....	36,000	10.9%	25.1667	November 6, 2005
D. P. DeLuca.....	18,000	5.5%	25.1667	November 6, 2005
D. W. Schroeder.....	12,000	3.6%	25.1667	November 6, 2005
R. L. Fisk.....	12,000	3.6%	25.1667	November 6, 2005
	15,000....	4.5%	23.8333	August 1, 2005
D. R. Hawke.....	12,000	3.6%	25.1667	November 6, 2005

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

NAME	0% \$25.1667(\$)	5% \$41(\$)(6)	10% \$65 1/4(\$)(6)
K. M. Hudson.....	0	569,999	1,442,999
D. P. DeLuca.....	0	284,999	721,499
D. W. Schroeder.....	0	190,000	481,000
R. L. Fisk.....	0	415,625	1,051,625
D. R. Hawke.....	0	190,000	481,000
All Shareholders' Gains (increase in market value of W.H. Brady Co. Common Stock at assumed rates of stock price appreciation)(4)(6).....		\$317,788,185	\$804,506,904
All Optionees' Gains (as a percent of all shareholders' gains)(5)(6).....		1.64%	1.64%

- (1) The options granted November 6, 1995, become exercisable as follows: 33 1/3% of the shares on November 6, 1996; 33 1/3% of the shares on November 6, 1997; and 33 1/3% of the shares on November 6, 1998. These options have a term of ten years.

Mr. Fisk's option grant on August 1, 1995, became exercisable August 1, 1996, and has a term of ten years.

- (2) The exercise price is the average of the highest and lowest sale prices of the Company's Class A Common Stock as reported by NASDAQ on the date of the grant.

- (3) Represents total potential appreciation of approximately 0%, 63% and 159% for assumed annual rates of appreciation of 0%, 5% and 10%, respectively, compounded annually for the ten year option term.

- (4) Calculated from the \$25.1667 exercise price applicable to the options granted on November 6, 1995 based on the 20,070,875 shares of Class A Common Stock outstanding on November 6, 1995.
- (5) Represents potential realizable value for all options granted in fiscal 1996 as compared to the increase in market value of W.H. Brady Co. Class A Common Stock at assumed rates of stock price appreciation.
- (6) The Company disavows the ability of any valuation model to predict or estimate the Company's future stock price or to place a reasonably accurate present value on these options because any model depends on assumptions about the stock's future price movement that the Company is unable to predict.

AGGREGATED OPTION EXERCISES IN FISCAL 1996
AND VALUE OF OPTIONS AT END OF FISCAL 1996

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)	NUMBER OF UNEXERCISED OPTIONS AT JULY 31, 1996	
			EXERCISABLE (#)	UNEXERCISABLE (#)
K. M. Hudson.....	0	0	85,000	56,000
D. P. DeLuca.....	0	0	39,000	28,500
D. W. Schroeder.....	0	0	16,750	17,750
R. L. Fisk.....	0	0	26,000	35,500
D. R. Hawke.....	0	0	26,250	17,250

NAME	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT JULY 31, 1996(1)	
	EXERCISABLE (\$)	UNEXERCISABLE (\$)
K. M. Hudson.....	617,086	121,666
D. P. DeLuca.....	445,594	72,625
D. W. Schroeder.....	165,802	41,104
R. L. Fisk.....	260,510	60,458
D. R. Hawke.....	299,969	36,312

- (1) Represents the closing price for the Company's Class A Common Stock on July 31, 1996 of \$21 3/4 less the exercise price for all outstanding exercisable and unexercisable options for which the exercise price is less than such closing price.

COMMON STOCK PRICE PERFORMANCE GRAPH

The graph below shows a comparison of the cumulative return over the last five fiscal years had \$100 been invested at the close of business on July 31, 1991, in each of W.H. Brady Co. Class A Common Stock, the Standard & Poor's (S&P) 500 Index and the National Association of Securities Dealers' Automated Quotation System (NASDAQ) United States Index.

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

MEASUREMENT PERIOD (FISCAL YEAR COVERED)	BRADY	S&P 500	NASDAQ- US
F91	100	100	100
F92	89	113	117
F93	91	123	143
F94	126	129	147
F95	189	163	206
F96	176	190	225

COMPENSATION OF DIRECTORS

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

TERMINATION OF EMPLOYMENT ARRANGEMENTS

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

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

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

In September 1994, the Company created a Supplemental Executive Retirement Plan (SERP) for Mr. DeLuca. The Plan calls for the Company to credit a deferred compensation account with \$50,000 on July 31 of each year beginning July 31, 1995 to and including July 31, 1999, provided Mr. DeLuca 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 July 31 of each year, but not less than 6% nor more than 10% per annum.

The Company is required to pay Mr. DeLuca 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 will be one-tenth of the balance in the account; the second payment will be one-ninth; and so on. The Company may make payments in some other manner provided the payments are neither smaller nor extend beyond such ten year period.

In fiscal 1992, the Company created a Supplemental Executive Retirement Plan (SERP) for Mr. Gengler, retired President, CEO and Director. The Plan credited a deferred compensation account with \$125,000 on July 31 of each year (1992-1994), \$100,000 on July 31, 1995 and 1996, and will credit \$100,000 on July 31, 1997. Interest accrues on the balance in the account at 8% per year.

The Company is required to pay Mr. Gengler the balance in the account over a ten year period beginning August 1, 1997. That payment, and the nine succeeding payments, will equal one-tenth of the account balance at August 1, 1997. Additionally, the payments in succeeding years 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 August 1, 2006.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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

PROFIT SHARING AND EMPLOYEE THRIFT PLAN

Substantially all Brady employees in the United States and certain expatriate employees working for its international subsidiaries are eligible to participate in the Company's Profit Sharing and Employee Thrift Plan (the "BradyGold Plan"). Under this plan the Company agrees to contribute certain amounts to the BradyGold Plan to the extent of current earnings and profits, or, under certain circumstances, accumulated earnings of the Company. Under the BradyGold Plan, the Company first contributes 4% of the eligible earnings of each person covered by the BradyGold Plan. In addition, participants may elect to have their annual pay reduced by up to an additional 4% and to have the amount of this reduction contributed to the BradyGold Plan by the Company and matched by an additional, equal contribution by the Company. Participants may also elect to have their annual pay reduced by up to an additional 4% and to have the amount of this reduction contributed to the BradyGold Plan by the Company (without an additional matching contribution by the Company). The assets of the BradyGold Plan credited to each participant are invested by the BradyGold Plan trustee as directed in several investment funds as permitted by the BradyGold Plan. The annual contributions and forfeitures allocated to any participant under all defined contribution plans may not exceed the lesser of \$30,000 or 25% of the participant's base compensation and bonuses. Benefits are generally payable upon the death, disability, or retirement of the participant or upon termination of employment before retirement, although benefits may also be withdrawn from the BradyGold Plan and paid to the participant if required for certain emergencies. Under certain specified circumstances, the BradyGold Plan allows loans to be drawn on a participant's account. The participant is immediately fully vested with respect to the

contributions attributable to reductions in pay; all other contributions become fully vested after five years of service.

DEFERRED COMPENSATION ARRANGEMENTS

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

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

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

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

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

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

The Committee believes that:

-- The Company's pay levels are appropriately targeted to attract and retain key executives;

-- The Company's incentive plan provides strong incentives for management to increase shareholder value; and

-- The Company's total executive compensation program is a cost-effective strategy to increase shareholder value.

Base Salary

Consistent with the Committee's philosophy, base salaries are generally maintained at or modestly above competitive base salary levels. Competitive salary level is defined as the average base salary for similar responsibilities in a group of companies selected by the Committee that the Committee considers to be of comparable size and complexity. In setting base salaries for fiscal 1996, 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 100% objective. It stresses maximization of Company profitability and increasing shareholder value.

Stock Options

In 1989 the Board approved the W.H. Brady Co. 1989 Non-Qualified Stock Option Plan (the "Option Plan") under which 1,500,000 shares of Class A Non-Voting Common Stock are available for grant. The Option Plan assists 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 Plan are at market price on the date of the grant and have value only if the price of W.H. Brady Co. Class A Common Stock, after the vesting requirement passes, has increased to a greater value than at the grant date.

Compliance with Tax Regulations Regarding Executive Compensation

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

Compensation of the Chief Executive Officer

Mrs. Hudson received \$342,500 in base salary in fiscal 1996, an increase of 8.7% over the prior year's base salary. She was paid a bonus attributable to fiscal 1996 of \$174,505, \$195,409 less than the prior year's bonus. The bonus was determined in accordance with the Company's objective Bonus Plan, discussed above. Mrs. Hudson's compensation reflects:

- (i) a sales increase of \$45,180,000, or 14.4%, and a \$116,000, or 0.4%, increase in profits over similar amounts from the prior year; the stock price decreased from \$23.75 to \$21.75
- (ii) the successful acquisition of TechPress II Limited, The Hirol Company and Varitronic Systems, Inc.
- (iii) continued efforts to focus the Company's resources on sustainable value-enhancing long-term growth
- (iv) continued improvement in intercompany teamwork.

During fiscal 1996, Mrs. Hudson was awarded options to purchase 36,000 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.

Peter J. Lettenberger, Chairman
Richard A. Bemis
Roger D. Peirce

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Security Ownership of Certain Beneficial Owners

The following table sets forth the current beneficial ownership of shareholders who are known by the Company to own five percent (5%) of any class of the Company's voting shares on September 30, 1996.

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

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

(B) Security Ownership of Management

The following table sets forth the current beneficial ownership of each class of equity securities of the Company by each Director or Nominee and by all Directors and Officers of the Company as a group as of September 30, 1996. Except as otherwise indicated, all shares are owned directly.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER & NATURE OF BENEFICIAL OWNERSHIP	AMOUNT OF BENEFICIAL OWNERSHIP	PERCENT OF OWNERSHIP
Class A Common Stock.....	Peter J. Lettenberger (1)(2)(3)	3,377,856	16.8%
	Richard A. Bemis(1)(4)	2,619,171	13.0%
	Robert C. Buchanan(1)(5)	2,620,471	13.0%
	Roger D. Peirce (1)(6)	2,618,171	13.0%
	Elizabeth B. Lurie(2)(7)	1,505,870	7.5%
	William H. Brady III(8)	1,037,472	5.2%
	Katherine M. Hudson(9)	113,161	0.6%
	Donald P. DeLuca(10)	47,000	0.2%
	Gary R. Nei	4,500	* %
	Frank W. Harris	1,850	* %
	All Officers and Directors as a Group (16 persons)(11)	5,465,457	26.8%
Class B Common Stock.....	Peter J. Lettenberger(1)	1,769,314	100 %
	Robert C. Buchanan(1)	1,769,314	100 %
	Roger D. Peirce(1)	1,769,314	100 %
	Richard A. Bemis(1)	1,769,314	100 %
	All Officers and Directors as a Group	1,769,314	100 %
6% Cumulative Preferred Stock.....	Peter J. Lettenberger(1)(2)	2,751	69.1%
	Robert C. Buchanan(1)	1,920	48.2%
	Roger D. Peirce(1)	1,920	48.2%
	Richard A. Bemis(1)	1,920	48.2%
	Elizabeth B. Lurie(2)(7)	1,066	26.8%
	William H. Brady III(8)(6)	235	5.9%
	All Officers and Directors as a Group	3,221	80.8%
1979 Series Cumulative Preferred Stock.....	Elizabeth B. Lurie(2)(7)	8,071	36.7%
	Peter J. Lettenberger(2)	5,529	25.2%
	William H. Brady III(8)	2,542	11.6%
	All Officers and Directors as a Group	10,613	48.3%
6% Cumulative Preferred Stock 1972 Series.....	Peter J. Lettenberger(2)	2,600	100 %
	Elizabeth B. Lurie(2)	2,600	100 %
	All Officers and Directors as a Group(2)	2,600	100 %

* Indicates less than one-tenth of one percent

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

beneficiary of the Marital Trust; she is the parent of William H. Brady, III and Elizabeth Brady Lurie (who are contingent remainder beneficiaries of the Trusts) and the grandparent of Elizabeth Irene Pungello. See also note (7).

- (2) Elizabeth B. Lurie and Peter J. Lettenberger are among the directors of the W.H. Brady Foundation, Inc. (the "Foundation") which owns 5,529 shares of the 1979 Series, Cumulative Stock, 763 shares of the 6% Cumulative Preferred Stock and 2,600 shares of the 6% Cumulative Preferred Stock, 1972 Series. Mr. Lettenberger and Mrs. Lurie are also trustees of the Irene B. Brady Revocable Trust of 1986 (the "1986 Trust"), which owns 757,823 shares of Class A Common Stock and 68 shares of 6% Cumulative Preferred Stock. All such persons disclaim beneficial ownership of shares held by the Foundation and the 1986 Trust.
- (3) In addition to shares beneficially owned as a trustee of the Trusts and the 1986 Trust and as a director of the Foundation, Mr. Lettenberger owns directly 14,861.76 shares of Class A Common Stock.
- (4) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Bemis owns 4,000 shares of Class A Common Stock directly.
- (5) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Buchanan owns directly 1,800 shares of Class A Common Stock, 2,000 shares through his Keogh plan, and 1,500 shares as trustee of a trust.
- (6) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Peirce owns 1,000 shares of Class A Common Stock directly, and 1,500 shares through his Keogh plan.
- (7) In addition to the shares owned as a trustee of the 1986 Trust and as a director of the Foundation, Mrs. Lurie owns directly 274,845 shares of Class A Common Stock, 235 shares of 6% Cumulative Preferred Stock and 2,542 shares of 1979 Series Preferred Stock. She is the mother of Elizabeth Irene Pungello, who is the beneficiary of the Elizabeth Irene Pungello Irrevocable Trust (the trustees of which are Nicholas M. Daniels and Shy Lurie, Mrs. Lurie's husband) which owns 473,202 shares of the Class A Common Stock.
- (8) Mr. Brady owns 1,037,472 shares of Class A Common Stock, 235 shares of 6% Cumulative Preferred Stock, and 2,542 shares of 1979 Series Cumulative Stock.
- (9) Mrs. Hudson owns 6,161.38 shares of Class A Common Stock directly through an employee benefit plan and holds a vested option to acquire an additional 107,000 shares of Class A Common Stock.
- (10) Mr. DeLuca owns 1,500 shares of Class A Common Stock directly and holds vested options to acquire an additional 39,500 shares of Class A Common Stock.
- (11) The amount shown for all officers and directors as a group (16 persons) includes options to acquire a total of 272,450 shares of Class A Common Stock which are currently exercisable or will be exercisable within 60 days of September 30, 1996. It does not include other options for Class A Common Stock which have been granted at later dates.

(C) Changes in Control

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

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

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

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

1) The consolidated financial statements, together with the Independent Auditors' Report thereon of Deloitte & Touche LLP, presented on Pages 23 through 34 of the Company's 1996 Annual Report is incorporated herein by reference.

2) Consolidated Financial Statement Schedule --

Schedule II Valuation and Qualifying Accounts

Independent Auditors' Report on Financial Statement Schedule

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

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

(b) Reports on Form 8-K.

None

IV-1

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Articles of Incorporation of W.H. Brady Co.(1)
3.2	By-laws of W.H. Brady Co., as amended.(2)
10.2	W.H. Brady Co. BradyGold Plan, as amended.(2)
10.3	Executive Additional Compensation Plan, as amended.(2)
10.4	Form of Executive's Deferred Compensation Agreement, as amended.(2)
10.5	Forms of Director's Deferred Compensation Agreement, as amended.(2)
10.6	W.H. Brady Co. 1989 Non-Qualified Stock Option Plan.(4)
10.7	Shareholder Value Enhancement (SVE) Plan.(6)
10.8	Supplemental Executive Retirement Plan dated March 27, 1992 between W.H. Brady Co. and Paul Gengler.(4)
10.9	W.H. Brady Co. Automatic Dividend Reinvestment Plan.(4)
10.10	Supplemental Executive Retirement Plan between W.H. Brady Co. and Katherine M. Hudson.(5)
10.11	Supplemental Executive Retirement Plan dated September 23, 1994 between W.H. Brady Co. and Donald P. DeLuca.(5)
13.1	Annual Report to Shareholders for year ended July 31, 1995.
18.1	Letter regarding change in accounting method.(3)
21.1	Subsidiaries of W.H. Brady Co.
23.1	Consent of Deloitte & Touche LLP, Independent Auditor.
27.1	Financial Data Schedule

-
- (1) Incorporated by reference to Registrant's Registration Statement No. 2-91287 on Form S-1.
- (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 Exhibit 18 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.

W.H. BRADY CO. AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	YEAR ENDED JULY 31,		
	1996	1995	1994
	-----	-----	-----
	(DOLLARS IN THOUSANDS)		
Valuation accounts deducted in balance sheet from assets to which they apply --			
Accounts receivable -- allowance for losses:			
Balances at beginning of period.....	\$1,881	\$1,565	\$1,247
Additions -- Charged to expense.....	367	463	725
Additions -- From businesses aquired.....	130	2	2
Deductions -- Bad debts written off, net of recoveries.....	(386)	(147)	(407)
	-----	-----	-----
Balances at end of period.....	\$1,992	\$1,881	\$1,565
	=====	=====	=====

INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of W.H. Brady Co. and subsidiaries as of July 31, 1996 and 1995 and for each of the three years in the period ended July 31, 1996, and have issued our report thereon dated September 13, 1996; such financial statements and report are included in your 1996 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of W.H. Brady Co. and subsidiaries, listed in Item 14. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin
September 13, 1996

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-fifth day of October, 1996

W.H. BRADY CO.

By /s/ D. P. DELUCA

D. P. DeLuca
Senior Vice President, Treasurer,
and Assistant Secretary
(Principal Accounting Officer)
(Principal Financial Officer)

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

/s/ K. M. HUDSON	President and Director (Principal Executive Officer)	October 25, 1996
----- K. M. Hudson		
/s/ P. J. LETTENBERGER	Director	October 25, 1996
----- P. J. Lettenberger		
/s/ R. A. BEMIS	Director	October 25, 1996
----- R. A. Bemis		
	Director	
----- W.H. Brady II		
	Director	
----- E. B. Lurie		
	Director	
----- F. W. Harris		
/s/ R. C. BUCHANAN	Director	October 25, 1996
----- R. C. Buchanan		
	Director	
----- R. D. Peirce		
/s/ D. P. DELUCA	Director	October 25, 1996
----- D. P. DeLuca		
/s/ G. E. NEI	Director	October 25, 1996
----- G. E. Nei		

Corporate Profile W.H. Brady Co. develops, manufactures and markets coated materials and industrial identification and safety products. Using total-quality-assurance methods, extensive research and development resources and people committed to continuous improvement, Brady is a leader in its markets. Headquartered in Milwaukee, Wisconsin, the 82-year-old company has operations around the world.

W.H. Brady Co.

Identification Systems & Specialty Tapes Group develops, manufactures and markets specialized adhesive and topcoated materials, precision die-cut and slit tapes and high-performance industrial identification products from wire markers to industrial printing and application systems. Brady Precision Tape Co., Hirol Division, Coated Products Division and Identification Solutions Division. Graphics Group develops, manufactures and markets safety and facility identification products such as signs, pipe markers, lockout/tagout devices and portable printing systems; presentation products including systems for producing posters and signs; and digital color graphics systems to produce large-format color banners, signs and displays. Signmark(R) Division, Varitronic Systems, Inc., Brady Graphics Solutions Division and TechPress II Limited. Seton Group markets a wide range of custom-manufactured and standard identification and safety-related products globally. Service Operations provide accounting, benefits, communication, information systems, training, treasury, insurance, credit and other services to W.H. Brady Co. operations.

On the Cover

The cover of our annual report features three new products. Electronic adhesive film (left) is used to attach components such as heat sinks to leadframes for integrated circuits.

The PAM Series I Printer Applicator Machine automates circuit board labeling by automatically printing and applying bar code labels to circuit boards. The Brady ColorPix(TM) Color Production System (right) produces colorful large-format banners, posters and displays.

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Fiscal 1996 was a challenging, but successful year for W.H. Brady Co. We followed our strategy of investing in growth opportunities while controlling costs and improving our asset utilization. The result was record financial performance by Brady, although not to the level we are striving to reach.

Financial Highlights

W.H. Brady Co. and Subsidiaries

		Percent Increase		
(Dollars in Thousands, Except Per Share Amounts)		1996	1995	(Decrease)
Net sales	\$	359,542	\$ 314,362	14.4

Income before income taxes	\$	45,433	\$	44,639	1.8	
Pre-tax profit margin		12.6%		14.2%		
Net income	\$	28,027	\$	27,911	0.4	
After-tax profit margin		7.8%		8.9%		
Return on average stockholders' investment				15.6%		17.7%
Net income per Common Share						
Class A Nonvoting	\$	1.27	\$	1.27		
Class B Voting	\$	1.24	\$	1.24		
Working capital	\$	109,688	\$	129,938	(15.6)	
Stockholders' investment	\$	189,263	\$	170,823	10.8	
Research and development	\$	11,309	\$	10,426	8.5	
Capital expenditures	\$	10,470	\$	8,114	29.0	
Depreciation and amortization	\$	10,602	\$	9,159	15.8	

Letter to Our Shareholders

Financial Highlights

Our sales for the year ended July 31, 1996, increased to \$359,542,000, up 14.4 percent from fiscal 1995 sales of \$314,362,000. All operating groups reported increased sales. Sales growth at our operations in Sweden, Germany and Japan was especially strong. Overall international business accounted for 44 percent of total sales.

Net income for the fiscal year was \$28,027,000, or \$1.27 per Class A Common Share, representing a 0.4 percent increase over the fiscal 1995 net income of \$27,911,000, or \$1.27 per share.

Photo Caption

Katherine M. Hudson, president and chief executive officer. The PAM Series I Printer Applicator Machine (background) is a new product for Brady's Identification Solutions Division. The system automates circuit board identification.

Investments in three acquisitions, information technology, an expanded international sales force and other growth initiatives impacted our 1996 profitability. Our challenge - and focus - is to make our investments for future growth pay off in 1997 and beyond.

Sales for the fourth quarter ending July 31, 1996, were \$97,847,000, up 17.7 percent from \$83,145,000 in sales during the fourth quarter last year. Net income for the fiscal 1996 fourth quarter was \$7,931,000 or \$0.36 per share, up 8.1 percent from net income of \$7,334,000 or \$0.33 per share during the fourth quarter last year.

Also during fiscal 1996, stock ownership broadened. In December, we issued a stock dividend which more than tripled the number of Class A Common Shares held. In June, the Brady family sold 3,593,750 shares of Class A Common Stock in a public offering. The increase in shares added significantly to our market liquidity. The increased number of shares combined with the decrease in per-share price due to the stock dividend enables Brady to attract a wider range of investors.

Growth

We have four strategies for achieving growth: investing in new products and new markets, acquisitions and joint ventures, geographic expansion and doing more where we are.

Over the year we brought three new companies into the Brady family. In November 1995, we purchased TechPress II Limited, Middlesex, England, a distributor of printing and labeling systems. In January 1996, Brady acquired The Hirol Company, Fort Lauderdale, Florida, which makes precision die-cut parts for the telecommunications market. In April, we acquired Varitronic Systems, Inc., Minneapolis, Minnesota, a manufacturer of printing, labeling and signage systems.

We took steps to establish an operation in Brazil to begin our expansion into South American markets. And we invested in additional sales and marketing resources to do more where we are.

We invested in information technology initiatives to provide seamless customer service (see article on page 14) and enable our employees to communicate more effectively and collaborate on new product development and process improvements.

In fiscal 1996 we introduced the BP4000 thermal transfer and direct thermal printer in Europe, the PAM Series I Printer Applicator Machine for circuit board labeling, new labeling products for ink-jet printing, new bar code software, a repositionable nonadhesive wire marker for global markets and thermal-transfer printable Permasleeve(TM) wire markers. For the electronics market, Brady introduced a new cover tape for integrated circuit packaging and also a selection of new die-cut disk-drive parts. In the area of safety and facility identification, we introduced the Einsign(TM) Smart Sign-Making System, Brady Laser Signs and sign-making software earlier this fiscal year. As a result of a strategic relationship with Fuji Photo Film Co., Ltd., Tokyo, Japan, Brady introduced a new large-format full-color printing system called the Brady ColorPix(TM) Color Production System.

Cost Control

To control costs, we are continually working to reduce inventory and improve yield and delivery times. Signmark(R) Division has implemented a new printing process to improve turnaround times and reduce costs on small orders.

Seton is targeting customers with specialized mailings based upon their previous ordering activity or industry. In addition, Seton has implemented mathematical modeling techniques to target customers most likely to order.

The Identification Solutions Division has negotiated significant cost reductions on materials and improved yield on many of its products.

Resource Utilization

Although all of our operations are working to use existing assets to their full potential, Coated Products Division leads the way in improving asset utilization. In January, the division transitioned its workforce to a seven-day-per-week work schedule to make the best use of our investment in capital equipment.

We have also consolidated inventory into one warehouse in Belgium to service customers in Belgium and France. And our Brady and Seton operations in Canada have combined into one operation - W.H.B. Identification Solutions, Inc. to make better use of plant, equipment and human resources.

The Identification Solutions Division and Signmark Division customer service groups have joined together to reduce duplication of effort and better serve customers in the electrical market.

Brady business units around the world have worked together to leverage our purchasing power.

Looking Ahead

Our strategy going forward remains the same. We are still dedicated to creating value for our shareholders and meeting or exceeding customers' expectations for high-performance identification,

safety and tape solutions.

In fiscal 1997 we will be doing more where we are by continuing our investment in sales and marketing with specialized training for our salesforce and information technology investments to facilitate customer-account management, communication and collaboration. We will introduce a new version of a popular printing system, the I.D. Pro(TM) Plus Wire Marker Printer, with new features including faster operation and improved print quality. We will grow globally through new startups, joint ventures and acquisitions. Fiscal 1997 globalization efforts include W.H. Brady Korea Co., Ltd., a joint venture in South Korea; mailing into Mexico from our Seton operation in the United States; continuing our startup in Brazil; and forming sales and service branches in Malaysia and Taiwan.

We will continue to leverage technology, products, processes and customer service.

We will succeed by investing in growth opportunities while controlling costs and improving our asset utilization. We recognize the importance of growth, but we also know it is important to maintain profitability. And we are committed to doing just that in fiscal 1997 and beyond.

Katherine M. Hudson
President and Chief Executive Officer
October 1996

What was that name again?

Throughout fiscal 1996, several new names surfaced at W.H. Brady Co. - some from acquisitions and new startups and others from a need to more accurately identify an operation. Among the new names are: TechPress II Limited, Middlesex, England, a distributor of printing systems throughout Europe, which Brady acquired in November 1995. Hirol Division, Fort Lauderdale, Florida, a converter of custom die-cut parts for the telecommunications market, which Brady acquired in January 1996. Varitronic Systems, Inc., Minneapolis, Minnesota, a manufacturer of printing and labeling systems, which Brady acquired in April 1996.

Three existing names were changed to better represent product lines and identify with markets. Graphics Group, formerly Signmark(R) Group, changed its name to reflect its additional focus on graphics markets. Identification Solutions Division, formerly Industrial Products Division, Milwaukee, Wisconsin, is a manufacturer and marketer of industrial identification products including specialty labels, wire markers, and printing systems. W.H.B. Identification Solutions, Inc., Richmond Hill, Ontario, Canada, is the new name for the combined Seton and Brady operations in Canada.

And one new operation was formed. W.H.B. do Brasil Ltda., Sao Paulo, Brazil, is a new operation formed by Brady's Seton and Identification Systems and Specialty Tapes Groups to enter the South American market.

Brady-Korea

W.H. Brady Korea Co., Ltd., Okcheon, Chung Buk, South Korea, is a joint venture between Brady and Mr. Tae Seung Park, owner of the former John Lee Commercial Corp. and Dae Yang Electron Company.

Brady-Korea will initially sell products from Brady Precision Tape Co. and the Identification

Solutions Division, such as leadframe tape and industrial identification products. It plans to sell additional Brady products in the future. It will also serve as a manufacturing base, allowing Brady to expand quickly into additional Southeast Asian markets.

Capturing a new market often comes down to revolutionary products. At Brady, technology plays an important role in product development. We succeed by combining engineered systems with our continued emphasis on material development and specialty adhesives for challenging applications.

New Products

Computer and electronic manufacturers never fear: PAM is here! One of the most exciting technological innovations in Brady's history, The PAM Series I Printer Applicator Machine is a revolutionary system that automates the labeling of circuit boards.

PAM was launched this year by Identification Solutions Division, which saw an opportunity to label components on the millions of circuit boards produced for the computer and electronics industry each year—boards that were previously labeled by hand. PAM prints and applies the labels, then scans them to verify label information to begin product tracking.

"PAM is unique in this market in the sense that it is truly a turnkey system which provides a complete identification solution for circuit board manufacturers," said Mark Schlagenhaft, PAM specialist.

The development team that brought PAM to life worked to incorporate several technologies. PAM uses Brady ribbons and labels, a modified thermal transfer printer with a specialized, patented dispenser mechanism, and Microsoft Windows(R)-based software to generate bar code labels. Add a robotic arm, touch-screen controls, bar code scanners and a conveyor system, and PAM is complete.

PAM was designed to be installed directly into a circuit board manufacturer's production line. When the conveyor carries a circuit board into PAM's work area, the machine's thermal-transfer printer prints a label. The robotic arm moves over the label and uses vacuum suction to support the label while the printer's dispenser plate retracts. Next, the arm rotates the label into position and moves down to the circuit board to apply the label. A built-in scanner scans the bar code to verify label information and begin the data-collection process. The entire process occurs one label at a time, so that each label has completely unique information.

"Our solution is so comprehensive that customers can turn their attention to the product they manufacture, to meeting the needs of their customers," Schlagenhaft said. "They can spend less time worrying about product identification because Brady is taking care of it for them in a highly-automated, turnkey fashion."

Companies recognize that information is power, especially in the area of product performance. When companies that supply components to computer and electronics manufacturers were asked to begin providing identification systems to track a component's performance, Brady saw an opportunity and stepped in. The Automatic Identification and Data Collection Team creates automated data-collection systems that supply the technology, plus a full range of products and services, to meet those suppliers' needs.

"Essentially, we're providing a service to help our customers comply with their customers' identification requirements," said Kevin Hayes, Identification Solutions Division director of marketing. "We offer solutions for identifying and tracking high-tech components throughout

work-in-process."

Brady's automated data-collection systems do much more than just label a component. They also track manufacturing, warehousing, receiving and shipping data, and provide seamless, real-time integration with a customer's manufacturing information system. Brady supplies software, fixed station data-collection terminals, portable and radio frequency terminals, high-speed thermal-transfer printers and specialized labeling materials. Once the system is in place, Brady is there to service it-from project management to system design, consulting services and ongoing support.

"Automated data-collection systems reduce customers' labor costs," Hayes said. "But the biggest benefit by far is the accuracy of information which our systems provide. We can help customers virtually eliminate identification errors, saving both time and money."

Thanks to Varitronic System, Inc.'s QuikPlate(TM) system, winners can now have a customized trophy in their hands minutes after crossing the finish line.

The QuikPlate system is a portable thermal transfer printing system that produces high-quality trophy plates, cut to size, on the spot. The newly developed brushed gold plate material has a permanent adhesive on the back, making it simple to peel off the liner and secure the plate to a plaque or trophy. Options developed for the QuikPlate system include a graphics program and the ability to interface with a personal computer for transferring custom graphics and data.

"The introduction of this print technology and specialty material to the awards market allows a trophy shop to produce finished plates four to seven times faster than current methods," said Mike Flaherty, awards market sales manager. "That makes their customers happy, and it means that our customers, the trophy shops, keep coming back for more. In the next year, we will be working aggressively to market and enhance the QuikPlate system product line."

Photo captions

"PAM is not just a label; it's not just a way to print and apply a label; it's not just a way to collect information from the bar code. It's this entire solution that is really revolutionary." Mark Schlagenhaft, PAM specialist

"The QuikPlate(TM) system's technology has opened up an entirely new market for us," said Mike Flaherty, awards market sales manager. "The market may be new to us, but we're confident that with the QuikPlate system we can keep customers in the awards business coming back for more."

"We offer customers a complete automatic identification solution," said Kevin Hayes, director of marketing. "Our solution includes Brady printers, specialized labeling materials, scanners and software along with project management, system design and consulting."

W.H. Brady Co. employees leverage technology along with their skills and creativity to capitalize on opportunities. This applies to everything from new products and markets to processes.

Technology Highlights

Strategic relationships are one of the ways Brady finds new technologies and applications. Its strategic relationship with Fuji Photo Film Co., Ltd., Tokyo, Japan, is a great example. Outside of

Japan, Brady has exclusive marketing and distribution rights to Fujifilm's large-format, ink-jet printing system, positioning Brady to capitalize on the international digital-printing market. The Brady ColorPix(TM) Color Production System includes the fastest large-format ink-jet printer on the market, making it ideal for printing colorful banners and posters.

The system features a large-format printer, pigmented ultra-violet-resistant ink, a point-and-touch interface, a scanner, a monitor and the ability to print with or without a computer. It prints on a variety of materials such as paper, vinyl and a silk-like fabric in a 36-inch-wide format, perfect for posters, banners, point-of-purchase displays, and backlit signs.

Photo caption

Pat Hay, (left) Graphics Solutions Division business unit manager, and George Sloan, new business development manager, worked with Fujifilm to bring the ColorPix(TM) Color Production System to market. "We've been working closely with Fujifilm for about a year now," Sloan said. "Looking at where we started and where we are now, it's amazing. We've crossed traditional geographical and cultural borders and together we have developed an ideal product for the growing digital graphics marketplace."

Brady is using its expertise in material development to develop outdoor durable materials for use with the system. By combining the materials with the ColorPix System, users will be able to create large-format outdoor signs that last a minimum of two years without fading.

"Brady brought its strengths in identification and material development into this venture," said Pat Hay, Graphics Solutions Division business unit manager. "We have worked with Fujifilm to enhance the current system, creating an ideal product for the graphics market. Its affordability, ease of use and especially its outdoor durability make it a leader in its category."

Brady's Identification Solutions Division modernized a 30-year-old process when it inaugurated a new digital imaging system for storing engineered drawings of custom labels.

Diane Larsen, imaging specialist, said, "With the new digital imaging system, we can significantly reduce our response time to customers. In many cases, we can reduce confirmation of an order from approximately three days to just minutes."

Prior to the digital system, the Identification Solutions Division stored 70,000 customer specifications and drawings on microfilm. Now, those drawings have been transferred to an electronic file, creating a database of customer drawings for custom orders.

Brady employees can search for a drawing using key words such as customer name, part number, ink color, or type of material. The database includes a "split screen" capability so customer service representatives can look at the product drawing and an order-entry screen at the same time.

The new imaging system is more than just a database. It can generate invoices and reports, fax credit memos and route orders. The system was designed to be compatible with information technology standards currently being established. In the future, it will be accessible to Brady operations around the world.

Brady added a powerful new capability this year when it acquired The Hirol Company, which uses specialized laser prototyping and production technology. The Fort Lauderdale, Florida-based company die-cuts materials into precise configurations for use in many types of electronic equipment, including cellular telephones, pagers and computers.

"Laser technology is very precise, holding to tolerances of plus or minus two thousandths of an inch per linear foot. And it's fast," said Jim Danser, Hirol marketing manager.

Prototypes for testing and developing new products can be created in less than 24 hours, compared to a two- to five-day turnaround using traditional steel-rule or rotary die-cutting production. Many of the products are multi-layered, made from adhesive, foam, plastic or polycarbonate and are used for cushioning and insulation.

"We're the only company in our industry that uses a laser for die cutting components," Danser said. "We provide the quickest response to customers who need prototypes fast, giving us a distinct advantage over our competition. Customers come to us for prototypes and stay with us when the part moves into production."

Brady's Canadian operation has seen the light. W.H.B. Identification Solutions Inc. in Toronto has introduced new state-of-the-art ultra-violet-cure inks. Converting from traditional solvent-based inks to the new UV inks enables the operation to ship printed materials right off the press.

UV technology enabled W.H.B. Identification Solutions Inc.'s Rapid Response Cell to reduce product lead times and enhance quality. Today, at W.H.B. Identification Solutions, Inc., 75 percent of orders are turned around in less than 24 hours making Brady and its customers happy.

"The investment in UV technology has boosted our production and improved the consistency of printing, thanks to superior ink and adhesion qualities," said Robert Cameron, general manager of the Canadian operation. "And UV processes are better for the environment."

Other Brady operations including Seton, Identification Solutions Division and Signmark(R) Division have been using UV printing technologies for a number of years, achieving similar positive results in their own product lines.

In a year when "e-mail me!" became a commonly used phrase, Brady's own employees used technology to revolutionize how they work and communicate. Upgrades and additions to Brady information technology included the addition of key employees at all of Brady's worldwide locations to a global e-mail network and access to Internet e-mail.

Lotus Notes(R) was selected as Brady's groupware standard. Employees at Brady's Milwaukee-area locations are already working with others through Lotus Notes. Lotus Notes will soon be extended to Brady's international operations.

Another step forward was made through the Brady Employee Self Service human resources information system, installed in February 1996. The system enables employees to manage and update much of their own personnel information.

Also this year, Brady formed a standards team which is working to standardize software applications on a global level so all employees worldwide can communicate more effectively, sharing information and files with full compatibility.

Photo captions

New imaging technology enables the Identification Solutions Division, Milwaukee, to reduce leadtimes on custom orders. The team responsible for upgrading the imaging process includes (back row from

left) Karen Groth, customer service group leader; Jeff Patz, engineering manager; Thong Phan, production supervisor; Michelle Ryan, operations associate; (front row) Heidi Plato, senior database analyst; Diane Larsen, imaging specialist; and Michael Sweeney, engineering technician.

Oscar Iglesias (above), laser technician, die cuts a new product which would be difficult and costly to produce using traditional die-cutting methods. "Because of our laser technology, we were able to provide a solution to this difficult die-cutting job within 24 hours," said Jim Danser (left), marketing manager, "resulting in significant new sales over the past two months alone."

Carlos Goring, a screen printer at Brady's Canadian operation, uses ultra-violet technology to print labels in a fraction of the time needed to print with the former solvent-based printing technology.

"Lotus Notes(R) is the best tool out there," said Gary Laszkiewicz, Lotus Notes project champion. "Employees can do more than communicate on projects-they can collaborate. Exciting new applications include an electronic bulletin board for newsletters; an electronic employee handbook; and various discussion databases for ideas and collaboration on topics such as new product development."

Every day, we aim to meet or exceed our customers' expectations by providing premier products, personal service and on-time delivery. In 1996, we stayed a step ahead by using technology to make our customers' lives easier in a number of unexpected ways. . .

Technology to Serve Customers

W.H. Brady Co. customers in Europe are benefiting from "one-stop shopping" created by a new European Distribution Center (EDC) that provides fast and efficient service and product delivery. EDC, opened by W.H. Brady, N.V., Zele, Belgium, in February 1996, serves customers of Brady-Belgium and W.H. Brady S.A.R.L., Paris, as well as other Brady and Seton units in Europe.

EDC features innovative technology including Computer Associates Warehouse Boss,(R) a warehouse management software system; Pansophic(R) Resource Management System, an information management system; and drop-ship software that links Brady companies in France and Belgium. Bar code and radio-frequency equipment facilitate faster and more precise shipping of customers' orders. There is even a special trolley which enables employees to fill twelve orders in one "run" through EDC.

Photo caption

"Bar codes, which are used for accuracy, dominate our process," said Peter De Winne (right), material manager, Brady-Belgium. "In addition, our automated system generates shipping documents as orders leave the European Distribution Center. We continue to knock down inefficient walls on our way to serving our customers." Jef Delacourt, warehouse employee, fills customers' orders.

"Using the latest technology enables us to fill customers' orders and pack them for shipment in one sequence, streamlining our response time without sacrificing our high-quality service," said Peter DeWinne, warehouse material manager.

Whether in France or Belgium, customers find that ordering from Brady is a seamless process. Customer service representatives in both countries are linked to EDC and have access to the same information on stock and order status. Orders from France or Belgium immediately generate ordering and shipping documents at EDC.

"With this new system, we can begin filling an order as soon as the customer places it," DeWinne said. "Orders receive virtually instantaneous attention."

It is expected that EDC will begin serving customers of W.H. Brady GmbH, Rodermark, Germany, and other European units in fiscal 1997.

Seamless customer service: that is the "Holy Grail" for W.H. Brady Co.'s Quest Team. Since July 1995, the Quest Team has been on a mission to develop and implement an information technology system to help Brady business units worldwide improve service levels to customers.

The Quest Team began its search by examining the current customer service systems at Brady's many different business units-each with its own product lines, customer bases and distribution channels.

Dave Gohlke, Quest project director, explained the challenge: "We had to develop a system which was flexible enough to meet the customer-service needs of all business units while maintaining common standards to meet our 'cross-business-unit' needs."

The system devised by the Quest Team is based on the Pansophic(R) Resource Management System, an integrated management system that provides up-to-the-minute information in all areas of Brady's business, from manufacturing planning and setup to inventory and customer service. The Quest system also incorporates custom software and a marketing and sales management software package, which includes sales lead management and customer profiling, among other capabilities.

The Quest system will be installed in December 1996 at W.H.B. Identification Systems, Inc., a combined Brady-Seton business unit located in Toronto and will be extended to Brady and Seton worldwide operations over the next two years.

Help is only a phone call away for customers with safety and facility identification questions. A technical center, complete with an 800 number, is providing answers to questions about safety, environmental or transportation regulations, standards, products and good practices.

The center, fully operational in January 1996, is proving to be an invaluable resource for Brady. Customer calls are leading to new product development; sales leads; and the sale of more complicated products such as printing systems, lockout devices, bar code systems and software products.

"Now when customers don't understand a safety or identification regulation, they can turn to Brady for help," said Ken Neumann, regulatory information manager. "We have an extensive regulatory library and can clarify the regulation, help determine the safety or facility identification need, suggest solutions and provide products. The two-way communication sparked by the technical center really is a benefit to our customers. In turn, it has strengthened our competitive edge in the marketplace."

In order to be the best, we need to take advantage of the best tools and processes available to us while managing our investments wisely," said Gene Wright, Seton research and development director. "This includes looking into the future, analyzing technologies and ensuring that the processes and technologies we invest in today don't become 'old' tomorrow."

This is exactly what Brady has done and what has prompted the company to continue investing in on-line and Internet technologies.

"Meeting on-line challenges is not an overnight process," said Wright. "It requires various people to develop a long-range vision of what we can accomplish and then spinning off projects that support that vision."

One example of this is the Brady-Seton Internet team. The team's strategy is to build and maintain

Internet sites that add value to customers, both end users and distributors, through application-driven product information and services facilitated by a unique interface. Seton's site also features a secure ordering interface.

"As you might expect, looking into the future is a complicated process," said Wright. "But our cross-divisional, cross-functional approach to developing the best sites really helps. By sharing Seton and Brady resources and experiences to maximize the company's investments, our on-line future is even brighter."

Photo captions

Quest Team members come from a variety of different Seton and Brady business units worldwide. Members (back row from left) Dave Gohlke, Quest project leader; Ann Paese, project manager; Dave Winter, chief information officer; Ann Nettesheim, business process consultant; George Murray, project manager; (front row) Sandra Cutts, project manager; Fred Banaszak, manufacturing system project manager; and Greg Burke, project manager, are dedicated to finding a way to offer seamless customer service.

Ken Neumann, (left) regulatory information manager, and Jim Morrissey, technical specialist, use technical center resources to solve customers' problems.

The Brady and Seton web sites are resources for customers who want information, advice, technical support, products and more. The teams that developed these sites are the Wisconsin Internet Team (above) including (back row from left) Paul Meinholz, network administrator; Sherri Congleton, communications associate; Steve Hasbrook, marketing development manager; Gene Wright, Seton research and development director; (front row) Karen Kaminski, public relations assistant; and Janice Greenwood, marketing support specialist; (not pictured) Rick Stoegbauer, regional sales manager; and the Connecticut Internet Team including (from left) Frank Bonito, division controller; Linda Moquet, information specialist; Greg Ellal, marketing manager; and Karen Black, customer contact analyst. See us at <http://www.whbrady.com> and <http://www.seton.com>.

W.H. Brady Co. was founded in Wisconsin, U.S.A., in 1914 by William H. Brady. The history of the company extended through two World Wars and peacetime expansion and into the era of rapid technological advances at the end of the century. In the early years, Brady produced advertising specialties such as calendars, point-of-purchase displays and signs. As customers and markets changed, so did the company.

Brady History

In the 1940s, it found a new niche market - making wire markers from pressure sensitive tape used to identify the electrical control systems of military planes and ships.

In the post-World War II era, Brady expanded dramatically and introduced new products such as pipe markers, safety signs, and Kwik-Sign letters and numbers. By the time the company moved to Milwaukee in 1953, it had 53 employees and was distributing internationally. The 1950s and 1960s saw the company establish operations in Canada, England and Belgium to supply a growing international market.

In 1963, Brady took a step toward securing its future as an innovator by establishing an in-house research and development operation. By 1969, the company employed 800 and offered 10,000 stock items. International expansion continued, with bases added in Australia, Germany, Sweden and France. In 1978, the company built the Tobey Research and Innovation Center, named after a great Brady inventor.

Expansion in products, markets and geographies continued throughout the 1980s. In 1981, the company acquired Seton, a direct-marketer of safety and identification products. Brady expanded into Japan, Singapore and Hong Kong and established Seton operations in Europe and Canada. Another milestone was in 1984, when W.H. Brady Co. became a publicly held company.

The 1990s have seen the company focus on and grow its core businesses of industrial and facility identification products and specialty coated materials. It expanded through acquisitions and new startups in Italy, Korea, Brazil and other countries.

Using the entrepreneurial spirit to serve customers' needs is a proud Brady tradition. Every year, Brady rededicates itself to making the highest quality products, and delivering the best possible service, sales growth and shareholder value.

The push card, a game of chance first used by candy companies to boost sales, was one of the specialty advertising products Brady manufactured in its early years.

In 1944, the Company moved in a new direction when it introduced its first wire markers for identifying electrical control systems in military planes and ships. Wire markers have since been a core product for Brady.

Financial

Review 1996

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Selected Financial Information

Years ended July 31, 1987 through 1996

(Dollars in Thousands, Except Per Share Amounts)

	1996	1995	1994	1993	1992
1991	1990	1989	1988	1987	

Operating Data

Net sales	\$	359,542	\$	314,362	\$	255,841	\$	242,970	\$
235,965	\$	211,063	\$	191,161	\$	174,174	\$153,016	\$126,420	
Operating expenses:									
Cost of products sold				166,426		143,634		118,116	
114,301		110,130		96,797		84,952		75,620	
56,284								67,302	
Research and development				11,309		10,426		10,318	

12,132	10,001	9,176	7,355	6,168	5,879
5,383					
	Selling, general and administrative			140,642	119,717
97,932	92,449	93,931	84,936	76,596	
71,292	63,986	50,108			
	Nonrecurring charge (credit)		-	-	-
(1,236)	6,562	-	-	6,465	-
	Total operating expenses			318,377	273,777
226,366	217,646	220,624	190,909	168,903	
159,545	137,167	111,775			
Operating Income					
15,341	20,154	41,165	40,585	29,475	25,324
		22,258	14,629	15,849	14,645
Other income and (expense):					
	Investment and other income - net			4,570	4,609
837	559	239	2,845	4,004	
2,380	1,901	2,082			
	Interest expense		(302)	(555)	(410)
(54)	(219)	(548)	(646)	(356)	(477)
(348)					
	Net other income		4,268	4,054	427
505	20	2,297	3,358	2,024	1,424
1,734					
Income before income taxes, extraordinary item and					
	cumulative effect of changes in accounting principles				45,433
44,639	29,902	25,829	15,361	22,451	
25,616	16,653	17,273	16,379		
Income taxes					
6,972	17,406	16,728		11,362	8,973
	7,054	10,606	6,778	6,968	7,535
Income before extraordinary item and cumulative effect of changes in accounting principles					
28,027	27,911	18,540	16,856	8,389	
15,397	15,010	9,875	10,305	8,844	
Extraordinary item:					
	Gain on proceeds of officer's life insurance policies, net			-	-
-	-	-	-	-	-
4,625	-	-			
Income before cumulative effect of changes in accounting principles					
27,911	18,540	16,856	8,389	15,397	28,027
15,010	14,500	10,305	8,844		
Cumulative effect of changes in accounting principles for:					
	Postretirement benefits (net of income taxes of \$2,663)			-	-
-	-	(3,995)	-	-	-
-	-				
Income taxes					
661	-	-	-	-	-
	Catalog costs		-	-	-
-	-	-	1,233	-	-
Net income					
5,055	\$ 15,397	\$ 15,010	\$ 15,733	\$ 110,305	\$ 118,844
Net income per Common Share:					
	Class A Nonvoting				
.77	\$.23	\$.71	\$.70	\$.70	\$.85
					\$

.45	\$	.39							
	Class B Voting	\$	1.24	\$	1.24	\$	.81	\$	
.74	\$	.19	\$	.67	\$	.66	\$	.67	\$
.42	\$	.36							
Cash dividends on:									
	Class A Common Stock	\$	.40	\$	.27	\$	.23	\$	
.20	\$	.19	\$	.16	\$	.13	\$	.09	\$
.08	\$	.07							
	Class B Common Stock	\$	.37	\$	.23	\$	.19	\$	
.17	\$	.15	\$	.13	\$	.10	\$	.06	\$
.05	\$	.03							
Balance Sheet (at period end)									
	Working capital	\$	109,688	\$	129,938	\$	100,023	\$	
77,943	\$	66,093	\$	70,883	\$	67,797	\$	53,056	\$142,492
\$144,176									
	Total assets		261,835		230,005		202,509		
179,901		173,054		156,812		147,197		129,890	117,201
104,398									
	Long-term debt, less current maturities				1,809		1,903		
1,855		1,978		2,524		1,982		3,298	
3,637		3,086		3,851					
	Stockholders' investment				189,263		170,823		145,129
128,068		119,771		115,260		103,784		89,443	
84,987		76,044							

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

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

Overview

Between fiscal 1993 and 1995, the Company experienced net sales growth and reduced cost of products sold and operating expenses as percentages of net sales. It also made significant improvements in productivity and asset utilization through the successful implementation of a team-oriented approach to quality, growth and cost reduction. To further enhance teamwork, in February 1995, the Company's divisions and international subsidiaries were realigned into three global groups, each headed by a Group Vice President. The groups are (i) the Identification Systems and Specialty Tapes Group ("ISST"), (ii) the Seton Group ("Seton"), and (iii) the Graphics Group, formerly the Signmark(R) Group ("Graphics").

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

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

The Company introduced several new products in fiscal 1996, including label materials, software, a new line of tapes and new printing systems. The EinsignTM Smart Sign-Making System, which enables customers to produce high-quality signs using Company-developed software and a palmtop

computer and laser-printing technology, was launched in January 1996. The product was named the Product of the Year by Plant Engineering Magazine.

To increase product penetration in existing markets, the Company hired sales, marketing and support personnel worldwide in fiscal 1996.

In January 1996, Seton-France mailed Dutch and French versions of a safety and facility identification catalog into Belgium, the Company's first catalog effort in the country. Seton-Italy mailed a new catalog in Italy, its third catalog mailing since being formed in fiscal 1995. Seton in the United States mailed a new full-line catalog in December 1995, which included 90 new products (replacing 70 older products). In 1996, Seton and ISST jointly established an operation in Brazil.

The Company completed the acquisitions of TechPress II Limited in November 1995, Hirol Division in January 1996, and Varitronic Systems, Inc. in April 1996.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year Ended July 31, 1994, Compared to Year Ended July 31, 1993

Sales for fiscal 1994 increased by \$12,871,000 or 5.3% over fiscal 1993. Sales of the Company's international operations increased 22.1% as a result of real growth through continued market penetration in Europe and the Far East offset by changes in the exchange rates used to translate financial results into U.S. currency. Foreign exchange effect resulted in a 6.5% overall decrease in international sales. Sales of its U.S. operations decreased 2.6% because of the divestiture of three businesses last year. Comparing only continuing operations, sales of the Company's U.S. operations increased 6.1% as a result of the introduction of new products.

The cost of products sold decreased from 47.0% of sales to 46.2% of sales as a result of changes in product mix, the divestiture of three businesses last year and increased manufacturing efficiencies from the Company's continuous-improvement efforts. Selling, general and administrative expenses as a percentage of sales increased from 38.1% to 38.3% of sales as a result of costs attributable to the introduction of new products. The completion of certain product development projects last year caused research and development expenses to decrease 15.0% in fiscal 1994.

In fiscal 1993 the Company recorded a nonrecurring credit of \$1,236,000 (\$742,000 after tax) primarily representing the gain on the divestiture of three domestic operations.

Income before income taxes increased to \$29,902,000 in fiscal 1994, an increase of 15.8% compared to fiscal 1993's \$25,829,000, largely as a result of improved performance in the Company's international operations.

Net income was negatively impacted by an increase in the effective tax rate from 34.7% in fiscal 1993 to 38.0% in fiscal 1994. The lower effective tax rate in fiscal 1993 was due to the reversal of a \$730,000 provision for future settlement relating to the amortization of customer lists which was established in fiscal 1992 and favorably resolved in fiscal 1993. Eliminating the effect of this adjustment, the effective tax rate for fiscal 1993 would have been 37.6% compared to 38.0% for the current fiscal year.

Net income was \$18,540,000 for fiscal 1994, compared to \$16,856,000 for fiscal 1993, because of the factors cited above.

Liquidity

The Company's liquidity remains strong. Cash and cash equivalents were \$49,281,000 at July 31, 1996, compared to \$89,067,000 at July 31, 1995, and \$66,107,000 at July 31, 1994. The decrease in fiscal 1996 was mainly due to the acquisitions of TechPress, Hirol and VSI. Primarily because of the use of cash and cash equivalents to fund the acquisition of VSI, working capital decreased to \$109,688,000 at July 31, 1996, from \$129,938,000 at July 31, 1995.

The Company has maintained significant cash balances due in large part to its strong operating cash flow, which totaled \$34,612,000 for fiscal 1996, \$21,552,000 for fiscal 1995, and \$33,068,000 for fiscal 1994. Capital expenditures were \$10,470,000 in fiscal 1996, \$8,114,000 in fiscal 1995, and \$6,466,000 in fiscal 1994. Financing activities, primarily the payment of dividends to the Company's shareholders, consumed \$13,916,000 of cash in fiscal 1996, \$4,659,000 in fiscal 1995, and \$4,214,000 in fiscal 1994.

Long-term debt as a percentage of long-term debt plus stockholders' investment was 0.9% at

July 31, 1996, compared to 1.1% at July 31, 1995, and 1.3% at July 31, 1994.

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

Inflation

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

Consolidated Balance Sheets

July 31, 1996 and 1995

(Dollars in Thousands) 1996 1995

Assets

Current assets:

	Cash and cash equivalents (Note 1)	\$	49,281	\$	89,067
	Accounts receivable, less allowance for losses (\$1,992 and \$1,881, respectively)				
53,679	42,104				
	Inventories (Note 1):				
	Finished products		28,732		16,866
	Work-in-process	3,173	1,987		
	Raw materials and supplies		8,792		4,246
	Total inventories		40,697		23,099
	Prepaid expenses and other current assets (Notes 1, 3 and 4)				12,454
10,202					
	Total current assets		156,111		164,472

Other assets:

	Intangibles - net (Note 1)		34,212		298
	Other (Note 4)	5,863	6,662		

Property, plant and equipment (Notes 1 and 5):

	Cost:				
	Land	4,735	4,417		
	Buildings and improvements		34,484		34,284
	Machinery and equipment	78,680		69,278	
	Construction in progress		4,383		815
		122,282		108,794	
	Less accumulated depreciation	56,633		50,221	
	Net property, plant and equipment			65,649	58,573
Total	\$	261,835	\$	230,005	

Liabilities and Stockholders' Investment

Current liabilities:

	Accounts payable	\$	13,922	\$	9,252
	Wages and amounts withheld from employees			14,144	14,447
	Taxes, other than income taxes	1,790		1,361	
	Accrued income taxes	5,419	2,150		
	Other current liabilities (Note 3)		10,620		6,912
	Current maturities on long-term debt (Note 5)			528	412
	Total current liabilities		46,423		34,534

Long-term debt, less current maturities (Note 5)		1,809	1,903
Other liabilities (Note 3)	24,340	22,745	
Total liabilities	72,572	59,182	
Stockholders' investment (Notes 1 and 6):			
Preferred Stock (aggregate liquidation preference of \$3,026 at July 31, 1996)			
2,855	2,855		
Common Stock:			
Class A Nonvoting-Issued and outstanding 20,094,100 and 5,507,341 shares, respectively, (aggregate liquidation preference of \$33,557 at July 31, 1996)	201	55	
18	Class B Voting-Issued and outstanding 1,769,314 shares		18
Additional paid-in capital	8,415	8,074	
Earnings retained in the business		173,491	154,286
Cumulative translation adjustments		4,283	5,535
Total stockholders' investment		189,263	170,823
Total	\$ 261,835	\$ 230,005	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

Years ended July 31, 1996, 1995 and 1994 (Dollars in Thousands, Except Per Share Amounts)	1996	1995	1994
Net sales \$ 359,542 \$ 314,362 \$ 255,841			
Operating expenses:			
Cost of products sold 166,426	143,634		118,116
Research and development 11,309	10,426		10,318
Selling, general and administrative 97,932	140,642		119,717
Total operating expenses	318,377		273,777
Operating income 226,366			
Other income and (expense):			
Investment and other income-net (Note 2) 837		4,570	4,609
Interest expense	(302)	(555)	(410)
Net other income	4,268	4,054	427
Income before income taxes	45,433	44,639	29,902
Income taxes (Notes 1 and 4)	17,406	16,728	11,362
Net income 28,027	27,911	18,540	
Net income per Common Share (Notes 6 and 8):			
Class A Nonvoting \$ 1.27	\$ 1.27	\$.85	
Class B Voting \$ 1.24	\$ 1.24	\$.81	

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Investment

Years ended July 31, 1994, 1995 and 1996	Additional Preferred	Earnings Common	Cumulative Paid-In Retained in
--	-------------------------	--------------------	-----------------------------------

Translation (Dollars in Thousands, Except Per Share Amounts) Adjustments		Stock	Stock	Capital	the Business
Balances at July 31, 1993	\$ 2,855	\$ 72	\$ 5,571	\$	
118,730	\$ 840				
Net income	-	-	-		
18,540					
Net currency translation adjustment	-	-	-		
- -	2,323				
Issuance of 39,650 shares of Class A Common Stock under stock option plan	-	-			
1,063	-				
Tax benefit from exercise of stock options	-	-	-		
134	-				
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-\$0.23 a share	-	-	-		
(3,714)	-				
Class B-\$0.19 a share	-	-	-		
(1,026)	-				
Balances at July 31, 1994	2,855	72	6,768		
132,271	3,163				
Net income	-	-	-		
27,911					
Net currency translation adjustment	-	-	-		
- -	2,372				
Issuance of 30,529 shares of Class A Common Stock under stock option plan	-	1			
999	-				
Tax benefit from exercise of stock options	-	-	-		
307	-				
Cash dividends on Preferred Stock:					
1979 series-\$10 a share	-	-	-		
(220)	-				
6% and 1972 series-\$6 a share	-	-	-		
(39)	-				
Cash dividends on Common Stock:					
Class A-\$0.27 a share	-	-	-		
(4,398)	-				
Class B-\$0.23 a share	-	-	-		
(1,239)	-				
Balances at July 31, 1995	2,855	73	8,074		
154,286	5,535				
Net income	-	-	-		
28,027					
Net currency translation adjustment	-	-	-		
- -	(1,252)				
Issuance of 25,049 shares of Class A Common Stock under stock option plan	-	-			
372	-				

	Tax benefit from exercise of stock options	-	-		
115	-	-			
	Common Stock dividend	-	146	(146)	
-	-				
	Cash dividends on Preferred Stock:				
	1979 series-\$10 a share	-	-	-	
(220)	-				
	6% and 1972 series-\$6 a share	-	-	-	
(39)	-				
	Cash dividends on Common Stock:				
	Class A-\$0.40 a share	-	-	-	
(7,678)	-				
	Class B-\$0.37 a share	-	-	-	
(885)	-				
	Balances at July 31, 1996	\$ 2,855	\$ 219	\$ 8,415	\$
	173,491 \$ 4,283				

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Years ended July 31, 1996, 1995 and 1994
(Dollars in Thousands) 1996 1995 1994

Operating activities:

	Net income	\$ 28,027	\$ 27,911	\$ 18,540	
	Adjustments to reconcile net income to net cash				
	provided by operating activities:				
	Depreciation	9,978	9,049		
9,325					
	Amortization	624	110		
110					
	Loss on sale of business	-	413		
-					
	(Gain)/Loss on sale of property, plant and equipment	194			
(2,222)	(2,209)				
	Provision for losses on accounts receivable		367		
463	725				
	Writedown of long-term investment		550	-	
-					
	Changes in operating assets and liabilities				
	(net of effects of business acquisitions and				
disposals):					
	Accounts receivable	(1,786)	(12,554)		
(2,169)					
	Inventory	(3,978)	473		
(928)					
	Prepaid expenses and other assets		(972)		
(1,385)	1,305				
	Accounts payable and accrued liabilities				
309	1,361				
	Income taxes	1,815	(1,605)		
1,852					

		Deferred income taxes	(453)		
212	(413)				
		Other liabilities	2,353	(687)	
1,202					
Net cash provided by operating activities		34,612	21,552		
33,068					
Investing activities:					
		Acquisitions of businesses, net of cash acquired	(53,167)	-	
-					
		Purchases of property, plant and equipment	(10,470)	(8,114)	
(6,466)					
		Proceeds from sale of property, plant and equipment	4,563		
6,227	458				
		Proceeds from sale of businesses	-	6,315	-
		Purchase of other long-term investment	-	(750)	-
Net cash (used in) provided by investing activities		(59,074)		3,678	
(6,008)					
Financing activities:					
		Payment of dividends	(8,822)	(5,896)	(4,999)
		Proceeds from issuance of Common Stock	372	1,306	
1,063					
		Proceeds from long-term borrowings	-	-	
217					
		Principal payments on long-term debt	(5,466)	(69)	
(495)					
Net cash used in financing activities	(13,916)		(4,659)		(4,214)
Effect of exchange rate changes on cash	(1,408)	2,389	895		
Net (decrease) increase in cash and cash equivalents		(39,786)		22,960	
23,741					
Cash and cash equivalents, beginning of year		89,067	66,107		
42,366					
Cash and cash equivalents, end of year	\$ 49,281	\$ 89,067	\$ 66,107		
Supplemental disclosure of cash flow information:					
		Cash paid during the year for:			
		Interest	\$ 245	\$ 116	\$ 237
		Income taxes, net of refunds	15,569	17,174	
10,601					
Acquisitions:					
		Fair value of assets acquired, net of cash	\$ 36,587		
		Liabilities assumed	(15,966)		
		Goodwill	32,546		
		Net cash paid for acquisitions	\$ 53,167		

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements Years Ended July 31, 1996, 1995 and 1994

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The accompanying consolidated financial statements include the accounts

of W.H. Brady Co. and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated in consolidation.

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

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

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

Inventories - Inventories are stated at the lower of cost or market. Cost has been determined using the last-in, first-out (LIFO) method for certain domestic inventories (approximately 49% and 62% of total inventories at July 31, 1996 and 1995, 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 replacement cost was \$5,508,000 at July 31, 1996, and \$5,204,000 at July 31, 1995.

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

Intangible Assets - The excess of cost over fair value of the net assets of businesses acquired is amortized using the straight-line method over various periods ranging from 20 to 40 years.

Catalog Costs - Catalog costs are initially capitalized and amortized over the estimated useful lives of the publications (generally eight months). At July 31, 1996 and 1995, \$4,619,000 and \$4,436,000, respectively, of prepaid catalog costs were included in prepaid expenses and other current assets.

Foreign Currency Translation - Foreign currency assets and liabilities are translated into United States dollars at end of period rates of exchange, and income and expense accounts are translated at the weighted average rates of exchange for the period. Resulting translation adjustments are included as a separate component of stockholders' investment.

Hedging - The Company enters into forward foreign exchange contracts to hedge committed intercompany foreign currency transactions. Such exchange contracts generally have maturities of six months or less. At July 31, 1996, exchange contracts aggregating approximately \$3,960,000 were outstanding.

Income Taxes - Effective August 1, 1991, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Accounting Standards to be Adopted - In 1995, the Financial Accounting Standards Board (FASB) issued

Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of." This statement will be adopted by the Company in the fiscal year beginning August 1, 1996. The adoption of this statement is not expected to have a material impact on the consolidated financial statements.

In 1995, the FASB also issued SFAS No. 123, "Accounting for Stock Based Compensation." Under the accounting and disclosure requirements promulgated in the statement, the Company must adopt the provisions in its fiscal year beginning August 1, 1996. The Company is currently evaluating the accounting and disclosure alternatives provided for under the provisions of the statement.

NOTE 2

ACQUISITIONS AND DISPOSITION OF BUSINESSES

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

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

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

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

The above 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 unaudited pro forma results of operations assuming the acquisitions had been consummated as of August 1, 1994, are as follows:

(Dollars in Thousands

Except Per Share Data) 1996 1995

Net Sales	\$	389,992	\$	370,749
Net Income		26,551		26,419
Net Income Per Common Share				
Class A Nonvoting	\$		1.21	\$ 1.20
Class B Voting		1.18		1.17

The unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of fiscal 1995. The unaudited pro forma results include nonrecurring charges at VSI which decreased net earnings by approximately \$1,730,000 and \$1,005,000 in fiscal 1996 and 1995, respectively.

NOTE 3

EMPLOYEE BENEFIT PLANS

The Company provides postretirement medical, dental and vision benefits for substantially 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. Active employees first eligible to retire after July 31, 1992, will be covered by an unfunded, contributory postretirement healthcare plan where employer contributions will not exceed a Defined Dollar Benefit amount, regardless of the cost of the program. Employer contributions to the plan are based on the employee's age and service at retirement.

Effective August 1, 1991, the Company adopted Statement of Financial Accounting Standards

No. 106 (SFAS No. 106), "Employers' Accounting for Postretirement Benefits Other than Pensions." In connection with the adoption of SFAS No. 106, the Company elected to recognize as expense the entire accumulated postretirement benefit obligation (transition obligation) rather than amortizing such amount to expense over a 20 year period. The Company funds benefit costs on a pay-as-you-go basis. During the years ended July 31, 1996 and 1995, the Company made benefit payments totalling \$209,000 and \$165,000, respectively.

The following table sets forth the plan's status reconciled with amounts recognized in the accompanying consolidated balance sheets at July 31, 1996 and 1995.

(Dollars in Thousands) 1996 1995

Accumulated postretirement benefit obligation:					
Retirees	\$	3,251	\$	3,387	
Fully eligible active plan participants			837		1,077
Other active plan participants		6,252		2,164	1,790
				6,254	
Unrecognized net gain	2,293		1,882		
Accrued postretirement benefit cost	\$		8,545	\$	8,136

(Dollars in Thousands) 1996 1995 1994

Net periodic postretirement benefit cost included the following components:					
Service cost-benefits attributed to service during the period	\$	246		\$230	\$
Interest cost on accumulated postretirement benefit obligation				478	
Amortization of (gain)		(106)		(103)	
Periodic postretirement benefit cost prior to curtailment		618		596	614
Effective curtailment (gain) due primarily to disposition of operations	-		(93)	-	
Net periodic postretirement benefit cost	\$	618	\$503	\$	614

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation were 8% in 1996 and gradually declining to 5.5% by the year 2000.

The weighted average discount rates used in determining the accumulated postretirement benefit obligation was 8% in 1996 and 1995.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of July 31, 1996, would be increased by \$85,000. The effect of this change on the sum of the service cost and interest cost would not be material.

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

The Company has retirement and profit-sharing plans covering substantially all full-time domestic employees and certain of its foreign subsidiaries. Contributions to the plans are determined annually based on earnings of the respective companies and employee contributions. At July 31, 1996 and 1995, \$3,939,000 and \$397,000, 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, 1996 and 1995, \$18,080,000 and \$17,015,000, respectively, of deferred compensation was included in current and other long-term liabilities.

The amounts charged to income for the plans described above were \$6,545,100 in 1996, \$6,188,000 in 1995 and \$5,660,000 in 1994.

The Company has a voluntary employee benefit trust for the purpose of funding employee medical benefits and certain other employee benefits. At July 31, 1996 and 1995, \$1,995,000 and \$2,738,000, respectively, of payments to the trust to fund such benefits were included in prepaid expenses and other current assets.

NOTE 4

INCOME TAXES

Income taxes consist of the following:

(Dollars in Thousands)	Year ended July 31,		
	1996	1995	1994
Currently payable:			
Federal \$	10,573	\$ 10,194	\$ 6,987
Foreign	5,376	4,518	2,755
State	1,910	1,804	2,033
	17,859	16,516	11,775
Deferred (credit):			
Federal	(807)	(382)	(448)
Foreign	469	662	112
State	(115)	(68)	(77)
	(453)	212	(413)
Total \$	17,406	\$ 16,728	\$ 11,362

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

Pre-tax income consists of the following:

(Dollars in Thousands)	Year ended July 31,		
	1996	1995	1994
United States \$	31,481	\$ 32,074	\$ 21,565
Foreign	13,952	12,565	8,337
Total \$	45,433	\$ 44,639	\$ 29,902

The approximate tax effects of temporary differences are as follows:

(Dollars in Thousands)	July 31, 1996		Total
	Assets	Liabilities	
Inventories \$	1,563	\$ -	\$ 1,563
Prepaid catalog costs	-	-	(660)
Employee benefits	-	-	(229)
Allowance for doubtful accounts	-	387	-
Other, net	1,336	-	1,336
Current	3,286	(889)	2,397
Excess of tax over book depreciation	-	-	(4,467)
Deferred compensation	5,633	-	5,633
Postretirement benefits	3,445	-	3,445
Tax loss carryforwards	3,920	-	3,920

Less valuation allowance		(3,920)	-	(3,920)
Other, net	654	-	654	
Noncurrent		9,732	(4,467)	5,265
Total	\$ 13,018	\$ (5,356)	\$ 7,662	

July 31, 1995				
(Dollars in Thousands)	Assets	Liabilities	Total	
Inventories	\$ 1,724	\$ -	\$ 1,724	
Prepaid catalog costs	-	-	(944)	(944)
Employee benefits	-	-	(100)	(100)
Tax loss carryforwards	105	-	-	105
Allowance for doubtful accounts		307	-	307
Other, net	272	-	272	
Current	2,408	(1,044)	1,364	
Excess of tax over book depreciation		-	(3,695)	(3,695)
Deferred compensation	5,383	-	-	5,383
Postretirement benefits	3,316	-	-	3,316
Tax loss carryforwards	1,563	-	-	1,563
Less valuation allowance		(1,563)	-	(1,563)
Other, net	199	-	199	
Noncurrent		8,898	(3,695)	5,203
Total	\$ 11,306	\$ (4,739)	\$ 6,567	

At July 31, 1996 and 1995, \$2,397,000 and \$1,364,000, respectively, of net deferred tax assets were included in prepaid expenses and other current assets. At July 31, 1996 and 1995, \$5,265,000 and \$5,203,000, respectively, of net deferred tax assets were included in other assets.

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

(Dollars in Thousands)	Year ended July 31,			
	1996	1995	1994	
Tax at statutory rate	\$ 15,902	\$ 15,624	\$ 10,466	
State income taxes, net of				
Federal tax benefit		1,505	1,177	1,271
International losses with				
no related tax benefits		664	613	175
International rate differential		138	169	(226)
Rate variances arising from				
foreign subsidiary distributions			(493)	(558)
Other, net	(310)	(297)	(498)	
Total income tax provision	\$ 17,406	\$ 16,728	\$ 11,362	
Effective tax rate	38.3%	37.5%	38.0%	

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, 1996, amounted to approximately \$23,600,000. If all such undistributed earnings were remitted, an additional provision for foreign income taxes of approximately \$500,000 would be required.

NOTE 5
LONG-TERM DEBT

Long-term debt consists of the following:

	July 31,			
(Dollars in Thousands)	1996	1995		
6.25% Industrial Development Revenue Bonds payable on December 1, 2001	\$	1,000	\$	1,000
6.75% Industrial Development Revenue Bonds payable in 1997			140	265
Other	1,197	1,050		
		2,337		2,315
Less current maturities	528	412		
	\$	1,809	\$	1,903

The Industrial Development Revenue Bonds and the covering mortgage and loan agreements require, among other provisions, that the Company maintain minimum net working capital of \$5,000,000 and a defined net worth of \$10,000,000. The bonds are collateralized by first mortgages on certain property with a net carrying amount of approximately \$5,454,000 at July 31, 1996. The Company's Industrial Development Revenue Bonds approximate fair value.

Maturities on long-term debt are as follows:

(Dollars in Thousands) Year ending July 31,

1997	\$	528
1998		372
1999		337
2000		90
2001		10
Thereafter		1,000

NOTE 6
STOCKHOLDERS' INVESTMENT

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

Information as to the Company's capital stock at July 31, 1996, is as follows:

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

	\$	2,855			
Common Stock,					
\$.01 par value:					
Class A Nonvoting	100,000,000	20,094,100	\$	201	
Class B Voting	10,000,000	1,769,314	\$	18	
	\$	219			

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

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

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

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

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

The Company has a Nonqualified Stock Option Plan (the Plan) under which 1,500,000 shares of Class A Nonvoting Common Stock were made available for grant. Options are issued at an option price equal to the market price at the grant date. Options granted prior to 1992 become exercisable once the employees have been continuously employed for six months after the grant date. Generally, options granted in 1992 and thereafter will not be exercisable until one year after the date of grant, to the extent of one-third per year.

Transactions with respect to the Plan are summarized as follows:

Option (Dollars in Thousands)	Options Price	Options Outstanding	
Balance, August 1, 1993	\$ 6.83 - \$ 12.38	449,400	
Options granted \$12.17 - \$14.33	235,200		
Options exercised	\$ 6.83 - \$ 12.38	(118,950)	
Options cancelled	\$ 9.38 - \$ 12.38	(29,250)	
Balance, July 31, 1994	\$ 6.83 - \$ 14.33	536,400	
Options granted \$15.67	114,750		
Options exercised	\$ 6.83 - \$ 12.38	(91,587)	
Options cancelled	\$ 9.94 - \$ 15.67	(41,406)	
Balance, July 31, 1995	\$ 6.83 - \$ 15.67	518,157	
Options granted \$23.83 - \$25.17	330,000		
Options exercised	\$ 6.83 - \$1 5.67	(33,449)	

Options cancelled \$12.17 -\$25.17 (6,600)

Balance, July 31, 1996 \$ 6.83 - \$25.17 808,108
(366,294 options exercisable)

Available for grant after
July 31, 1996 279,306

NOTE 7
DOMESTIC AND FOREIGN OPERATIONS

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

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

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

(Dollars in Thousands)	Year ended July 31,					
	1996	1995	1994			
Current assets	\$ 60,570	\$ 48,812	\$ 39,716			
Other assets	4,012	470	366			
Property, plant and equipment		11,087	11,656		8,474	
Total assets	\$ 75,669	\$ 60,938	\$ 48,556			
Current liabilities	\$ 29,158	\$ 26,342	\$ 20,488			
Other liabilities	18,367	15,510	15,947			
Stockholders' investment		28,144	19,086		12,121	
Total liabilities and stockholders' investment			\$ 75,669	\$ 60,938	\$	
Net sales	\$ 156,762	\$ 129,267	\$ 95,104			
W.H. Brady Co. equity in net income	\$ 8,266	\$ 7,385	\$ 5,470			

(Dollars in Thousands)	United States Consolidated	Corporate Assets	Europe	Other	and Eliminations
Year ended July 31, 1996:					
	Sales to unaffiliated customers	\$	202,780	\$	110,312
46,450	\$ -	\$	359,542		
	Transfers between geographic areas			24,104	204
96	(24,404)	-			
	Net sales	\$	226,884	\$	110,516
359,542				\$	46,546
					\$ (24,404)
	Operating income	\$	28,313	\$	12,420
472	\$ 41,165				\$ (40)
	Identifiable assets	\$	172,760	\$	43,450
				\$	16,947
					\$

37,258 \$ 270,415

Year ended July 31, 1995:

	Sales to unaffiliated customers	\$	185,123	\$	88,723	\$
40,516	\$ -	\$	314,362			
	Transfers between geographic areas		20,975		197	
100	(21,272)	-				
	Net sales	\$	206,098	\$	88,920	\$ 40,616 (21,272)\$
314,362						
	Operating income	\$	27,693	\$	12,509	\$ 545
(162)	\$ 40,585					
	Identifiable assets	\$	103,031	\$	34,112	\$ 16,147
76,715	\$ 230,005					

Year ended July 31, 1994:

	Sales to unaffiliated customers	\$	161,024	\$	64,634	\$
30,183	\$ -	\$	255,841			
	Transfers between geographic areas		18,965		159	
128	(19,252)	-				
	Net sales	\$	179,989	\$	64,793	\$ 30,311 (19,252)\$
255,841						
	Operating income	\$	20,318	\$	7,605	\$ 2,091
(539)	\$ 29,475					
	Identifiable assets	\$	110,430	\$	24,963	\$ 11,805
55,311	\$ 202,509					

NOTE 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 21,847,180 for 1996; 21,799,929 for 1995; 21,678,114 for 1994. 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.

NOTE 9

COMMITMENTS

The Company has entered into various noncancellable operating lease agreements. Rental expense charged to operations was \$4,689,000 for 1996; \$3,057,000 in 1995; and \$2,788,000 in 1994. Future minimum lease payments required under such leases in effect at July 31, 1996, are as follows (by fiscal year):

(Dollars) Year ending July 31,

1997	\$	7,571,000
1998		4,754,000
1999		3,204,000
2000		1,864,000
2001		1,287,000
Thereafter		2,705,000

Independent Auditors' Report
To the Board of Directors and Stockholders
of W.H. Brady Co.:

We have audited the accompanying consolidated balance sheets of W.H. Brady Co. and subsidiaries as of July 31, 1996 and 1995, and the related consolidated statements of income, stockholders' investment and cash flows for each of the three years in the period ended July 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at July 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 1996, in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Milwaukee, Wisconsin
September 13, 1996

Corporate Data

W.H. BRADY CO. OPERATIONS

Brady AB
Upplands-VSSby, Sweden

Brady Financial Co.
Glendale, Wisconsin, USA

Brady International Co.
Milwaukee, Wisconsin, USA

Brady Investment Co.
Henderson, Nevada, USA

Brady Precision Tape Co.
Cedarburg, Wisconsin, USA

Brady USA, Inc.
Milwaukee, Wisconsin, USA

Brady Service Co.
Milwaukee, Wisconsin, USA

W.H. Brady
Asia-Pacific Pte. Ltd.
Singapore

W.H. Brady Co. Ltd.
Banbury, Oxon, England

W.H. Brady Co. sales office
Kowloon, Hong Kong

W.H.Brady Co. sales office
Seoul, South Korea

W.H.B. do Brasil Ltda.
Sao Paulo, Brazil

W.H. Brady GmbH
Rodermark, Germany

W.H.B. Identification
Solutions, Inc.
Richmond Hill, Ontario, Canada

W.H. Brady Pte. Ltd.
Singapore

W.H. Brady Pty. Ltd.
Chipping Norton, Australia

W.H. Brady Pty. Ltd. sales office
Auckland, New Zealand

W.H. Brady, N.V.
Zelee, Belgium

W.H. Brady, N.V. sales office
Saronno, Italy

W.H. Brady S.A.R.L.
Paris, France

Nippon Brady K.K.
Yokohama, Japan

Seton Australia Pty. Ltd.
Chipping Norton, Australia

Seton
Branford, Connecticut, USA

Seton GmbH
Langen, Germany

Seton Italia Srl

Saronno, Italy

Seton Limited
Banbury, Oxon, England

Seton S.A.
Roubaix, France

Hiro1
Fort Lauderdale, Florida, USA

Hiro1 U.K. Ltd.
Livingston, West Lothian, Scotland

TechPress II Limited
Sunbury on Thames,
Middlesex, England

Varitronic Systems, Inc.
Minneapolis, Minnesota, USA

OFFICERS

Katherine M. Hudson
President and
Chief Executive Officer

Donald P. DeLuca
Senior Vice President,
Chief Financial Officer
and Treasurer

Mary T. Arnold
Vice President
Research and Development

Richard L. Fisk
Vice President
Seton Group

David R. Hawke
Vice President
Graphics Group

David W. Schroeder
Vice President
Identification Systems
and Specialty Tapes Group

Donald E. Rearic
President
Brady Financial Co.

Thomas E. Scherer
Vice President and Controller

Peter J. Lettenberger
Secretary
Partner, Quarles & Brady

BOARD OF DIRECTORS

Richard A. Bemis
President
Bemis Manufacturing Company

William H. Brady, III
Investor

Robert C. Buchanan
President and CEO
Fox Valley Corporation

Donald P. DeLuca
Senior Vice President,
CFO and Treasurer
W.H. Brady Co.

Frank W. Harris
Professor of Polymer Science
University of Akron

Katherine M. Hudson
President and CEO
W.H. Brady Co.

Peter J. Lettenberger
Partner
Quarles & Brady

Elizabeth Brady Lurie
President and Administrator
W.H. Brady Foundation

Gary E. Nei
Chairman
B & B Publishing

Roger D. Peirce
Corporate Director
and Advisor

SHAREHOLDER SERVICES

COMMON STOCK LISTING

As of September 12, 1996, there were 496 Class A Nonvoting Common Stock shareholders of record and two Class B Voting Common Stock shareholders.

W.H. Brady Co. Class A Nonvoting Common Stock trades on the NASDAQ National Market under the symbol BRCOA. Trading information is carried by the National Association of Securities Dealers.

QUARTERLY STOCK DATA

	1996 High	1995 Low	1994 High	Low	High	Low
4th Quarter	\$26.75	\$20.00	\$23.83	\$17.67	\$16.33	\$14.92
3rd Quarter	\$25.50	\$19.00	\$17.67	\$15.67	\$16.00	\$14.50
2nd Quarter	\$27.00	\$21.00	\$16.17	\$15.67	\$15.50	\$12.00
1st Quarter	\$24.52	\$23.67	\$16.33	\$15.67	\$12.33	\$11.58

DIVIDEND POLICY

Dividends are normally paid on the last day of October, January, April and July. The Board of Directors voted a quarterly dividend of 13¢ per share of Class A Nonvoting Common Stock to shareholders of record on October 4, 1996.

Shareholders may have their dividends reinvested in Brady stock. Brochures about this program are available through the Investor Services Unit of the stock transfer agent, Firststar Trust Company, by calling 800/637-7549.

STOCK TRANSFER AGENT

Firststar Trust Company
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

FORM 10-K AND ADDITIONAL INFORMATION AVAILABLE

A copy of the W.H. Brady Co. 1996 Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission, is also available without charge upon request.

If your stock is held in a street name and you wish to receive shareholder publications directly from the Company, please contact Donald P. DeLuca, chief financial officer, at W.H. Brady Co., P.O. Box 571, Milwaukee, Wisconsin 53201-0571, 414/358-6600. Your name will be added to the mailing list.

COMPANY NEWS

W.H. Brady Co. issues many of its corporate news releases through PR Newswire. You can obtain faxed copies of recent news releases by calling Company News On-Call at 800/758-5804. This electronic, menu-driven system will request a six-digit code (952350) which will enable you to request specific Brady releases to be sent to your fax machine.

News releases and other Brady information, including the corporate brochure, are also available at <http://www.whbrady.com> on the Internet World Wide Web.

ANNUAL MEETING

The annual meeting of W.H. Brady Co. will be held at 9 a.m. on Friday, November 15, 1996, at the Milwaukee Hilton, 509 West Wisconsin Avenue, Milwaukee, Wisconsin 53203.

Design: Thiel Visual Design

In keeping with W.H. Brady Co.'s policy of environmental stewardship, this entire annual report is printed on recycled paper and is recyclable.

W.H. Brady Co.
P.O. Box 571
Milwaukee, Wisconsin USA 53201-0571
(414) 358-6600
<http://www.whbrady.com>

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SCHEDULE OF SUBSIDIARIES OF W.H. BRADY CO.

EXHIBIT 21.1

NAME OF COMPANY - - - - -	STATE (COUNTRY) OF INCORPORATION - - - - -	PERCENTAGE OF VOTING SECURITIES OWNED - - - - -
W. H. BRADY CO.	WISCONSIN	PARENT
BRADY FINANCIAL CO.	DELAWARE	100%
TRICOR DIRECT INC.- DOING BUSINESS AS SETON SETON NAME PLATE COMPANY D&G SIGN AND LABEL CO. THE HIROL COMPANY	DELAWARE	100%
WORLDMARK OF WISCONSIN INC.	DELAWARE	100%
VARITRONIC SYSTEMS, INC.	MINNESOTA	100%
BRADY INVESTMENT CO.	NEVADA	100%
BRADY INTERNATIONAL SALES, INC.	U.S. VIRGIN ISLANDS	100%
BRADY INTERNATIONAL CO.	WISCONSIN	100%
BRADY MEDICAL PRODUCTS CO.	WISCONSIN	100%
BRADY PRECISION TAPE CO.	WISCONSIN	100%
BRADY SERVICE CO.	WISCONSIN	100%
BRADY USA, INC.	WISCONSIN	100%
W.H. BRADY, PTY. LTD.	AUSTRALIA	100%
SETON AUSTRALIA PTY. LTD.	AUSTRALIA	100%
W.H. BRADY, N.V.	BELGIUM	100%
W.H.B. DO BRASIL LTDA.	BRAZIL	100%
W.H. BRADY IDENTIFICATION SOLUTIONS, INC.	CANADA	100%
1167232 ONTARIO, INC.	CANADA	100%
W.H. BRADY, LTD.	ENGLAND	100%
SETON, LTD.	ENGLAND	100%
TECH PRESS II LTD.	ENGLAND	100%
W.H. BRADY, S.A.R.L.	FRANCE	100%
SETON S.A.	FRANCE	100%
W.H. BRADY, GMBH	GERMANY	100%
SETON, GMBH	GERMANY	100%
SETON ITALIA SRL	ITALY	100%
NIPPON BRADY K.K.	JAPAN	100%
W. H. BRADY KOREA CO., LTD.	KOREA	70%
HIROL UK LTD.	SCOTLAND	100%
W. H. BRADY ASIA-PACIFIC PTE. LTD.	SINGAPORE	100%
W.H. BRADY, PTE. LTD.	SINGAPORE	100%
BRADY AB	SWEDEN	100%
NYBYGGAREN 29:782 AB	SWEDEN	100%

INDEPENDENT AUDITORS' CONSENT

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF
W.H. BRADY CO.:

WE CONSENT TO THE INCORPORATION BY REFERENCE IN REGISTRATION STATEMENT NO.
33-30258 OF W.H. BRADY CO. ON FORM S-8 OF OUR REPORTS DATED SEPTEMBER 13, 1996,
APPEARING IN AND INCORPORATED BY REFERENCE IN THE ANNUAL REPORT ON FORM 10-K OF
W.H. BRADY CO. FOR THE YEAR ENDED JULY 31, 1996.

/S/ DELOITTE & TOUCHE LLP
MILWAUKEE, WISCONSIN
OCTOBER 25, 1996

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1,000

YEAR	
JUL-31-1996	
AUG-01-1995	
JUL-31-1996	
	49,281
	0
	55,671
	1,992
	40,697
156,111	
	122,282
	56,633
261,835	
46,423	
	1,809
2,855	
	0
	219
	186,189
261,835	
	359,542
	359,542
	166,426
	166,426
151,951	
	0
	302
	45,433
	17,406
28,027	
	0
	0
	0
	28,027
	1.27
	1.27