SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

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

FOR THE FISCAL YEAR ENDED JULY 31, 1998

Commission File Number 0-12730

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

WISCONSIN	39-0178960
(State of Incorporation)	(IRS Employer Identification No.)

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

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

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

None

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

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

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

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

As of September 30, 1998, there were outstanding 20,731,363 shares of Class A Nonvoting Common Stock (the "Class A Common Stock"), and 1,769,314 shares of Class B Common Stock. The Class B Common Stock, all of which is held by affiliates of the Registrant, is the only voting stock.

DOCUMENTS INCORPORATED BY REFERENCE
Brady Corporation 1998 Annual Report, Incorporated into Part II & IV

INDEX

PART I

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

ITEM 1 BUSINESS

(a) General Development of Business

The Company, a Wisconsin corporation, currently operates 18 manufacturing facilities worldwide. Nine are located in the United States, two each in Canada and France and one each in Australia, Belgium, England, Korea and Singapore. The Company also sells through subsidiaries or sales offices in Brazil, China, England, France, Germany, Hong Kong, Italy, Japan, Malaysia, Mexico, the Philippines, 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.bradycorp.com.

(b) Financial Information About Industry Segments

Not applicable.

(c) Narrative Description of Business

OVERVIEW

Brady Corporation is a leading international manufacturer and marketer of high performance identification solutions and specialty coated materials. The Company's products consist of over 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 identification and data collection products; safety and facility identification products; and OEM components.

The Company's products are sold into the industrial, electrical, electronic, telecommunication, governmental, public utility, computer and education 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, train and protect people. 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 1998 consisted of more than 100,000 customers, with the largest customer representing less than 5% of net sales. Sales from international operations represented 43.5%, 42.5% and 43.6% of net sales in fiscal 1998, 1997 and 1996, respectively.

BUSINESS STRATEGY

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

Product innovation. The Company continually seeks to improve existing products and to develop innovative products to satisfy its customers' requirements and expectations. Brady's commitment to product innovation is reflected in research and development efforts that include two facilities and approximately 170 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 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:

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 and new markets.

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

Geographic expansion. Sales from Brady's international operations have increased from $50,707,000 or 26.5% of net sales in fiscal 1990 to $198,209,000, or 43.5%, of net sales in fiscal 1998. 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, Asia/Pacific and Canada and to enter new emerging markets elsewhere in the Pacific Rim and in Latin America.

Strategic acquisitions and joint ventures. 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 identification and data-collection products including wire and cable markers, high-performance labels, stand-alone printing systems, barcode and other software, radio frequency identification tags and readers and other automatic identification and data collection systems; safety and facility identification products including signs, pipe and valve markers, storage markers, asset identification markers, lockout/tagout products, traffic control products, printing systems and software; and OEM components including specialty tapes and die-cut materials.

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

INDUSTRIAL IDENTIFICATION AND DATA-COLLECTION PRODUCTS

Wire and Cable Markers

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

High Performance Labels

Brady offers a complete line of label materials for use in thermal transfer, laser, dot matrix and inkjet printers. The products are used primarily by industrial customers to print stock and custom labels for a wide variety of applications on-site on demand. In addition, Brady labels range from static-dissipative labels for use on electronic components to labels that withstand high temperatures, harsh chemicals, etc.

Stand-Alone Printing Systems

The Company designs and produces various computer software, industrial thermal-transfer and dot matrix printers and other electromechanical devices to serve the growing and specialized needs of customers. Industrial labeling systems, 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

Brady's automatic identification and data collection solutions -- including barcode and radio frequency scanners, tags and labels -- 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.

SAFETY AND FACILITY IDENTIFICATION PRODUCTS

Signs

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

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.

Storage Markers

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

Asset Identification Markers

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

Lockout/Tagout Products

Brady offers a wide variety of lockout/tagout products. Under 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 sign-making kits, stenciling materials, barricading products, visual warning systems, floor marking products, safety hard-hat labels, safety badges, photo identification kits, ergonomic products, first aid cabinets/kits, body harnesses, anti-slip coatings and alarm security systems, among others.

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. 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.

Die-Cut Materials

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

Graphics Products

Brady serves the identification and information needs of various non-industrial markets with a variety of easy-to-use printing systems and consumable supplies. It provides lettering and labeling systems, poster printers, laminators and supplies to education, government, training and legal markets. And it serves the print-for-pay market with wide-format color inkjet and thermal-transfer printing systems and materials for producing indoor and outdoor-durable banners and signs.

OTHER PRODUCTS

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

MARKETING AND SALES

The Company's products are sold in a wide variety of industrial, electrical, electronic, telecommunications, governmental, public utility, computer and education markets. Brady has a diverse customer base that consisted of over 100,000 customers in fiscal 1998. 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 have a material adverse effect upon the Company's business. In fiscal 1998, no single customer accounted for more than 5% of the Company's net sales.

The Company seeks to offer the right product with rapid response times and superior service so that it can provide solutions to the customer that are better, faster and more economical than those available from competitors 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 sales force of over 300 people. The Company's sales force seeks to establish and foster ongoing relationships with the end-users (and distributors) by providing technical support and product application advice.

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

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. Brady's "cellular" manufacturing processes and "just-in-time" inventory control allow it to attain profitability in small orders by emphasizing flexibility and the maximization of assets through quick turnaround and delivery. Most of the Company's manufacturing facilities have received ISO 9001 or 9002 certification.

The materials used in the products manufactured by the Company consist primarily of 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 $20,300,000, $16,300,000, and $11,300,000 in fiscal 1998, 1997, and 1996, respectively, on its research and development activities, all of which were Company sponsored. In fiscal 1998, approximately 170 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 1998, 1997, and 1996, sales from international operations accounted for 43.5%, 42.5%, and 43.6%, 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, Mexico, Singapore and Sweden and sales offices in China, Hong Kong, Malaysia, the Philippines and Taiwan. Several of these locations manufacture or have the capability to manufacture certain of the products they sell. The Company acquired or opened new operations in Brazil, Canada, China, England, France, Korea, Malaysia, Mexico, the Philippines and Taiwan in the last three years. The Company expects to continue to expand its international operations as appropriate.

COMPETITION

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

BACKLOG

As of July 31, 1998, the amount of the Company's backlog orders believed to be firm was $20.4 million. This compares with approximately $19.9 million and $15.2 million of backlog orders as of July 31, 1997 and 1996, respectively. Average delivery time for the Company's orders varies from one day to 12 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. Management believes the Company is substantially in compliance with all environmental regulations.

EMPLOYEES

As of July 31, 1998, the Company employed approximately 2,700 individuals. This number has subsequently been reduced to approximately 2,500 individuals through a previously announced reduction in force. The Company has never experienced a material work stoppage due to a labor dispute, is not a party to any labor contract and considers its relations with employees to be excellent. To meet present and future labor requirements, the Company maintains an active college recruiting program for sales, technical and administrative personnel.

ACQUISITIONS

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 $40,620,000. VSI manufactures and markets supply-consuming lettering, labeling, signage and presentation systems and supplies.

Effective April 30, 1997, the Company acquired the common stock of Signals S.A. located in La Rochelle, France, a marketer of safety and facility identification products, for cash of approximately $9,600,000.

Effective March 9, 1998, the Company acquired the common stock of Techniques Avancees located in Auch, France, a barcode labeling software developer, for cash of $10,735,000 and a payable of $1,030,000.

Effective April 30, 1998, the Company acquired the common stock of GrafTek Inc. located in Toronto, Ontario, Canada, a barcode labeling software developer, for cash of $8,528,000 and a payable of $933,000.

On August 16, 1998, the Company acquired the common stock of VEB Sistemas de Etiquetas Ltda. located in Sao Paulo, Brazil, an industrial label manufacturer, for cash of approximately $4,400,000.

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

See Note 7 to Notes to Consolidated Financial Statements on Page 29 of the Brady Corporation 1998 Annual Report.

ITEM 2 PROPERTIES

The Company currently operates 18 manufacturing facilities. Nine are located in the United States, two each in Canada and France and one each in Australia, Belgium, England, Korea and Singapore. The Company's primary research facility of approximately 39,600 square feet is located in Milwaukee, Wisconsin. The Company's present operating facilities contain a total of approximately 1,180,000 square feet of space, of which approximately 450,000 square feet is leased. The Company believes that its equipment and facilities are modern, well-maintained and adequate for its present needs.

ITEM 3 LEGAL PROCEEDINGS

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

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

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

(a) Market Information

Brady Corporation 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 32 of the Brady Corporation 1998 Annual Report.

(b) Holders

The number of holders of record of the Company's Class A and Class B Common Stock as of September 30, 1998, was 836 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, noncumulative 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 7/31/97				YEAR ENDED 7/31/98				YEAR ENDING 7/31/99
	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR	2ND QTR	3RD QTR	4TH QTR	1ST QTR
Class A.................	$.13	$.13	$.13	$.13	$.15	$.15	$.15	$.15	$.16
Class B.................	.10	.13	.13	.13	.12	.15	.15	.15	.13

ITEM 6 SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to Pages 14 and 15 of the Brady Corporation 1998 Annual Report.

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

The information required by this Item is incorporated by reference to Pages 16 through 19 of the Brady Corporation 1998 Annual Report.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to Pages 20 through 31 of the Brady Corporation 1998 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...............	51	President, CEO and Director
Richard L. Fisk...................	54	Vice President, Direct Marketing Group
David R. Hawke....................	44	Vice President, Graphics Group
Frank M. Jaehnert.................	41	Vice President & Chief Financial Officer
Michael O. Oliver.................	45	Vice President, Human Resources
David W. Schroeder................	43	Vice President, Identification Solutions & Specialty Tapes Group
Peter J. Lettenberger.............	61	Secretary and Director
Robert C. Buchanan................	58	Director
Roger D. Peirce...................	61	Director
Richard A. Bemis..................	57	Director
Frank W. Harris...................	56	Director
Gary E. Nei.......................	54	Director

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

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

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

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

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

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

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

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

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

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

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

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

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

ITEM 11 EXECUTIVE COMPENSATION

The following table summarizes the compensation paid or accrued by the Company during the three fiscal years ended July 31, 1998, to those persons who, as of the end of fiscal 1998, were the Named Executive Officers.

SUMMARY COMPENSATION TABLE

	ANNUAL COMPENSATION				LONG-TERM COMPENSATION AWARDS	
NAME AND PRINCIPAL POSITION	FISCAL YEAR	SALARY ($)	BONUS ($)(1)	OTHER ANNUAL COMPENSATION ($)(2)	OPTIONS/SAR (# OF SHARES)(3)	ALL OTHER COMPENSATION ($)(4)
K. M. Hudson.................	1998	449,516	190,145	4,829	24,000	107,066(5)
President & Chief	1997	390,149	305,447	4,648	230,000	40,744(5)
Executive Officer	1996	342,500	174,505	5,381	36,000	41,412(5)
R. L. Fisk...................	1998	259,615	82,363	3,560	8,000	215,180(6)
Vice President,	1997	228,750	134,333	3,904	110,000	14,199
Direct Marketing Group	1996	197,631	51,575	3,835	27,000	13,743
D. W. Schroeder..............	1998	247,889	78,643	4,271	8,000	13,612
Vice President,	1997	226,385	132,944	5,431	110,000	12,728
ISST Group	1996	190,558	75,804	4,214	12,000	12,632
D.R. Hawke...................	1998	238,836	75,774	2,813	8,000	13,527
Vice President,	1997	210,828	123,809	5,583	110,000	144,849(7)
Graphics Group	1996	175,558	53,452	--	12,000	26,076(7)
F.M. Jaehnert................	1998	185,309	54,870	5,685	6,000	13,225
Vice President &	1997	135,659	70,495	--	7,500	17,938(8)
Chief Financial Officer	1996	74,308	18,472	--	3,000	69,305(8)

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(1) Reflects bonus earned during fiscal year 1998 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 are adjusted for the 200% stock dividend paid on December 15, 1995.

(4) All other compensation for fiscal 1998 for Mrs. Hudson, and Messrs. Fisk, Schroeder, Hawke and Jaehnert, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift Plan for each named executive officer of $12,800 each and (ii) the cost of group term life insurance for each named executive officer of $4,669, $2,380, $812, $727 and $425, respectively.

All other compensation for fiscal 1997 for Mrs. Hudson, and Messrs. Fisk, Schroeder, Hawke and Jaehnert, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift Plan for each named executive officer of $12,000, $12,000, $12,000, $12,000 and $11,946, respectively and (ii) the cost of group term life insurance for each named executive officer of $2,674, $2,199, $728, $647 and $324, respectively.

All other compensation for fiscal 1996 for Mrs. Hudson, Messrs. Fisk, Schroeder, Hawke and Jaehnert, respectively, includes: (i) matching contributions to the Company's Profit Sharing and Employee Thrift Plan for each named executive officer of $12,000, $12,000, $12,000, $12,000 and $7,145 respectively and (ii) the cost of group term life insurance for each named executive officer of $1,705, $1,743, $632, $570 and $81, respectively.

(5) Fiscal 1998 includes club dues and estate planning fees of $61,963 and $27,634 accrued, but not paid, for the current year's portion of a Supplemental Executive Retirement Plan (SERP). Fiscal 1997 includes $26,070 accrued, but not paid, for that year's portion of the SERP. Fiscal 1996 includes relocation expenses of $3,112 and $24,595 accrued, but not paid, for that year's portion of the SERP.

(6) Fiscal 1998 includes $200,000 accrued, but not paid, for the current year's portion of a Supplemental Executive Retirement Plan (SERP).

(7) Fiscal 1997 includes $132,202 expatriation expenses related to Mr. Hawke's Belgium assignment. Fiscal 1996 includes relocation expenses of $1,743 and expatriation expenses of $11,764.

(8) Fiscal 1997 includes relocation expenses of $5,669. Fiscal 1996 includes relocation expenses of $62,079.

STOCK OPTIONS

The following tables summarize option grants and exercises during fiscal 1998 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, 1998. Stock Appreciation Rights are not available under any of the Company's plans.

OPTION GRANTS IN FISCAL 1998

INDIVIDUAL GRANTS

NAME	OPTIONS GRANTED (#) (1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1998	EXERCISE PRICE ($/SHARE) (2)	EXPIRATION DATE
K.M. Hudson	24,000	9.4%	31.3750	October 3, 2007
R.L. Fisk	8,000	3.1%	31.3750	October 3, 2007
D.W. Schroeder	8,000	3.1%	31.3750	October 3, 2007
D.R. Hawke	8,000	3.1%	31.3750	October 3, 2007
F.M. Jaehnert	6,000	2.4%	31.3750	October 3, 2007

NAME	POTENTIAL REALIZABLE VALUE AT ASSUMED RATES OF STOCK PRICE APPRECIATION (3)		
	0% $31.3750($)	5% $51.1250($)(6)	10% $81.3750($)(6)
K.M. Hudson	0	474,000	1,200,000
R.L. Fisk	0	158,000	400,000
D.W. Schroeder	0	158,000	400,000
D.R. Hawke	0	158,000	400,000
F.M. Jaehnert	0	118,500	300,000
All Stockholders' Gains (increase in market value of Brady corporation Common Stock at assumed rates of stock price appreciation)(4)(6)		$401,058,372	$1,015,337,650
All Optionees' Gains (as a percent of all shareholders' gains)(5)(6)		1.25%	1.25%

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(1) The options granted October 3, 1997, become exercisable as follows: 33 1/3% of the shares on October 3, 1998; 33 1/3% of the shares on October 3, 1999; and 33 1/3% of the shares on October 3, 2000. These options have a term of ten years.

(2) The exercise price is the average of the highest and lowest sale prices of the Company's Class A Common Stock as reported by 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 $31.3750 exercise price applicable to the options granted on October 3, 1997 based on the 20,306,753 shares of Class A Common Stock outstanding on October 3, 1997.

(5) Represents potential realizable value for all options granted in fiscal 1998 compared to the increase in market value of Brady Corporation Class A Common Stock at assumed rates of stock price appreciation.

(6) The Company disavows the ability of any valuation model to predict or estimate the Company's future stock price or to place a reasonably accurate present value on these options because any model depends on assumptions about the stock's future price movement that the Company is unable to predict.

AGGREGATED OPTION EXERCISES IN FISCAL 1998
AND VALUE OF OPTIONS AT END OF FISCAL 1998

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED ($)	NUMBER OF UNEXERCISED OPTIONS AT JULY 31, 1998	
			EXERCISABLE (#)	UNEXERCISABLE (#)
K.M. Hudson	0	0	139,000	256,000
R.L. Fisk	0	0	55,833	123,667
D.W. Schroeder	0	0	33,833	118,667
D.R. Hawke	0	0	38,833	118,667
F.M. Jaehnert	0	0	4,500	12,000

NAME	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT JULY 31, 1998 (1)	
	EXERCISABLE ($)	UNEXERCISABLE ($)
K.M. Hudson	607,502	--
R.L. Fisk	277,843	--
D.W. Schroeder	178,781	--
D.R. Hawke	252,406	--
F.M. Jaehnert	--	--

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(1) Represents the closing price for the Company's Class A Common Stock on July 31, 1998, of $20.5000 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, 1993, in each of Brady Corporation 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
BRADY CORPORATION 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
F93	$ 100	$ 100	$ 100
F94	$ 139	$ 105	$ 103
F95	$ 210	$ 133	$ 145
F96	$ 195	$ 155	$ 157
F97	$ 268	$ 235	$ 232
F98	$ 194	$ 281	$ 274

COMPENSATION OF DIRECTORS

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

TERMINATION OF EMPLOYMENT AND CHANGE IN CONTROL ARRANGEMENTS

In May 1997, the Board approved Change in Control Agreements for certain of its executive officers including Mrs. Hudson, Messrs. Fisk, Schroeder, Hawke and Jaehnert. The agreements call for payment of an amount equal to two times the annual salary for Mrs. Hudson and Messrs. Fisk, Schroeder and Hawke, and payment of one time his annual salary for Mr. Jaehnert in the event of termination or resignation upon a change of control. The agreements also call for reimbursement of any excise taxes imposed and up to $25,000 of attorney fees to enforce the executive's rights under the agreement. Payments under the agreements will be spread over two years for Mrs. Hudson and Messrs. Fisk, Schroeder and Hawke, and over one year for Mr. Jaehnert. In August 1998, the Board amended the Change in Control Agreement for Mr. Jaehnert to call for payment of an amount equal to two times his annual salary in the event of termination or resignation upon a change in control with payments spread over two years.

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

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

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

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

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

Restricted Stock

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

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal 1998, the Board's Compensation Committee was composed of Messrs. Bemis and Peirce. Mr. Lettenberger serves as a nonvoting advisor to the Committee. None of these persons has at any time been an employee of the Company or any of its subsidiaries, although Mr. Lettenberger has been and remains Secretary of the Company. Mr. Lettenberger is a partner of Quarles & Brady, which is general counsel to the Company. There are no other relationships among the Company's executive officers, members of the Compensation Committee or entities whose executives serve on the Board that require disclosure under applicable SEC regulations.

PROFIT SHARING AND EMPLOYEE THRIFT PLAN

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

DEFERRED COMPENSATION ARRANGEMENTS

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

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

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

In the old deferred compensation plan, directors, executive officers, corporate staff officers and certain key management employees of the Company were permitted to defer portions of their fees, salary and bonus 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. No new deferrals are allowed into this old deferred compensation plan. Upon the retirement, disability, or death of participant, the Company is required to pay, each year for a period of ten years, a portion of the book value of the phantom stock determined by the book value of the corresponding number of common shares as of the end of each fiscal year. The first payment must be one-tenth of the book value; the second one-ninth; and so on, with the number of phantom shares reduced by the equivalent in book value of each payment. At the request of the participant, the Company may make payments in larger installments or in a lump sum on a discounted or other basis.

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

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Company's Compensation Committee (the "Committee") is composed entirely of outside directors and is responsible for considering and approving compensation arrangements for senior management of the

Company, including the Company's executive officers and the chief executive officer. It is the philosophy of the Committee to establish a total executive compensation program which is competitive with a broad range of companies that it considers to be of comparable size and complexity.

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

THE COMMITTEE BELIEVES THAT:

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

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

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

Base Salary

Consistent with the Committee's philosophy, base salaries are generally maintained at or modestly above competitive base salary levels. Competitive salary level is defined as the average base salary for similar responsibilities in a group of companies selected by the Committee that the Committee considers to be of comparable size and complexity. In setting base salaries for fiscal 1998, the Committee reviewed compensation survey data and was satisfied that the base salary levels set would achieve the Company's objectives. Specific increases reflect the Committee's subjective evaluation of individual performance.

Annual Shareholder Value Enhancement Plan

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

Stock Options

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

Compliance with Tax Regulations Regarding Executive Compensation

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

Compensation of the Chief Executive Officer

Mrs. Hudson received $449,516 in base salary in fiscal 1998, an increase of 15% over the prior year's base salary. She was paid a bonus attributable to fiscal 1998 of $190,145, a decrease of 38%, or $115,302, from the prior year's bonus. The bonus was determined in accordance with the Company's objective Bonus Plan, discussed above. Mrs. Hudson's compensation reflects:

(i) a sales increase of $29,069,000, or 7%, and a $3,671,000, or 12%, decrease in profits over similar amounts from the prior year; a stock price decrease of 31%, from $29.625 to $20.50

(ii) the successful acquisitions of Techniques Avancees and GrafTek and the integration of last year's acquisition of Signals S.A.

(iii) improved asset utilization (a 14% reduction in inventory and a 3% reduction in receivables despite the 7% increase in sales)

(iv) continued efforts to focus the Company's resources on sustainable value-enhancing long-term growth

(v) continued improvement in intercompany teamwork.

During fiscal 1998, Mrs. Hudson was granted a restricted stock award of 50,000 shares of Class A Common Stock and she was awarded options to purchase 24,000 shares of Class A Common Stock.

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

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

Roger D. Peirce, Chairman
Richard A. Bemis

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(A) Security Ownership of Certain Beneficial Owners

The following table sets forth the current beneficial ownership of shareholders who are known by the Company to own five percent (5%) of any class of the Company's voting shares on September 30, 1998.

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%

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(1) The trustees of both trusts are Richard A. Bemis, Robert C. Buchanan, Peter J. Lettenberger, Roger D. Peirce and Gary E. Nei, each of whom shares voting and dispositive power. The vested beneficiary was Irene B. Brady, who died March 26, 1998. 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, 1998. 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)	3,359,230	16.2%
	Gary E. Nei(1)(8)	2,620,837	12.6%
	Robert C. Buchanan(1)(5)	2,620,437	12.6%
	Richard A. Bemis(1)(4)	2,620,337	12.6%
	Roger D. Peirce(1)(6)	2,619,337	12.6%
	Katherine M. Hudson(7)	226,251	1.1%
	Frank W. Harris	3,699	* %
	All Officers and Directors as a Group (14 persons)(9)	3,916,648	18.9%
Class B Common Stock................	Peter J. Lettenberger(1)	1,769,314	100 %
	Richard A. Bemis(1)	1,769,314	100 %
	Robert C. Buchanan(1)	1,769,314	100 %
	Gary E. Nei(1)	1,769,314	100 %
	Roger D. Peirce(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%
	Richard A. Bemis(1)	1,920	48.2%
	Robert C. Buchanan(1)	1,920	48.2%
	Gary E. Nei(1)	1,920	48.2%
	Roger D. Peirce(1)	1,920	48.2%
	All Officers and Directors as a Group	2,751	69.1%
10% Cumulative 1979 Series Preferred Stock..............................	Peter J. Lettenberger(2)	5,529	25.2%
	All Officers and Directors as a Group	5,529	25.2%
6% Cumulative 1972 Series Preferred Stock..............................	Peter J. Lettenberger(2)	2,600	100 %
	All Officers and Directors as a Group(2)	2,600	100 %

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* 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 Richard A. Bemis, Robert C. Buchanan, Peter J. Lettenberger, Gary E. Nei and Roger D. Peirce, each of whom shares voting and dispositive power.

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

Common Stock and 68 shares of 6% Cumulative Preferred Stock. He disclaims beneficial ownership of shares held by the Foundation and the 1986 Trust.

(3) In addition to shares beneficially owned as a trustee of the Trusts and the 1986 Trust and as a director of the Foundation, Mr. Lettenberger owns directly 5,070 shares of Class A Common Stock and holds vested options to acquire an additional 1,166 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 and holds vested options to acquire an additional 1,166 shares of Class A Common Stock.

(5) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Buchanan owns 600 shares of Class A Common Stock directly, 2,000 additional shares through his Keogh plan, 1,500 additional shares as trustee of a trust and holds vested options to acquire an additional 1,166 shares of Class A Common Stock.

(6) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Peirce owns 1,500 shares of Class A Common Stock directly, 1,500 shares through his Keogh plan and holds vested options to acquire an additional 1,166 shares of Class A Common Stock.

(7) Mrs. Hudson owns 57,251 shares of Class A Common Stock directly and holds vested options to acquire an additional 169,000 shares of Class A Common Stock.

(8) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Nei owns 4,500 shares of Class A Common Stock directly and holds vested options to acquire an additional 1,166 shares of Class A Common Stock.

(9) The amount shown for all officers and directors as a group (14 persons) includes options to acquire a total of 396,416 shares of Class A Common Stock which are currently exercisable or will be exercisable within 60 days of September 30, 1998. It does not include other options for Class A Common Stock which have been granted at later dates.

(C) Changes in Control

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

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

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

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

1) The consolidated financial statements, together with the Independent Auditors' Report thereon of Deloitte & Touche LLP, presented on Pages 19 through 31 of the Company's 1998 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

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
3.1	Restated Articles of Incorporation of Brady Corporation(1)
3.2	By-laws of Brady Corporation, as amended(2)
10.2	Brady Corporation BradyGold Plan, as amended(2)
10.3	Executive Additional Compensation Plan, as amended(2)
10.4	Form of Executive's Deferred Compensation Agreement, as amended(2)
10.5	Forms of Director's Deferred Compensation Agreement, as amended(2)
10.6	Brady Corporation 1989 Non-Qualified Stock Option Plan(4)
10.7	Shareholder Value Enhancement (SVE) Plan(6)
10.9	Brady Corporation Automatic Dividend Reinvestment Plan(4)
10.10	Supplemental Executive Retirement Plan between Brady Corporation and Katherine M. Hudson(5)
10.12	Brady Corporation 1997 Omnibus Incentive Stock Plan(7)
10.13	Brady Corporation 1997 Nonqualified Stock Option Plan for Non-Employee Directors(7)
10.14	Change of Control Agreement dated May 13, 1997 between Brady Corporation and Katherine M. Hudson(7)
10.15	Change of Control Agreement dated May 13, 1997 between Brady Corporation and David W. Schroeder(7)
10.16	Change of Control Agreement dated May 13, 1997 between Brady Corporation and Richard L. Fisk(7)
10.17	Change of Control Agreement dated May 13, 1997 between Brady Corporation and David R. Hawke(7)
10.19	Supplemental Executive Retirement Plan dated May 14, 1997 between Brady Corporation and Richard L. Fisk(7)
10.20	Restricted Stock Agreement dated August 1, 1997 between Brady Corporation and Katherine M. Hudson(8)
10.21	Restricted Stock Agreement dated August 1, 1997 between Brady Corporation and Richard L. Fisk(8)
10.22	Restricted Stock Agreement dated August 1, 1997 between Brady Corporation and David W. Schroeder(8)
10.23	Restricted Stock Agreement dated August 1, 1997 between Brady Corporation and David R. Hawke(8)
10.24	Amendment to Change of Control Agreement dated August 1, 1998 between Brady Corporation and Frank M. Jaehnert
13.1	Annual Report to Shareholders for year ended July 31, 1998
18.1	Letter regarding change in accounting method(3)
21.1	Subsidiaries of Brady Corporation
23.1	Consent of Deloitte & Touche LLP, Independent Auditor
27.1	Financial Data Schedule

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

BRADY CORPORATION AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

	YEAR ENDED JULY 31,		
	1998	1997	1996
	(DOLLARS IN THOUSANDS)		
DESCRIPTION			
Valuation accounts deducted in balance sheet from assets to which they apply --			
Accounts receivable -- allowance for losses:			
Balances at beginning of period	$ 2,241	$1,992	$1,881
Additions -- Charged to expense	970	663	367
Due to acquired businesses	64	87	130
Deductions -- Bad debts written off, net of recoveries	(1,264)	(501)	(386)
Balances at end of period	$ 2,011	$2,241	$1,992

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Brady Corporation:

We have audited the consolidated financial statements of Brady Corporation and subsidiaries as of July 31, 1998 and 1997 and for each of the three years in the period ended July 31, 1998, and have issued our report thereon dated September 8, 1998; such financial statements and report are included in your 1998 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the consolidated financial statement schedule of Brady Corporation and subsidiaries, listed in Item 14. The consolidated financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin
September 8, 1998

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-sixth day of October, 1998.

BRADY CORPORATION

By /s/ F. M. JAEHNERT

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

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

/s/ K. M. HUDSON K. M. Hudson	President and Director (Principal Executive Officer)	October 26, 1998
/s/ P. J. LETTENBERGER P. J. Lettenberger	Director	October 26, 1998
/s/ R. A. BEMIS R. A. Bemis	Director	October 26, 1998
/s/ F. W. HARRIS F. W. Harris	Director	October 26, 1998
/s/ R. C. BUCHANAN R. C. Buchanan	Director	October 26, 1998
R. D. Peirce	Director	
G. E. Nei	Director	

BRADY CORPORATION

AMENDMENT TO CHANGE OF CONTROL AGREEMENT

AMENDMENT, made as of the 3rd day of August, 1998, between Brady Corporation, a Wisconsin corporation ("Company") and Frank M. Jaehnert ("Executive").

WHEREAS, the Executive and the Company entered into a Change of Control Agreement dated May 13, 1997, (the "Agreement"); and

WHEREAS, the Company and Executive wish to amend the Agreement to increase the payment due upon termination from one times annual base salary to two times annual base salary;

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, the Executive and Company agree to amend Section 2(a) of the Agreement so that as amended it shall read in its entirety as follows:

"Section 2. Payments Upon Termination Due to Change of Control.

(a) Following Termination Due to Change of Control, the Executive shall be paid an amount equal to two times his annual base salary (exclusive of incentive compensation and fringe benefits) paid the Executive by the Company in effect immediately prior to the date the Change of Control occurs. Such amount shall be paid in 24 monthly installments beginning on the 15th day of the month following the month in which the Executive's employment with the Company terminates."

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

____
Executive - Frank M. Jaehnert

BRADY CORPORATION

By: _______________________________

Attest: ____________________________

Brady Corporation
1998 annual report

Brady Corporation is an international manufacturer and marketer of identification, safety, materials, and graphics solutions, with products ranging from high-performance labels, signs and tapes to software, printers and data-collection systems.

Founded in 1914, the Company employs more than 2,500 people worldwide and serves well over 100,000 companies in markets including manufacturing, electrical, electronics, telecommunication, transportation, education, government and commercial graphics.

Through the superior quality, innovation, breadth of products and service it provides, Brady is a world leader in its market niches.

Brady's Mission is to be the global leader in complete identification solutions and to be a major player in high-value market niches that leverage Brady's capabilities in specialty materials, die-cut products, software and printing systems.

Contents

Stockholders' Investment
in millions

94	145
95	171
96	189
97	207
98	233

Net Sales
in millions

94	256
95	314
96	360
97	426
98	455

Net Income
in millions

94	19
95	28
96	28
97	32
98	28

One-time charges of $4.8 million after tax affected 1998 results. The charges relate to a cost-reduction program for long-term shareholder value enhancement.

98 Financial Highlights

	July 31, 1998	July 31, 1997	Percent Increase (Decrease)
	(Dollars in Thousands, Except Per Share Amounts)		
Net sales	$ 455,150	$ 426,081	6.8
Income before income taxes	$ 46,165	$ 51,271	(10.0)
Pre-tax profit margin	10.1%	12.0%	
Net income	$ 28,036	$ 31,707	(11.6)
After-tax profit margin	6.2%	7.4%	
Return on average stockholders' investment	12.7%	16.0%	
Net income per Common Share (diluted)			
Class A Nonvoting	$ 1.23	$ 1.43	
Class B Voting	$ 1.20	$ 1.40	
Working capital	$ 125,386	$ 130,724	(4.1)
Stockholders' investment	$ 233,373	$ 206,547	13.0
Research and development	$ 20,287	$ 16,300	24.5
Capital expenditures	$ 17,189	$ 8,777	95.8
Depreciation and amortization	$ 13,288	$ 14,151	(6.1)
Key Data			
Dividend yield	2.9%	1.8%	
P/E ratio	16.7	20.7	
P/E ratio excluding one-time charges	14.2	20.2	
Current ratio	3.1	3.3	
Book value/share	$ 10.37	$ 9.41	
Weighted average shares outstanding (diluted)	22,601,925	22,052,418	

Sales by Region
Other 5%
Asia/Pacific 8%
Europe 30%
U.S. 57%

Brady Corporate Facts

Brady went public in 1984, with its Class A Common Stock trading on the Nasdaq Stock Market under the symbol BRCOA. Since going public, Brady's stock price has compounded at 13.65% annually.

To better reflect its growth from a private, small company to a publicly traded, international business, W.H. Brady Co. changed its name to Brady Corporation on August 1, 1998.

Brady Corporation, headquartered in Milwaukee, Wisconsin, has operations in 19 countries. Through distributors and other sales channels, its global reach extends to more than 65 countries.

The Brady team throughout North America, Europe, Asia/ Pacific and Latin America is working on revenue growth, cost control and resource utilization to help Brady achieve long-term shareholder value enhancement.

To Our Shareholders

Photo caption:
Katherine M. Hudson
President and Chief Executive Officer

we continue to go for revenue growth, cost control and resource utilization

Fiscal 1998 was a disappointing year for Brady Corporation. While we made advances in many areas, we fell short of our financial goals for the year.

We posted solid sales and net income growth for the first part of the year and made good progress in new product development, geographic expansion, and acquisitions. However, in our fourth quarter we faced weaker business conditions due to economic turmoil in Asia/Pacific and a slowdown in our U.S. business. Along with a negative foreign-exchange effect and delays in certain new product launches, we missed our sales and profit growth targets for our year ending July 31, 1998.

Our Financial Performance.
Brady sales for the year were $455.2 million, up 6.8 percent from fiscal 1997's sales of $426.1 million. Foreign-currency translations trimmed $14.7 million from 1998 sales; without this effect our sales growth would have been 10.2 percent.

Our European sales were strong, posting nearly 13 percent growth over the prior year. Our sales to the Asia/Pacific region, however, were down from the prior year due to the economic difficulties in the region that had a significant impact upon the last four months of our fiscal year. Our sales in the U.S. increased only 5 percent from 1997 due to a general slowdown in U.S. electrical and electronics markets and the ripple effect of the Asian crisis on various customers and markets in the U.S.

The slowing in our sales growth rates in late fiscal 1998 came on suddenly. And while we took steps to reduce spending in the fourth quarter, it was not enough to make up for the sales shortfall. Excluding one-time charges, net income for fiscal 1998 rose slightly over the prior year to $32.8 million, or $1.44 per diluted Class A Common Share. To better position the Company for improved profitability in the face of slower sales growth, we initiated a major cost-control program in August which included a 7.5-percent reduction in workforce. One-time charges totaling $4.8 million after tax for the program were recorded in the fourth quarter. With those charges, our reported net income for fiscal 1998 was $28.0 million, or $1.23 per diluted share, down 11.6 percent from $31.7 million or $1.43 per diluted share in 1997.

The cost-control program will result in pre-tax savings of about $12 million in fiscal 1999, which will bring our cost structure in line with a 4 to 5 percent rate of sales growth. We believe our actions will better position the Company for stronger profitability in the face of weaker business conditions in the year ahead, and also strengthen Brady's long-term health and competitiveness through improved productivity and a sharper focus on value creation.

Our Strategic Advancements.
We accomplished a great deal in fiscal 1998 in the area of new product development, geographic expansion, strategic acquisitions, manufacturing enhancements and information technology.

Throughout the year, Brady launched many new products, including static-dissipative labels for labeling electronic components; LabelMark(TM)/WIN software for identification applications in the telecommunications and electrical markets; patch panel labels in four- and six-port configurations for the telecommunication industry; new outdoor-durable vinyl materials for color posters and banners; new polyester materials for back-lit signs; the Brady Pro 36 Large-

Format Printing System which combines a variety of materials with fluorescent and metallic-colored ribbons for dramatic do-it-yourself posters; the ProPartner(R) Plus Labeling and Presentation System; a new computer interface for use with the GraphicsPro(TM) system that enables users to add graphics and other enhancements from their personal computers; and PRO-cedure Writer software developed to help end users write Occupational Safety and Health Administration (OSHA) required procedures.

Our new product development efforts expanded globally this year with the establishment of an Asia/Pacific research and development operation in Singapore. This effort supplements Brady's research and development centers in the U.S. and Belgium; the operation will focus on developing materials for the electronic packaging and assembly industry. For the year, total Brady research and development spending came to 4.5 percent of sales.

Geographic expansion in 1998 included the opening of sales offices in Mexico and the Philippines and the opening of a representative office in Beijing, China. This year, we also expanded our market presence through new distributor relationships in the Middle East, eastern Europe, and parts of South America.

Brady is on the move

In March and April 1998, we acquired two barcode software companies to strengthen Brady's position in the fast-growing automatic identification and data-collection market. Along with the acquisition of Techniques Avancees, Auch, France, and GrafTek Inc., Toronto, Ontario, Canada, we established Brady Software Products as a new global team dedicated to providing customers with advanced identification solutions.

In doing more where we are, we installed a new, state-of-the art coating system, which represents a capital investment of more than $10 million. The equipment will apply adhesives and topcoats to a wide range of materials used in Brady products for the electronics, electrical, telecommunications, automotive, graphics and medical industries. It will also enhance our coating capabilities and capacity to meet the external demand for high-quality coated materials.

We also made advances in doing business electronically via the Internet. Through BradyServe(TM) Online Service, distributors can quickly check the status of open orders and invoices, and availability and pricing of stock products, 24 hours per day, 365 days a year. The interactive service also allows distributors to link to shipping company Internet sites for tracking delivery of their products.

Moving On.

In fiscal 1999, we will continue to go for revenue growth, cost control and resource utilization to accomplish long-term shareholder value enhancement. With the economic challenges we're facing, we will increase our emphasis on controlling costs, improving efficiencies and eliminating non-value-adding activities throughout Brady.

We will strive to use our cash for strategic acquisitions that will increase our market penetration, expand our technological capabilities and/or give us additional geographic coverage.

As a result of our research and development investments in 1998, we expect to be introducing new printing systems, data-collection devices, software, and various high-performance labels and materials in the year ahead. We will continue to make significant investments in research and development while also working to improve processes and standardize various product platforms across divisions.

Geographic expansion continues to be a part of our strategic vision for growth, with an emphasis on Asia, Europe and Latin America. We established operations in seven countries (China, Philippines, Mexico, Malaysia, Taiwan, Brazil and South Korea) within the last two years. In 1999, we will concentrate on leveraging these new Brady locations.

We will also continue to invest in information technology and advance our sales and marketing activities via the Internet, while working closely with our distributors and other partners around the world to extend our reach in current and new markets.

We continue to be positive about the prospects for Brady Corporation. We are the leader in many of the markets that we serve, but there are still significant opportunities for Brady to grow in the U.S. and abroad.

Despite a less-than-satisfying year, Brady is on the move for bigger, better and stronger results in the years ahead.

Sincerely,

Katherine M. Hudson
President and Chief Executive Officer

1998 Highlights

Brady established an Asia/Pacific research and development operation in Singapore.

Coated Products Division completed installation of a new state-of-the art coater.

Brady received registration to operate in Mexico under the name W.H. Brady S. de R.L. de C.V. in December 1997.

In March 1998, Brady acquired barcode software publisher Techniques Avanceees, France.

Brady's subsidiary Varitronic Systems, Inc. received certification to ISO 9001.

Brady acquired its second software development company, GrafTek Inc. of Toronto, Ontario, Canada in April 1998.

Brady received legal registration for a representative office in Beijing, China in May 1998.

Brady introduced BradyServe(TM) Online Service, enabling distrib-utors to check the status of open orders and invoices and the availability and pricing of stock products on the Internet.

In May 1998, Brady opened a sales office in the Philippines.

Brady implemented a major cost-control program to save about $12 million pretax in fiscal 1999.

Sales from International Operations
in millions

94	95
95	129
96	157
97	181
98	198

Research & Development Investments
in millions

94	10

6

95 10
96 11
97 16
98 20

In 1998, Brady invested 4.5% of sales in research and development.

Photo caption: circuit board labeling

"We are the leader in many of the markets we serve, but there are still significant opportunities for us to grow."

98 Business Profiles

Identification Solutions & Specialty Tapes Group

Identification Solutions: labels for wire and cable marking; portable printing systems, software, and accessories for do-it-yourself identification; label application and data-collection systems; radio-frequency identification; and custom-designed data-collection software.

Specialty Tape Products: die-cut or slit tapes, lenses, and shielding for use in disk drives, pagers, cellular phones, medical equipment and audio/video cassettes.

Coated Products: high-performance materials using vinyl, polyester, aluminum, copper, tissue and cloth substrates coated with acrylic, latex, printable topcoats, polyurethane and rubber-based adhesives.

Key Markets
electrical
electronic
automatic identification
manufacturing
telecommunications
computer/semiconductor

Graphics Group

Signmark(R): signs, labels and devices to meet government safety requirements; printers and accessories for do-it-yourself industrial signage and labels; regulatory training programs and products; and barricade tape, accident-prevention tags and other visual warning systems.

Varitronic Systems: presentation systems including poster printers and supplies, laminating equipment, and lettering and labeling systems.

Graphics Solutions: wide-format, color, graphics systems including color inkjet and thermal-transfer printers, specialty inks and high-performance materials to make indoor or outdoor-durable banners and signs.

Key Markets
manufacturing
petrochemical
pulp and paper
warehousing

non-residential construction
training
government
education
legal
commercial graphics

Direct Marketing Group

Direct selling to end users as Seton and Signals via direct-mail catalogs, telemarketing and the Internet. More than 20,000 products including signs, property identification tags; hazardous materials and regulatory training programs and products; customized nameplates; and office accessories.

Key Markets
manufacturing
wholesale trade
finance
insurance
real estate
construction
government
education
healthcare

Identification Solutions & Specialty Tapes Group

A conversation with David Schroeder,
Vice President - Identification Solutions and Specialty Tapes Group

Photo caption: The world's finest manufacturers use Brady industrial solutions to increase efficiency, productivity and quality.

increasing efficiency, productivity and quality

Full Solutions.
As companies strive to enhance their efficiency and quality through identification and tracking, they typically want someone to provide the full solution. They don't want to spend time making selections concerning who provides the labels, who provides the printer, the software and data-collection devices...and then trying to get the pieces to work together. They want a total solution they can count on. That's where Brady comes in. We provide customers the total package - labels, ribbons, printers, software and even data-collection devices.

This year we expanded our software-development activities, by acquiring the two leading barcode-label-design software companies. Techniques Avancees in France, GrafTek Inc. in Canada, and other parts of the Brady Software Products team are giving customers the technology needed to effectively use identification and work-in-process data.

Clean Materials.
The demand for ultra-clean materials is growing dramatically, especially in the electronics market. For example, inside computer hard disk drives, the reading head is spinning so close to the disk media that it's like flying a 747 jet five feet off the ground; any contamination within the drive could cause problems. We are addressing the needs of the electronics and other markets with an expanded line of ultra-clean materials and static-dissipative materials. We're able to do this through our in-house materials science, chemistry, and coating

operations. In fact, our $10-million investment in a new coating line in 1998 gives us state-of-the-art capability to produce high-performance materials. This enables us to meet growing demand for Brady products as well as accommodate more external custom coating business.

Global Infrastructure.
As well as providing high-quality innovative solutions to our markets, we also provide superior global service and support. We have manufacturing operations in North America, South America, Europe and Asia/Pacific along with an extensive sales and support network throughout the world. This network of Brady sales and service representatives as well as over 1,500 distributors helps us both understand and meet the identification and material needs of our global customers.

Asia/Pacific.
Asia represents an area with significant long-term growth potential for the Company, especially with the high level of activity in Asia in the telecommunications, computer/ semiconductor, and electronics markets. While the current financial crisis in Asia is dampening our sales, it is providing new investment opportunities. We are slowly expanding our manufacturing presence in Asia/Pacific to provide better service to our customers, help limit our exposure to currency fluctuations and take advantage of local suppliers. We also are pursuing value-adding acquisitions and joint ventures in the region.

Our Competitive Advantage.
There are a number of factors that set Brady apart. Our vertical integration including research and development, coating and converting gives us an ability to come up with differentiated products that meet the customer's exact needs and specifications. Our understanding of the end-use marketplace, including our customers' manufacturing environments, allows us to focus on providing complete solutions. In addition, our core competencies of chemistry, material science, coating technology and precision die-cutting and slitting, together with our dedication to quality and innovation enable us to develop products which lead the industry.

Opportunities.
In 1998, we continued to provide new identification solutions to our customers, including a wide variety of high-performance materials and labeling software packages. Our goal is to have more than 25 percent of sales from products introduced within the past three years. This fall, we're introducing our hand-held TLS 2200(TM) Thermal-Transfer Printer which will provide even greater flexibility, portability and convenience to our customers and also expand our market reach. Other new products will include new low-cost Radio Frequency Identification (RFID) tags and a portable hand-held reader, and the PAM 6000 printer applicator machine with two print heads and 400 DPI capabilities.

There are millions of printed circuit boards in the world, and every day more of them are being marked with barcode labels to efficiently track the manufacturing process and control inventories. In the United States alone, there are millions of miles of wires and cables. Increasingly, a clearly labeled electrical or telecommunications installation is being viewed as a sign of professionalism and quality. With more and more manufacturing engineers, electricians and installers looking for solutions to their identification problems, we feel that Brady is uniquely positioned for superior growth for a long time to come.

"We provide customers the total package-labels, printers, software and even data-collection devices."

Photo captions:
programming coating equipment
wire markers

Brady-Singapore this year expanded manufacturing with the installation of die-cutting and slitting equipment to reduce lead times on die-cut and precision-slit products.

The I.D. Pro(TM)Plus Wire Marker Printer was named 1997 Product of the Year by Teleconnect Magazine.

Brady-Sweden finalized an agreement making Brady the primary supplier for Ericsson Radio's identification products.

Brady radio frequency identification solves the problem of tracking thousands of uniforms and costumes for large hotels and resorts in Las Vegas.

Graphics Group

A conversation with David Hawke,
Vice President - Graphics Group

Photo caption:
Brady products provide visual solutions to make the workplace safer and easier to understand.

providing tools for communications, safety and performance

Safety Regulations.
Safety on the job is an important issue for people and organizations around the globe. At a minimum, workplace injuries cause disruption to a business. In the more serious cases, severe injury could mean the loss of important skills developed over years of service. And worst of all, the result could be a loss of life. While regulation of facility identification and safety is fairly developed and enforced in the United States, it's less uniformly enforced in Europe, and is yet to be legislated in many developing countries. This means an expanding global market for our Signmark(R) business. As more and more businesses around the globe are required to meet local government regulations, we'll be there, providing our customers with regulatory expertise and products and services that warn, protect, inform and train their employees.

Productivity Tools.
There is a strong drive for increased productivity in the business world. If a facility is well-documented and organized, it's going to be more efficient. Signmark products, such as signs, labels and tags, are used for organizing a facility to ensure safety and give directions that save time and minimize errors.

Every day in meeting rooms, classrooms and training rooms around the world, people are using more visual communication tools. Presentation products from our Varitronics unit help business, government and education to improve their training, productivity and general communication. In the past 10 years we've seen communication tools evolve from paper handouts to computer-based presentations. Our products supplement and enhance the current trends in visual communication. For example, with a poster printer, you can take an agenda, mission, drawing or other graphic and quickly turn it into a poster. With the poster on the wall, you have continual reference and reinforcement to aid in communication and training. Our presentation systems allow businesses, schools and organizations to have cost-effective yet high-quality, custom communications in a matter of minutes.

Printing Systems - The Ultimate in Fast Service.
We live in an increasingly fast-paced world. Customers and distributors need suppliers that can meet their needs while keeping their inventory investment low. Our Signmark unit offers 24-hour delivery on 20,000 stock products and an almost infinite variety of custom options. Often even this exceptional level of service isn't fast enough for our customers. They need to produce custom signs, pipemarkers and tags in real time. We provide not only signs, labels and tags, but also complete systems, such as the Brady Labelizer(R) Plus Industrial Labeling

System and the VersaPrinter(TM) Label and Sign Maker System. These are portable, industrial, thermal-transfer printers which print labels up to 4 inches wide.

Brady's printing systems combine multiple functions to simplify the job at hand. We eliminate the need to find a separate graphics software to generate a sign or pipemarker. We make it easy with all the functionality built in. And we provide compatible materials in different color combinations for all the labels needed around the factory. With a Brady system, the materials match, the software is in the unit, and you don't need anything else. It's the ultimate definition of a stand-alone system. And if you want to do more complex graphics, you can connect the system to a computer, use our VersaLabel(TM) Label and Sign Software and have even more sophisticated capabilities.

Growth Through Solutions.
This solutions approach also holds true for us in the fast-growing commercial graphics market. An increasing portion of this market is focused on outdoor applications where sunlight and weather conditions create a challenging environment for color graphics. We provide a full outdoor-durable graphic solution which includes our high-performance coated materials, together with wide-format color inkjet printing systems and pigmented inks. This enables graphics professionals to create colorful banners, posters and signs that withstand ultraviolet light and weathering.

By focusing on our customers and capitalizing on our core competencies, we're able to participate in exciting growth opportunities. As we continue to develop innovative and complete graphic solutions, our customers can look forward to even more Brady products and services that will add value to their businesses.

"By capitalizing on our core competencies, we can participate in exciting growth opportunities."

Photo caption: lockout tagout

Signmark(R) Division's VersaPrinter(TM) Industrial Labeling System was named 1997 Product of the Year by Plant Engineering Magazine.

Among its many new products for 1998 was Signmark(R) Division's BLS 850 Desktop Laminator, which works without electricity, heat or messy chemicals.

Graphic Solutions introduced the ColorPix Pro54 Large Format Color Production System for indoor or outdoor applications at the CeBit industrial trade show in Hanover, Germany.

Signmark(R) Division received the Customer-Focused Quality 1 award for excellence in quality and service from Grainger for the fourth straight year.

Direct Marketing Group

A conversation with Dick Fisk,
Vice President - Direct Marketing Group

Photo caption: Brady's Direct Marketing Group provides a one-stop shopping option for customers - offering hard-to-find items and large or small quantity customized products.

offering a broad product line, rapid response and regulatory expertise

Since acquiring Seton Company in 1981, Brady has operated separate direct-marketing companies, which with a wide product range, strong regulatory expertise, fast delivery and ease of interaction, reach out to broader markets for safety and facility identification. They particularly meet the needs of businesses who might otherwise have difficulty in finding the products and information they need to comply with governmental regulations.

Our goal in the Direct Marketing Group is to be the one-stop shop for safety and facility identification products, with more than 20,000 products along with regulatory expertise readily accessible via catalogs, telephone and the Internet under Seton, Signals and other name brands. Manufacturing managers, safety directors, engineers, human resource professionals and others around the world turn to us for everyday products and hard-to-find items ranging from a customized warning sign to a telephone jack label. With operations in Europe, Canada, Australia, and South America as well as the United States, the group has the local regulatory expertise and products that provide companies what they need to comply with local government regulations.

New Products.

We mail more than 25 million Seton catalogs, brochures and flyers each year, featuring as many as 900 new products in each catalog. Our new products include Y2K compliance labels to identify the status of computers and equipment in the year 2000 compliance process; Industri(TM) Notes, writable and repositionable vinyl notes designed to stick to non-paper surfaces; humorous signs with messages for a lighter side of the workplace; custom construction site banners for general contractors; and a line of banners with safety slogans suggested by our own employees.

Getting Close to the Customer.

Focusing on our customers and growing our international scope, we've adopted a decentralized structure so that decisions can be made as close to the customer as possible. This means that marketing, sales, and fulfillment are located in each country where economically feasible. Vertical integration is a priority initiative so that manufacturing of products will also be done in proximity to the customer to provide faster delivery, almost always within 24 hours, at lower costs and the highest levels of service.

Calculating the Results.

Seton's direct-marketing activities follow a scientific approach to market penetration, customer response and retention rates. Each Seton company conducts a series of sophisticated analyses to determine the right mix of products that will provide the best solutions for our customers' needs. A broad range of quantitative and qualitative tools are used to continually measure the profitability of products offered in our catalogs. Based on this ongoing evaluation, poor-performing products are either culled out or their presentation is altered to improve the results. In addition, new technology enables us to further refine our ability to predict purchasing patterns of customers and prospects, helping to improve our product offerings and catalog results.

A World of Possibilities.

Geographic expansion has been a key initiative for the Direct Marketing Group. Twelve years ago, all Seton sales came from the U.S.; today, almost two-thirds of our sales come from outside the U.S. We look to further expand our international presence by applying our proven business model in other countries. This year we mailed our first full-line catalog to Mexico. In the future, we plan to reach out to other Spanish-speaking countries in Central America and South America. Also, as the economic situation in Asia/Pacific improves, we'll be looking for strategic opportunities to bring Seton products to Asian markets as well.

The Electronic Commerce Wave.

Electronic commerce is a high priority for direct marketing. Our web site at www.seton.com in the U.S. and various international sites is a great partner with our catalog. Customers can find up-to-date regulatory information and detailed product descriptions, and place orders at any time of the day or night via our Internet sites. Going forward, we look to develop ways to interface with our databases to allow us to instantaneously communicate customized offers with very targeted messages to multiple segments of our customer base. We will also be working to give customers the ability to track the status of their orders, as well as to design their own customized products and place orders for them directly to us via the Internet. It's an exciting opportunity for us.

"We mail more than 25 million Seton catalogs and promotional pieces each year, featuring thousands of new products."

Seton-Italy implemented light production for signs and labels, while Seton-France conducted its first mailing into Spain.

In 1998, Seton-U.S. launched a new Internet site with features including credit card purchase capabilities.

Seton-Brazil added sign-making equipment in-house, to reduce costs and improve delivery times, and included more than 2,000 new products in its 1998 catalog.

Seton-U.S. mailed its first Spanish-language catalog in Mexico.

our guiding principles - our culture

Our actions throughout Brady drive for revenue growth, cost control and resource utilization in order to enhance shareholder value. In accomplishing our goals, we are committed to operating according to these guiding principles:

teamwork
We work together to achieve our vision, pooling our talents, respecting diverse ideas and skills, recognizing commitment and contribution, and supporting each other when things are going well and not so well.

customer focus
We put our customers at the center of everything we do, providing winning solutions, understanding the customer's point of view, and delivering quality products and services efficiently, consistently, pleasantly and professionally.

growth
We strive to grow our business and our capabilities as a company and as individuals, investing in a global infrastructure, emphasizing innovation, providing training and development to realize each individual's potential, and encouraging everyone's involvement in our enterprise.

value
By creating value for our customers, we create sustainable, long-term value for our shareholders. We exceed our customers' expectations with robust new products, friendly global service, flexible complete solutions and timely response. We set high standards for our products and ourselves and we continuously seek to improve.

honesty
Integrity is never compromised. We are honest in our dealings with our customers, our communities and ourselves, realizing that we are the stewards of our business and the environment in which we operate.

Photo caption: Brady focuses its charitable contributions and community outreach activities on education. Activities range from Brady employees tutoring students in Milwaukee, to Seton providing materials for a school safety program in Australia. Through efforts like these, the Company is making a positive impact on tomorrow's workforce.

financial review

- - Brady Corporation's compound annual growth rates for fiscal 1993-1998 were 13 percent for sales and 11 percent for net income. Excluding nonrecurring items, net income compounded annually at 16 percent during the period.

- - Brady also generated positive shareholder value each year, with a net operating profit after tax exceeding the Company's cost of capital.

- - Brady's compound annual return to shareholders - stock price plus dividends - - for 1993-1998 was 12.4 percent.

- - With strong cash generation, Brady ended the year with $65.6 million in cash after acquisitions and other investments. Brady will continue to focus on long-term shareholder value enhancement through revenue growth + cost control + resource utilization.

Earnings Per Share
(Diluted)

94	.84
95	1.26
96	1.26
97	1.43
98	1.23

Excluding one-time charges, fiscal 1998 EPS would be $1.44.

Annual Dividends Per Share

94	.23
95	.27
96	.40
97	.52
98	.60

In October 1998 dividends increased 7% to $0.64 per share, making fiscal 1999 the 13th consecutive year of annual dividend increases.

Brady Common Stock Trading

16.33	23.83	27.50	30.50	35.00
15.83	23.79	21.75	29.63	20.50
11.50	15.67	18.00	20.50	19.63
94	95	96	97	98

Stock price at July 31
On July 31, 1998, Brady's Class A Common Stock closed at $20.50. 1993-1998 stock price CAGR is 12%.

Five Year Cumulative Total Return

139	210	195	268	194	BRADY
105	133	155	235	281	S&P 500
103	145	157	232	274	NASDAQ
94	95	96	97	98	

$100 invested in Brady stock in July 1993 grew to $194 by July 1998 through price appreciation plus dividends.

Operating Income
in millions

94	30
95	41

14
96 41
97 50
98 46
Excluding nonrecurring charges, operating income in 1998 was $53 million.

Operating Cash Flow
in millions
94 33
95 22
96 35
97 40
98 47
Operating cash flow rose 18% to $47 million.

Selected Financial Information

(Dollars in Thousands, Except Per Share Amounts) Years Ended July 31, 1988 through 1998

	1998	1997	1996
Operating Data			
Net sales	$ 455,150	$ 426,081	$ 359,542
Operating expenses:			
Cost of products sold	204,895	194,096	166,426
Research and development	20,287	16,300	11,309
Selling, general and administrative	178,648	165,317	140,642
Nonrecurring charge (credit)	5,390	--	--
Total operating expenses	409,220	375,713	318,377
Operating income	45,930	50,368	41,165
Other income and (expense):			
Investment and other income - net	638	1,159	4,570
Interest expense	(403)	(256)	(302)
Net other income	235	903	4,268
Income before income taxes, extraordinary item and cumulative effect of changes in accounting principles	46,165	51,271	45,433
Income taxes	18,129	19,564	17,406
Income before extraordinary item and cumulative effect of changes in accounting principles	28,036	31,707	28,027
Extraordinary item:			
Gain on proceeds of officer's life insurance policies, net	--	--	--
Income before cumulative effect of changes in accounting principles	28,036	31,707	28,027
Cumulative effect of changes in accounting principles for:			
Postretirement benefits (net of income taxes of $2,663)	--	--	--
Income taxes	--	--	--
Catalog costs	--	--	--
Net income	$ 28,036	$ 31,707	$ 28,027
Net income per Common Share (Diluted):			
Class A Nonvoting	$ 1.23	$ 1.43	$ 1.26

Class B Voting	$ 1.20	$ 1.40	$ 1.23
Cash dividends on:			
Class A Common Stock	$ .60	$ .52	$ .40
Class B Common Stock	$ .57	$ .49	$ .37
Balance Sheet (at period end)			
Working capital	$ 125,386	$ 130,724	$ 109,688
Total assets	311,824	291,66	261,835
Long-term debt, less current maturities	3,716	3,890	1,809
Stockholders' investment	233,373	206,547	189,263

1995	1994	1993	1992	1991	1990
$ 314,362	$ 255,841	$ 242,970	$ 235,965	$ 211,063	$ 191,161
143,634	118,116	114,301	110,130	96,797	84,952
10,426	10,318	12,132	10,001	9,176	7,355
119,717	97,932	92,449	93,931	84,936	76,596
--	--	(1,236)	6,562	--	--
273,777	226,366	217,646	220,624	190,909	168,903
40,585	29,475	25,324	15,341	20,154	22,258
4,609	837	559	239	2,845	4,004
(555)	(410)	(54)	(219)	(548)	(646)
4,054	427	505	20	2,297	3,358
44,639	29,902	25,829	15,361	22,451	25,616
16,728	11,362	8,973	6,972	7,054	10,606
27,911	18,540	16,856	8,389	15,397	15,010
--	--	--	--	--	--
27,911	18,540	16,856	8,389	15,397	15,010
--	--	--	(3,995)	--	--
--	--	--	661	--	--
--	--	--	--	--	--
$ 27,911	$ 18,540	$ 16,856	$ 5,055	$ 15,397	$ 15,010
$ 1.26	$ .84	$ .77	$ .22	$ .70	$ .69
$ 1.23	$ .81	$ .74	$ .19	$ .67	$ .66
$ .27	$ .23	$ .20	$ .19	$ .16	$ .13
$ .23	$ .19	$ .17	$ 15	$ .13	$ .10
$ 129,938	$ 100,023	$ 77,943	$ 66,093	$ 70,883	$ 67,797
230,005	202,509	179,901	173,054	156,812	147,197
1,903	1,855	1,978	2,524	1,982	3,298
170,823	145,129	128,068	119,771	115,260	103,784

	1989	1988
	$ 174,174	$ 153,016
	75,620	67,302
	6,168	5,879
	71,292	63,986
	6,465	--
	159,545	137,167
	14,629	15,849
	2,380	1,901
	(356)	(477)
	2,024	1,424
	16,653	17,273
	6,778	6,968
	9,875	10,305
	4,625	--
	14,500	10,305
	--	--
	--	--
	1,233	--
	$ 15,733	$ 10,305
	$ .70	$ .45
	$ .67	$ .42
	$ .09	$ .08
	$ .06	$ .05
	$ 53,056	$ 42,492
	129,890	117,201
	3,637	3,086
	89,443	84,987

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

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

Overview

Between fiscal 1995 and 1998, the Company experienced sales growth while reducing cost of products sold as a percentage of net sales. It made significant improvements in productivity and asset utilization through the successful implementation of a team-oriented approach to quality, growth and cost reduction. To further enhance teamwork, in February 1995, the Company's operations were realigned into three global groups, each headed by a group vice president. The groups are (i) the Identification Solutions and Specialty Tapes Group, (ii) the Direct Marketing Group, and (iii) the Graphics Group.

During fiscal 1996, to implement the Company's growth strategy discussed below, the Company increased expenditures related to geographic expansion, global information systems and sales and marketing activities. The Company was unable to immediately capitalize those expenditures, and, as a result, selling, general and administrative expenses as a percentage of sales increased to 39.1% for fiscal 1996, compared to 38.1% for fiscal 1995. Management believes these investments will solidify the Company's competitive position and assist the Company in building a base for sustainable long-term growth. Investments in these key areas continued in fiscal 1997 and 1998 resulting in selling, general and administrative expenses as a percentage of sales of 38.8% and 39.3%, respectively.

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

The Company introduced several new products in fiscal 1998, including static-dissipative labels, LabelMark(TM)/WIN software for the telecommunications and electrical markets, outdoor-durable vinyl materials for color posters and banners, and the ProPartner Plus labeling and presentation system.

During fiscal 1998, the Company established sales offices in Mexico and the Philippines and a representative office in China. Catalog sales efforts expanded into Mexico and Spain.

The Company completed the acquisitions of GrafTek Inc. in April 1998, Techniques Avancees in March 1998, Signals S.A. in April 1997, Varitronic Systems, Inc. in April 1996, The Hirol Company in January 1996 and TechPress II Limited in November 1995.

To increase product penetration in fiscal 1998, the Company continued its investment in sales, marketing and catalog efforts worldwide.

Year Ended July 31, 1998,
Compared to Year Ended July 31, 1997

Sales for fiscal 1998 increased by $29,069,000 or 6.8% over fiscal 1997. Sales of the Company's international operations increased 9.5%. In local currencies, continued market penetration in Brady's operations outside the United States increased international sales by 13.2%. The acquisitions of Signals S.A., Techniques Avancees and GrafTek Inc. increased international sales in local currencies by 4.4%. These increases were somewhat offset by the negative effect of fluctuations in the exchange rates used to translate financial results into U.S. currency, which reduced international sales growth by 8.1 percentage points. Sales of the Company's U.S. operations increased 4.9%, due primarily to increases in the sales of the Company's core products.

The cost of products sold as a percentage of sales decreased from 45.6% to 45.0%. Reduced costs due to changes in product mix and manufacturing efficiencies from the Company's continuous improvement efforts were partially offset by increased depreciation and amortization expenses from the acquisitions. Cost of products sold for fiscal 1998 included a charge of $1,515,000 ($920,000 after tax) for the write-down of certain inventories. Cost of products sold for fiscal 1997 included a charge of $1,200,000 ($715,000 after tax) for restructuring the Company's European operations and consolidating the Hirol Division's production operations into the Company's existing operations in the United States and in the United Kingdom. Excluding these charges, the cost of products sold as a percentage of sales decreased from 45.3% to 44.7%.

Selling, general and administrative expenses as a percentage of sales increased from 38.8% to 39.3%. The increase reflects the expenses related to the Company's ongoing investment in sales and marketing activities and building its global information technology infrastructure. This year's expenses included a charge of $540,000 ($328,000 after tax) for the write-down of certain assets. Last year's expenses included a charge of $300,000 ($180,000 after tax) for the restructuring mentioned above. Excluding these charges, selling, general and administrative expenses as a percentage of sales increased from 38.7% to 39.1%. Research and development expenses increased 24.5% over the prior year, reflecting the Company's continued commitment to process improvement and new product development. As a percentage of sales, research and development expenses increased from 3.8% to 4.5%.

During fiscal 1998, the Company recorded a nonrecurring charge of $5,390,000 ($3,272,000 after tax) related primarily to a provision for severance costs associated with a 7.5% reduction in its workforce at its operations around the world. Severance payments for approximately 200 people totaled $5,024,000. The remainder of the charge related to the write-off of assets associated with discontinuing the Company's contract taping service and cover tape product line.

Operating income decreased $4,438,000 to $45,930,000 in fiscal 1998 as the one-time charges and the increase in research and development expenses more than offset the improvement in gross margin. Excluding the one-time charges in both years, operating income increased 2.9% from $51,868,000 to $53,375,000.

Investment and other income decreased $521,000 from the prior year. This year includes $406,000 ($246,000 after tax) of losses on the disposal of certain assets.

Income before income taxes was $46,165,000, a decrease of 10.0% compared to fiscal 1997's $51,271,000. Excluding the one-time charges in both years, income before income taxes increased 2.4% compared to the prior year.

The Company's effective tax rate increased from 38.2% for fiscal 1997 to 39.3% for fiscal 1998 due to higher tax rates for the Company's international operations.

Net income was $28,036,000 for fiscal 1998, compared to $31,707,000 for fiscal 1997 because of the factors cited above. Excluding the $4,766,000 one-time charges in fiscal 1998 and the $895,000 restructuring charge in fiscal 1997, net income increased 0.6% over the prior year.

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

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

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

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

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

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

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

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

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

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

The cost of products sold as a percentage of sales increased from 45.7% to 46.3% due to changes in product mix and the acquisitions. Selling, general and administrative expenses as a percentage of sales increased from 38.1% to 39.1% of sales. This increase reflects the

Company's ongoing investment in sales and marketing activities and in building its global information technology infrastructure. Research and development expenses increased 8.5% over fiscal 1995, but declined as a percentage of sales.

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

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

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

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

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

Liquidity

The Company's liquidity remains strong. Cash and cash equivalents were $65,609,000 at July 31, 1998, compared to $65,329,000 at July 31, 1997, and 49,281,000 at July 31, 1996. Working capital decreased $5,338,000 during fiscal 1998 and equaled $125,386,000 at July 31, 1998, primarily because of the use of cash and cash equivalents to fund the acquisitions of Techniques Avancees and GrafTek Inc.

The Company has maintained significant cash balances due in large part to its strong operating cash flow, which totaled $47,207,000 for fiscal 1998, $39,911,000 for fiscal 1997, and $34,612,000 for fiscal 1996. Capital expenditures were $17,189,000 in fiscal 1998, $8,777,000 in fiscal 1997, and $10,470,000 in fiscal 1996. The increase in fiscal 1998 was primarily from progress payments made on the Company's new coating line. Financing activities, primarily the payment of dividends to the Company's stockholders, consumed $12,147,000 of cash in fiscal 1998, $9,166,000 in fiscal 1997, and $13,916,000 in fiscal 1996.

Long-term debt as a percentage of long-term debt plus stockholders' investment was 1.6% at July 31, 1998, compared to 1.8% at July 31, 1997, and 0.9% at July 31, 1996.

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

Inflation

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

Year 2000 Compliance

The inability of computers, software and other equipment utilizing microprocessors to recognize and properly process data fields containing a two-digit year is commonly referred to as the Year 2000 Compliance issue (the "Issue"). As the year 2000 approaches, such systems may be unable to process certain date-based information. This could result in a system failure or miscalculations causing disruptions of operations and the inability to engage in normal business activities. Many of the Company's systems, including information and computer systems and automated equipment, will be affected by the Issue.

The Company has a comprehensive plan to address the Issue. The plan includes (i) the complete inventory of all in-house computers, software and other equipment utilizing microprocessors and identification of all hardware and software affected by the Issue; (ii) modification of the affected systems; and (iii) testing the modified system, installing the changes and auditing the installed system for final compliance. The Company is using both internal and external resources to implement its plan. The Company has generally completed the inventory phase and is at various stages of modification and testing of these systems. The Company expects to complete the majority of its efforts in this area by early calendar 1999, leaving adequate time to assess and correct any significant issues that materialize. The Company currently estimates that the total cost of its Year 2000 project will be approximately $2,000,000. Costs associated with this issue have been and will continue to be expensed as incurred and are not expected to have a material effect on the results of operations, cash flows or financial condition of the Company.

As a third-party supplier of software and printing systems to other companies, the Company has posted its own product compliance status on its Internet site (www.bradycorp.com).

The Company is in the process of formally communicating with all of its significant suppliers to determine the extent to which the Company is vulnerable to those third parties' failure to remediate their own Year 2000 Compliance issues. The Company cannot guarantee that the systems of other companies on which the Company's systems rely will be converted on time, or that a failure to convert by another company, or a conversion that is incompatible with the Company's systems would not have a material adverse effect on the Company.

The costs of the project and the timetable in which the Company plans to complete the Year 2000 requirements are based upon management's best estimates, which are derived utilizing assumptions of future events including the continued availability of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties. However, there can be no guarantee that these estimates will be achieved, and actual results could differ significantly from these plans. If the Company's plan to address the Issue is not successfully or timely implemented, the Company may need to devote more resources to the process and additional costs may be incurred, which could have a material adverse effect on the Company's financial condition and results of operations.

Company management believes it has an effective program in place to resolve the Issue in a timely manner. Nevertheless, since it is not possible to anticipate all possible future outcomes, especially when third parties are involved, there could be circumstances in which the Company would be unable to take customer orders, manufacture and ship products, invoice customers and collect payments, or the Company could be subject to litigation for product failure. The amount of potential liability and lost revenue has not been estimated.

Contingency plans will be developed in the second quarter of calendar 1999, and most of calendar 1999 has been reserved for final verification of all Year 2000 Compliance processes and rehearsal of contingency plans.

Forward-Looking Statements

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

Consolidated Balance Sheets

	July 31, 1998 and 1997 (Dollars in Thousands) 1998	1997
Assets		
Current assets:		
Cash and cash equivalents (Note 1)	$ 65,609	$ 65,329
Accounts receivable, less allowance for losses ($2,011 and $2,241, respectively)	63,365	65,450
Inventories (Note 1):		
Finished products	22,836	27,179
Work-in-process	3,967	3,885
Raw materials and supplies	11,641	13,541
Total inventories	38,444	44,605
Prepaid expenses and other current assets (Notes 1, 3 and 4)	16,635	12,585
Total current assets	184,053	187,969
Other assets:		
Intangibles - net (Note 1)	53,528	36,015
Other (Note 4)	7,078	5,236
Property, plant and equipment (Notes 1 and 5):		
Cost:		
Land	4,988	5,162
Buildings and improvements	39,595	39,159
Machinery and equipment	83,146	79,497
Construction in progress	11,705	2,560
	139,434	126,378
Less accumulated depreciation	72,269	63,936
Net property, plant and equipment	67,165	62,442
Total	$ 311,824	$ 291,662
Liabilities and Stockholders' Investment		
Current liabilities:		
Accounts payable	$ 15,761	$ 17,656
Wages and amounts withheld from employees	19,542	16,925
Taxes, other than income taxes	2,033	1,960
Accrued income taxes	9,276	8,453
Other current liabilities (Note 3)	11,647	11,687
Current maturities on long-term debt (Note 5)	408	564
Total current liabilities	58,667	57,245
Long-term debt, less current maturities (Note 5)	3,716	3,890
Other liabilities (Note 3)	16,068	23,980
Total liabilities	78,451	85,115
Stockholders' investment (Notes 1 and 6)		
Preferred Stock (aggregate liquidation preference of $3,026 at July 31, 1998)	2,855	2,855
Common Stock:		
Class A Nonvoting - issued and outstanding 20,726,863 and 20,171,853 shares, respectively, (aggregate liquidation preference of $34,614 at July 31, 1998)	207	202
Class B Voting - issued and outstanding 1,769,314 shares	18	18
Additional paid-in capital	26,131	9,573
Earnings retained in the business	208,254	193,602
Cumulative translation adjustments	(1,068)	297
Other	(3,024)	--
Total stockholders' investment	233,373	206,547
Total	$ 311,824	$ 291,662

See Notes to Consolidated Financial Statements

Consolidated Statements of Income

	Years Ended July 31, 1998, 1997 and 1996 (Dollars in Thousands, Except Per Share Amounts)		
	1998	1997	1996
Net sales	$ 455,150	$ 426,081	$ 359,542
Operating expenses:			
Cost of products sold	204,895	194,096	166,426
Research and development	20,287	16,300	11,309
Selling, general and administrative	178,648	165,317	140,642
Nonrecurring charge	5,390	--	--
Total operating expenses	409,220	375,713	318,377
Operating income	45,930	50,368	41,165
Other income and (expense):			
Investment and other income - net (Note 2)	638	1,159	4,570
Interest expense	(403)	(256)	(302)
Net other income	235	903	4,268
Income before income taxes	46,165	51,271	45,433
Income taxes (Notes 1 and 4)	18,129	19,564	17,406
Net income	$ 28,036	$ 31,707	$ 28,027
Net income per Common Share (Notes 6 and 8):			
Class A Nonvoting:			
Basic	$ 1.24	$ 1.44	$ 1.27
Diluted	$ 1.23	$ 1.43	$ 1.26
Class B Voting:			
Basic	$ 1.21	$ 1.41	$ 1.24
Diluted	$ 1.20	$ 1.40	$ 1.23

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Investment

Years Ended July 31, 1998, 1997 and 1996
(Dollars in Thousands, Except Per Share Amounts)

	Preferred Stock	Common Stock	Additional Paid-in Capital	Earnings Retained in the Business	Cumulative Translation Adjustments	Other
Balances at July 31, 1995	$ 2,855	$ 73	$ 8,074	$ 154,286	$ 5,535	$--
Net income	--	--	--	28,027	--	--
Net currency translation adjustment	--	--	--	--	(1,252)	--
Issuance of 25,049 shares of Class A Common Stock under stock option plan	--	--	372	--	--	--
Tax benefit from exercise of stock options	--	--	115	--	--	--
Common Stock dividend	--	146	(146)	--	--	--
Cash dividends on Preferred Stock:						
1979 series - $10 a share	--	--	--	(220)	--	--
6% and 1972 series - $6 a share	--	--	--	(39)	--	--
Cash dividends on Common Stock:						
Class A - $.40 a share	--	--	--	(7,678)	--	--
Class B - $.37 a share	--	--	--	(885)	--	--
Balances at July 31, 1996	2,855	219	8,415	173,491	4,283	--
Net income	--	--	--	31,707	--	--
Net currency translation adjustment	--	--	--	--	(3,986)	--
Issuance of 77,753 shares of Class A Common Stock under stock option plan	--	1	835	--	--	--
Tax benefit from exercise of stock options	--	--	323	--	--	--
Cash dividends on Preferred Stock:						
1979 series - $10 a share	--	--	--	(220)	--	--
6% and 1972 series	--					
$6 a share	--	--	--	(39)	--	--
Cash dividends on Common Stock:						
Class A - $.52 a share	--	--	--	(10,476)	--	--
Class B - $.49 a share	--	--	--	(861)	--	--
Balances at July 31, 1997	2,855	220	9,573	193,602	297	--
Net income	--	--	--	28,036	--	--
Net currency translation adjustment	--	--	--	--	(1,365)	--
Issuance of 57,282 shares of Class A Common Stock under stock option plan	--	--	941	--	--	--
Other	--	5	15,268	--	--	(3,024)
Tax benefit from exercise of stock options	--	--	349	--	--	--
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 - $.60 a share	--	--	--	(12,122)	--	--
Class B - $.57 a share	--	--	--	(1,003)	--	--
Balances at July 31, 1998	$ 2,855	$ 225	$ 26,131	$ 208,254	$ (1,068)	$ (3,024)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended July 31, 1998, 1997 and 1996 (Dollars in Thousands)		
	1998	1997	1996
Operating activities:			
Net income	$ 28,036	$ 31,707	$ 28,027
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	11,047	12,183	9,978
Amortization	2,241	1,968	624
Loss/(Gain) on sale of property, plant and equipment	349	139	(2,222)
Provision for losses on accounts receivable	970	663	367
Other	212	--	550
Nonrecurring charge	5,390	--	--
Changes in operating assets and liabilities (net of effects of business acquisitions and disposals):			
Accounts receivable	1,066	(12,796)	(1,786)
Inventory	5,705	(4,818)	(3,978)
Prepaid expenses and other assets	(3,159)	2,342	(972)
Accounts payable and accrued liabilities	(4,285)	6,147	309
Income taxes	(36)	3,334	1,815
Deferred income taxes	(4,508)	(1,118)	(453)
Other liabilities	4,179	160	2,353
Net cash provided by operating activities	47,207	39,911	34,612
Investing activities:			
Acquisitions of businesses, net of cash acquired	(19,306)	(6,724)	(53,167)
Purchases of property, plant and equipment	(17,189)	(8,777)	(10,470)
Proceeds from sale of property, plant and equipment	500	908	4,563
Other	169	292	--
Net cash (used in) investing activities	(35,826)	(14,301)	(59,074)
Financing activities:			
Payment of dividends	(13,384)	(11,596)	(8,822)
Proceeds from issuance of Common Stock	941	835	372
Proceeds from long-term borrowings	829	2,236	--
Principal payments on long-term debt	(533)	(641)	(5,466)
Net cash used in financing activities	(12,147)	(9,166)	(13,916)
Effect of exchange rate changes on cash	1,046	(396)	(1,408)
Net increase (decrease) in cash and cash equivalents	280	16,048	(39,786)
Cash and cash equivalents, beginning of year	65,329	49,281	89,067
Cash and cash equivalents, end of year	$ 65,609	$ 65,329	$ 49,281
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 277	$ 258	$ 245
Income taxes, net of refunds	22,580	18,987	15,569
Acquisitions:			
Fair value of assets acquired, net of cash	2,619	3,058	36,587
Liabilities assumed	(1,471)	(1,375)	(15,966)

Goodwill	18,158	5,041	32,546
Net cash paid for acquisitions	$ 19,306	$ 6,724	$ 53,167
Class A Common Stock issued to fund deferred compensation plan	$ 11,555	--	--

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
Years Ended July 31, 1998, 1997 and 1996

Note 1 Summary of Significant Accounting Policies

Principles of Consolidation / The accompanying consolidated financial statements include the accounts of Brady Corporation (formerly known as "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 48% and 43% of total inventories at July 31, 1998 and 1997, respectively) and the first-in, first-out method for other inventories. The difference between the carrying value of domestic inventories stated at LIFO cost and the value of such inventories stated at replacement cost was $5,319,000 at July 31, 1998 and $5,389,000 at July 31, 1997.

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 10 to 40 years. The weighted average amortization period is 24 years.

Impairment of Long-Lived Assets / The Company evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. In the opinion of management, no such impairment existed as of July 31, 1998, or July 31, 1997.

Catalog Costs / Catalog costs are initially capitalized and amortized over the estimated useful lives of the publications (generally eight months). At July 31, 1998 and 1997, $5,220,000 and $3,800,000, respectively, of prepaid catalog costs were included in prepaid expenses and other current assets.

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

Hedging / The Company enters into forward foreign exchange contracts to hedge committed intercompany foreign currency transactions. Such exchange contracts generally have maturities of one year. At July 31, 1998 and 1997, exchange contracts aggregating approximately $21,425,000 and $8,953,000, respectively, were outstanding.

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

Accounting Standards To Be Adopted / In 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." Both statements must be adopted by the Company for the fiscal year beginning August 1, 1998. The Company is currently evaluating the impact of these statements on the consolidated financial statements.

In addition, in February 1998, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." This statement must be adopted by the Company beginning August 1, 1999. However, early application is encouraged. This statement revises disclosures about pension and other postretirement benefit plans. In 1998, the FASB also issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement is required to be adopted in fiscal 2000.

Note 2 Acquisitions and Disposition of Businesses

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

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

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

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

Effective April 30, 1997, the Company acquired the common stock of Signals S.A. located in LaRochelle, France, a direct marketer of safety and facility identification products, for cash of approximately $9,600,000.

Effective March 9, 1998, the Company acquired the common stock of Techniques Avancees located in Auch, France, a barcode labeling software developer, for cash of $10,735,000 and a payable of $1,030,000.

Effective April 30, 1998, the Company acquired the common stock of GrafTek Inc. located in Toronto, Ontario, Canada, a barcode labeling software developer, for cash of $8,528,000 and a payable of $933,000.

Effective August 16, 1998, the Company acquired the common stock of VEB Sistemas de Etiquetas Ltda, in Sao Paulo, Brazil, an industrial label manufacturer, for cash of approximately $4,445,000.

The pro forma results of operations of the above acquisitions are not significant to the financial statements.

Note 3 Employee Benefit Plans

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

The Company accounts for postretirement benefits other than pensions in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The Company funds benefit costs on a pay-as-you-go basis. During the years ended July 31, 1998, 1997 and 1996, the Company made benefit payments totalling $299,400, $282,000 and $209,000, respectively.

The following table sets forth the plan's status reconciled with amounts recognized in the accompanying consolidated balance sheets at July 31, 1998 and 1997:

	(Dollars in Thousands)	
	1998	1997
Accumulated postretirement benefit obligation:		
Retirees	$3,084	$3,112
Fully eligible active plan participants	661	604
Other active plan participants	3,057	2,426
	6,802	6,142
Unrecognized net gain	2,333	2,703
Accrued postretirement benefit cost	$9,135	$8,845

	Year Ended July 31, (Dollars in Thousands)		
	1998	1997	1996
Net periodic postretirement benefit cost included the following components:			
Service cost - benefits attributed to service during the period	$328	$260	$246
Interest cost on accumulated postretirement benefit obligation	473	447	478
Amortization of (gain)	(150)	(187)	(106)
Periodic postretirement benefit cost	651	520	618
Net periodic postretirement benefit cost	$651	$520	$618

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation were 7.3% in 1998 and gradually declining to 5.5% by the year 2000.

The weighted average discount rates used in determining the accumulated postretirement benefit obligation was 7.3% in 1998 and 7.5% in 1997.

If the health care cost trend rate assumptions were increased by 1%, the accumulated postretirement benefit obligation as of July 31, 1998, would be increased by $13,000. The effect of this change on the sum of the service cost and interest cost would not be material.

The Company has retirement and profit-sharing plans covering substantially all full-time domestic employees and certain of its foreign subsidiaries. Contributions to the plans are determined annually based on earnings of the respective companies and employee contributions. At July 31, 1998 and 1997, $4,898,000 and $4,290,000, respectively, of accrued profit-sharing contributions were included in other current liabilities.

The Company also has had deferred compensation plans for directors, officers and key executives utilizing the phantom stock plan concept. At July 31, 1998 and 1997, $6,349,000 and $18,324,000, respectively, of deferred compensation was included in current and other long-term liabilities. The reduction of this deferred compensation liability relates to the new deferred compensation plan discussed below.

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

The amounts charged to income for the plans described above were $8,038,000 in 1998, $7,092,000 in 1997 and $6,545,000 in 1996.

The Company has a voluntary employee benefit trust for the purpose of funding employee medical benefits and certain other employee benefits. At July 31, 1998 and 1997, $2,344,000 and $2,441,000, 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:

	Year Ended July 31, (Dollars in Thousands)		
	1998	1997	1996
Currently payable:			
Federal	$14,570	$13,875	$10,573
Foreign	5,883	3,812	5,376
State	1,803	2,995	1,910
	22,256	20,682	17,859
Deferred (credit):			
Federal	(3,373)	(1,832)	(807)
Foreign	(181)	1,188	469
State	(573)	(474)	(115)
	(4,127)	(1,118)	(453)
Total	$18,129	$19,564	$17,406

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:

	Year Ended July 31, (Dollars in Thousands)		
	1998	1997	1996
United States	$ 32,743	$ 38,493	$ 31,481
Foreign	13,422	12,778	13,952
Total	$ 46,165	$ 51,271	$ 45,433

The approximate tax effects of temporary differences are as follows:

	July 31, 1998 (Dollars in Thousands)		
	Assets	Liabilities	Total
Inventories	$ 2,236	$ --	$ 2,236
Prepaid catalog costs	--	(968)	(968)
Employee benefits	480	--	480
Allowance for doubtful accounts	354	--	354
Other, net	4,518	(270)	4,248
Current	7,588	(1,238)	6,350
Excess of tax over book depreciation	--	(2,034)	(2,034)
Deferred compensation	6,572	--	6,572
Postretirement benefits	3,634	--	3,634
Tax loss carryforwards	4,649	--	4,649
Less valuation allowance	(4,649)	--	(4,649)
Other, net	992	(2,720)	(1,728)
Noncurrent	11,198	(4,754)	6,444
Total	$ 18,786	$ (5,992)	$ 12,794

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

At July 31, 1998 and 1997, $6,350,000 and $3,579,000, respectively, of net deferred tax assets were included in prepaid expenses and other current assets. At July 31, 1998 and 1997, $6,444,000 and $5,219,000, respectively, of net deferred tax assets were included in other assets.

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

	Year Ended July 31, (Dollars in Thousands)		
	1998	1997	1996
Tax at statutory rate	$16,157	$17,945	$15,902
State income taxes, net of Federal tax benefit	1,517	2,248	1,505
International losses with no related tax benefits	1,350	1,196	664
International rate differential	(345)	(668)	138
Rate variances arising from foreign subsidiary distributions	(391)	(155)	(493)

Other, net	(159)	(1,002)	(310)
Total income tax provision	$18,129	$19,564	$17,406
Effective tax rate	39.3%	38.2%	38.3%

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, 1998, amounted to approximately $38,957,000. If all such undistributed earnings were remitted, no additional provision for foreign income taxes would be required.

Note 5 Long-term Debt

Long-term debt consists of the following:

	July 31, (Dollars in Thousands)	
	1998	1997
6.25% Industrial Development Revenue Bonds payable on December 1, 2001	$1,000	$1,000
Korean bank debt	2,485	2,475
Other	639	979
	4,124	4,454
Less current maturities	408	564
	$3,716	$3,890

The Industrial Development Revenue Bonds are collateralized by first mortgages on certain property with a net carrying amount of approximately $4,440,000 at July 31, 1998. The Company's long-term debt approximates fair value.

Maturities on long-term debt are as follows:

Year Ending July 31, (Dollars in Thousands)	
1999	$ 408
2000	2,377
2001	96
2002	1,082
2003	73
Thereafter	88

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, 1998, is as follows:

(Dollars in Thousands)

	Shares Authorized	Shares Outstanding	Amount
Preferred Stock, $.01 par value	5,000,000	0	$ 0
Cumulative Preferred Stock:			
6% Cumulative	5,000	3,984	399
1972 Series	10,000	2,600	260
1979 Series	30,000	21,963	2,196
			$ 2,855
Common Stock, $.01 par value:			
Class A Nonvoting	100,000,000	20,726,863	$ 207
Class B Voting	10,000,000	1,769,314	18
			$ 225

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 following is a summary of other activity in stockholders' investment for the year ended July 31, 1998:

	Unearned Restricted Stock	Deferred Comp-ensation	Shares Held in Rabbi Trust, at cost	Total
Issuance of 125,000 shares of Class A Common Stock	$ (3,718)	$ --	$ --	$ (3,718)
Issuance of 372,728 shares of Class A Common Stock to Rabbi Trust to fund deferred compensation plan	--	11,555	(11,555)	--
Purchase of 17,221 shares of Class A Common Stock				

purchased by the Rabbi Trust related to deferred compensation plan	--	482	(482)	--
Amortization of restricted stock	694	--	--	694
Balances July 31, 1998	$ (3,024)	$ 12,037	$(12,037)	$ (3,024)

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

Changes in the Options are as follows:

	Option Price	Options Outstanding	Weighted Average Exercise Price
Balance, July 31, 1995	$6.83-$15.67	518,157	$ 8.62
Options granted	$23.83-$25.17	330,000	25.05
Options exercised	$6.83-$15.67	(33,449)	11.13
Options cancelled	$12.17-$25.17	(6,600)	22.81
Balance, July 31, 1996	$6.83-$25.17	808,108	$17.46
Options granted	$21.75-$23.88	777,700	23.51
Options exercised	$6.83-$25.17	(77,753)	10.75
Options cancelled	$6.83-$25.17	(46,302)	18.15
Balance, July 31, 1997	$6.83-$25.17	1,461,753	$21.01
Options granted	$30.66-$34.00	260,150	31.49
Options exercised	$6.83-$25.17	(57,282)	16.44
Options cancelled	$21.75-$31.38	(24,600)	23.74
Balance, July 31, 1998 (635,490 options exercisable)	$6.83-$34.00	1,640,021	$22.79
Available for grant after July 31, 1998		1,440,358	

The following table summarizes information about stock options outstanding at July 31, 1998:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Shares Outstanding at July 31, 1998	Weighted Average Remaining Contractual Life - Years	Weighted Average Exercise Price	Shares Exercisable at July 31, 1998	Weighted Average Exercise Price
$ 6.83-$16.00	347,637	4.8 Years	$12.90	347,637	$12.90
$16.01-$25.00	780,033	8.6 Years	23.54	120,252	23.06
$25.01-$34.00	512,351	8.3 Years	28.36	167,601	25.17
$ 6.83-$34.00	1,640,021	7.7 Years	$22.79	635,490	$18.06

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

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

	1998	1997
Net income:		
As Reported	$28,036	$31,707
Pro Forma	26,816	30,939
Net Income per Class A Common Share - Diluted:		
As Reported	$ 1.23	$ 1.44
Pro Forma	1.17	1.39

The fair value of stock options used to compute pro forma net income and net income per common share disclosure is the estimated present value at grant date using the Black-Scholes option-pricing model with weighted average assumptions for fiscal years 1998 and 1997 as follows:

	1998	1997
Risk-free interest rate	5.7%	6.3%
Expected volatility	30.5%	27.1%
Dividend yield	2.2%	2.1%
Expected option life	4.4 years	4.1 years

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, Mexico, United Kingdom, Germany, France, Belgium, Italy, Sweden, 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. Eliminations consist of intercompany receivables between regions.

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

	Year Ended July 31, (Dollars in Thousands)		
	1998	1997	1996
Current assets	$ 76,837	$ 74,279	$ 60,570
Other assets	27,815	8,912	4,012
Property, plant and equipment	11,085	11,902	11,087
Total assets	$115,737	$ 95,093	$ 75,669
Current liabilities	$ 31,948	$ 37,905	$ 29,158
Other liabilities	32,265	29,584	18,367
Stockholders' investment	51,524	27,604	28,144
Total liabilities and stockholders' investment	$115,737	$ 95,093	$ 75,669
Net sales	$198,680	$181,357	$156,943
Brady Corporation equity in net income	$ 7,267	$ 7,776	$ 8,266

(Dollars in Thousands)

	United States	Europe	Other	Corporate Assets and Eliminations	Consolidated
Year ended July 31, 1998:					
Sales to unaffiliated customers	$ 256,941	$ 138,602	$ 59,607	$ --	$ 455,150
Transfers between geographic areas	29,872	459	341	(30,672)	--
Net sales	$ 286,813	$ 139,061	$ 59,948	$ (30,672)	$ 455,150
Operating income (loss)	$ 31,022	$ 16,499	$ (2,091)	$ 500	$ 45,930
Identifiable assets	$ 160,408	$ 66,885	$ 26,910	$ 57,621	$ 311,824
Year ended July 31, 1997:					
Sales to unaffiliated customers	$ 245,013	$ 123,284	$ 57,784	$ --	$ 426,081
Transfers between geographic areas	31,952	245	250	(32,447)	--
Net sales	$ 276,965	$ 123,529	$ 58,034	$ (32,447)	$ 426,081
Operating income (loss)	$ 36,811	$ 13,963	$ (100)	$ (306)	$ 50,368
Identifiable assets	$ 168,600	$ 52,242	$ 24,667	$ 46,153	$ 291,662
Year ended July 31, 1996:					
Sales to unaffiliated customers	$ 202,780	$ 110,312	$ 46,450	$ --	$ 359,542
Transfers between geographic areas	24,104	204	96	(24,404)	--
Net sales	$ 226,884	$ 110,516	$ 46,546	$ (24,404)	$ 359,542
Operating income (loss)	$ 28,313	$ 12,420	$ (40)	$ 472	$ 41,165
Identifiable assets	$ 164,761	$ 42,865	$ 16,689	$ 37,520	$ 261,835

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 22,357,686 for 1998, 21,908,318 for 1997 and 21,847,180 for 1996. 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.

For the year ended July 31, 1998, the Company adopted SFAS No. 128, "Earnings per Share," which established new standards for the calculation of net income per share effective for interim and annual periods ending after December 15, 1997. Reconciliations of the numerator and denominator of the basic and diluted per share computations for the Company's Class A and Class B common stock are summarized as follows:

	Fiscal 1998	Fiscal 1997	Fiscal 1996
Numerator:			
Net income	$ 28,036,000	$ 31,707,000	$ 28,027,000
Less: Preferred stock dividends	(259,134)	(259,134)	(259,134)

Numerator for basic and diluted Class A earnings per share	27,776,866	31,447,866	27,767,866
Less:			
Preferential dividends	(676,298)	(670,454)	(668,045)
Preferential dividends on dilutive stock options	(9,140)	(3,843)	(4,602)
Numerator for basic and diluted Class B earnings per share	$ 27,091,428	$ 30,773,569	$ 27,095,219

	Fiscal 1998	Fiscal 1997	Fiscal 1996
Denominator:			
Denominator for basic earnings per share for both Class A and B	22,357,686	21,908,318	21,847,180
Plus: Effect of dilutive stock options	244,239	144,100	138,194
Denominator for diluted earnings per share for both Class A and B	22,601,925	22,052,418	21,985,374

Class A Common Stock earnings per share calculation:			
Basic	$ 1.24	$ 1.44	$ 1.27
Diluted	1.23	1.43	1.26
Class B Common Stock earnings per share calculation:			
Basic	$ 1.21	$ 1.41	$ 1.24
Diluted	1.20	1.40	1.23

Options to purchase 258,850; 269,401; and 324,600 shares of Class A Common Stock were not included in the computations of diluted earnings per share for the fiscal years 1998, 1997 and 1996, respectively, because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

Note 9 Commitments

The Company has entered into various noncancellable operating lease agreements. Rental expense charged to operations was $9,015,000 for 1998; $7,357,000 for 1997; and $4,689,000 in 1996. Future minimum lease payments required under such leases in effect at July 31, 1998, are as follows (by fiscal year):

Year Ending July 31,	(Dollars)
1999	$ 8,048,000
2000	5,641,000
2001	2,500,000
2002	1,209,000
2003	1,001,000
Thereafter	2,352,000
	$20,751,000

Note 10 Nonrecurring and One-time Charges

During the fourth quarter of fiscal 1998, the Company recorded a nonrecurring charge of $5,390,000 related primarily to a provision for severance costs associated with a reduction in workforce at its operations around the world. In response to a softening of sales that began in

April 1998, the Company announced in July 1998 that it would be reducing its workforce. A workforce reduction of 7.5%, approximately 200 people, was essentially completed in August 1998. Severance costs associated with this reduction totaled $5,024,000. These severance payments will require future cash outlays, principally over fiscal 1999. The remainder of the nonrecurring charge represents a write-off of assets associated with exiting two small product lines. The Company has decided to discontinue its contract taping service and cover tape product line resulting in asset write-offs of $188,000 and $178,000, respectively. These are noncash charges.

In addition to the nonrecurring charge above, the Company recorded $2,461,000 in one-time charges in the fourth quarter of fiscal 1998 for the write-down of certain inventories and other assets. Substantially all this amount is noncash.

These nonrecurring and one-time charges total $7,851,000 ($4,766,000 after tax) or approximately $0.21 per diluted share.

Independent Auditors' Report

To the Board of Directors and Stockholders
of Brady Corporation:

We have audited the accompanying consolidated balance sheets of Brady Corporation (formerly known as W.H. Brady Co.) and subsidiaries as of July 31, 1998 and 1997, and the related consolidated statements of income, stockholders' investment and cash flows for each of the three years in the period ended July 31, 1998. 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 1998 in conformity with generally accepted accounting principles.

Deloitte & Touche LLP

Milwaukee, Wisconsin
September 8, 1998

Corporate Data

Directors

* Katherine M. Hudson, 51, joined Brady in January 1994 as president, chief executive officer and director. Before joining Brady, she was a vice president at Eastman Kodak Company and general manager of Kodak's Professional, Printing and Publishing Imaging Division. She is also a director of Case Corporation and Honeywell, Inc.

* Peter J. Lettenberger, 61, has served as a director and secretary of Brady since January 1977. He is a partner in the law firm of Quarles & Brady, Milwaukee, Wisconsin, and serves as general counsel to Brady.

Robert C. Buchanan, 58, has been a director of Brady since November 1987. He is president and CEO of the Fox Valley Corporation, a specialty paper manufacturer in Appleton, Wisconsin.

Roger D. Peirce, 61, has served as a Brady director since September 1988. He is secretary and treasurer of Jor-Mac Company, Inc, a manufacturer of metal products in Grafton, Wisconsin.

Richard A. Bemis, 57, has been a director of Brady since January 1990. He is president and CEO of Bemis Manufacturing Company, a manufacturer of molded plastic products in Sheboygan Falls, Wisconsin.

Dr. Frank W. Harris, 56, has been a director of Brady since November 1991. He is a distinguished professor of polymer science and bio-medical engineering at the Institute of Polymer Science, University of Akron, in Akron, Ohio.

Gary E. Nei, 54, has been a director of Brady since November 1992. He is chairman of B&B Publishing, a publishing company in Walworth, Wisconsin.

Corporate Officers and Executives

* Katherine M. Hudson
president and chief executive officer

* Frank M. Jaehnert
vice president and chief financial officer

* Richard L. Fisk
vice president - Direct Marketing Group

* David R. Hawke
vice president - Graphics Group

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

Laurie Bernardy
vice president - corporate communications

Gary L. Johnson
vice president - corporate development

* Michael O. Oliver
vice president - human resources

* Donald E. Rearic
treasurer and assistant secretary

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

David B. Winter
vice president and chief information officer

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

Shareholder Services

Common Shares
Brady Corporation Class A Nonvoting Common Stock trades on the Nasdaq Stock Market under the symbol BRCOA. Trading information is carried by the National Association of Securities Dealers. As of September 18, 1998, there were 453 Class A Nonvoting Common Stock shareholders of record and more than 5,000 beneficial shareholders. There are two Class B Voting Common Stock shareholders.

Dividends
Dividends are normally paid on the last day of October, January, April and July. The Board of Directors voted a quarterly dividend of 16 cents per share on Class A Nonvoting Common Stock to shareholders of record on October 9, 1998.

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

Quarterly Stock Data

	1998		1997		1996	
	High	Low	High	Low	High	Low
4th Quarter	$32.75	$19.63	$30.50	$22.00	$26.75	$20.00
3rd Quarter	$35.75	$29.31	$27.75	$22.50	$25.50	$19.00
2nd Quarter	$33.00	$29.00	$24.75	$20.50	$27.00	$21.00
1st Quarter	$35.00	$27.38	$25.25	$21.50	$24.52	$23.67

Stock Transfer Agent
Firstar Trust Company, 1555 North River Center Drive, Suite 301, Milwaukee, WI, 53212; phone: 1-800-637-7549

Brady Information
Brady's site on the Internet, www.bradycorp.com, contains the Company's 10-K and 10-Q filings, annual reports, quarterly reports, news releases, stock prices, brochures, and a variety of other information about Brady and its products. - You can obtain faxed copies of recent Brady financial news releases by calling Company News On Call at 1-800-758-5804 and entering code 952350. - If you would like the 1998 Annual Report, Form 10-K or other information mailed to you, please contact: Investor Relations, Brady Corporation, P.O. Box 571, Milwaukee, WI 53201-0571, 414-358-6600.

Investor and Media Inquiries
If you have questions about Brady Corporation, please contact Laurie Bernardy, vice-president of corporate communications, at 414-438-6880 or e-mail laurie_bernardy@bradycorp.com.

Annual Meeting
The Brady Corporation Annual Meeting will be at 9 a.m., Friday, November 20, 1998, at the Milwaukee Athletic Club, 758 N. Broadway, Milwaukee, Wisconsin.

Brady Locations

United States

Brady Corporation
P.O. Box 571
Milwaukee, WI 53201

Brady Worldwide, Inc. - Identification Solutions
6555 W. Good Hope Rd.
Milwaukee, WI 53223

Brady Worldwide, Inc. - Specialty Tapes
N144 W5690 Pioneer Road
Cedarburg, WI 53012

Brady Worldwide, Inc. - Coated Products
2230 W. Florist Ave.
Milwaukee, WI 53209

Brady Worldwide, Inc. - Signmark
2221 W. Camden Rd.
Milwaukee, WI 53209

Seton
20 Thompson Rd.
Branford, CT 06405

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

Australia

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

Belgium

W.H. Brady, N.V.
Industrie Park C/3
Lindestraat 20
B-9240 Zele, Belgium

Brazil

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

Canada

W.H.B. Identification Solutions, Inc.
Seton-Canada
56 Leek Crescent
Richmond Hill
Ontario, Canada

China

W.H. Brady Asia-Pacific Pte. Ltd.
Room 806, Bright China
Chang An Building
7 Jian Guo Men Nei Da Jie
Dong Cheng District
Beijing, PRC

England

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

W.H. Brady Co. Ltd.
Wildmere Industrial Estate
Banbury, Oxfordshire
OX167JU, England

Seton Limited
Canada Close
Banbury, Oxon 0X16 7RT
England

France

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

Seton S.A.
113 Rue Horace Vernet - BP 181
59054 Roubaix Cedex 1, France

Signals S.A.
Rond Point de la Republique
Z.I. de la Rochelle
17187 Perigny Cedex, France

Germany

W.H. Brady GmbH
Lagerstrasse 13
64807 Dieburg
Germany

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

Hong Kong

W.H. Brady Asia-Pacific Pte. Ltd.
Unit 03/04, 18th Floor CRE Centre
889 Cheung Sha Wan
Kowloon, Hong Kong

Italy

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

Japan

Nippon Brady K.K.
Sumitomo Fudosan Shin
Yokohama Bldg. 8F
2-5-5 Shin Yokohama
Kohoku-ku, Yokohama
Kanagawa 222-0033, Japan

Korea

W.H. Brady Co., Ltd.
130-8 Dong An-Ri,
Okcheon-EUP
Okcheon-Gun, Chung Buk,
373-800
Republic of Korea

Malaysia

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

Mexico

W.H. Brady S. de R.L. de C.V.

1st Floor, Building 718
Ejercito Nacional
Colonia Chapultepec Morales
Mexico City, Mexico

Philippines

W.H. Brady Asia-Pacific Pte. Ltd.
9 Narra Drive
Palmera Heights III
Valley Golf, Cainta Rizal
Philippines 1900

Singapore
W.H. Brady Asia-Pacific Pte. Ltd.
W.H. Brady Pte. Ltd.
55 Ayer Rajah Crescent #03-25
Ayer Rajah Industrial Estate
Singapore 139949

Sweden

Brady AB
Karins Vag 7
S-194 54 Upplands Vasby
Sweden

Taiwan

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

Brady Corporation
P.O. Box 571, Milwaukee, WI 53202-0571
414-358-6600

www.bradycorp.com

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

SCHEDULE OF SUBSIDIARIES OF BRADY CORPORATION

Name of Company	State (Country) of Incorporation	Percentage of Voting Securities Owned
Brady Corporation	Wisconsin	Parent
Brady Financial Co.	Delaware	100%
Tricor Direct Inc.-	Delaware	100%
Doing Business As:		
Seton		
Seton Name Plate Company		
D&G Sign and Label Co.		
Seton Identification Products		
The Hirol Company		
Worldmark of Wisconsin Inc.	Delaware	100%
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 Service Co.	Wisconsin	100%
Brady Worldwide, Inc.	Wisconsin	100%
Teklynx International Co.	Wisconsin	100%
W.H. Brady Pty. Ltd.	Australia	100%
Seton Australia Pty. Ltd.	Australia	100%
W.H. Brady, N.V.	Belgium	100%
W.H.B. do Brasil Ltda.	Brazil	100%
B.I. Canada Incorporated	Canada	100%
W.H.B. Identification Solutions, Inc.-	Canada	100%
Doing Business As:		
Brady		
GrafTek		
Revere-Seton		
Seton		
1167232 Ontario, Inc.	Canada	100%
B.I. Financial Limited	England	100%
B.I. U.K. Limited	England	100%
W.H. Brady Co. Ltd.	England	100%
Seton Limited	England	100%
Brady Graphic Solutions Limited	England	100%

EXHIBIT 21.1

SCHEDULE OF SUBSIDIARIES OF BRADY CORPORATION (Continued)

Name of Company	State (Country) of Incorporation	Percentage of Voting Securities Owned
W.H. Brady S.A.R.L. - Doing Business As: Brady Techniques Avancees	France	100%
Tricor Group, S.A. - Doing Business As: Seton Signals	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%
W. H. Brady S. de R.L. de C.V.	Mexico	100%
Hirol UK Ltd.	Scotland	100%
W. H. Brady Asia-Pacific Pte. Ltd.	Singapore	100%
W.H. Brady Pte. Ltd.	Singapore	100%
Brady AB	Sweden	100%
Seton Scandinavia AB	Sweden	100%

Exhibit 23.1

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors and Stockholders of Brady Corporation:

We consent to the incorporation by reference in Registration Statements No. 333-38857, 333-38859 and 333-44505 of Brady Corporation (formerly W.H. Brady Co.) on Forms S-8 of our reports dated September 8, 1998, appearing in and incorporated by reference in the Annual Report on Form 10-K of Brady Corporation for the year ended July 31, 1998.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin
October 27, 1998

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1,000

YEAR
JUL-31-1998
AUG-01-1997
JUL-31-1998
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0
65,376
2,011
38,444
184,053
139,434
72,269
311,824
58,667
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311,824
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455,150
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46,165
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0
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28,036
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1.23