
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED JULY 31, 2002
COMMISSION FILE NUMBER 1-14959

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

WISCONSIN
(State of Incorporation)

39-0178960
(IRS Employer Identification No.)

6555 WEST GOOD HOPE ROAD
MILWAUKEE, WI 53223
(Address of Principal Executive Offices and Zip Code)
(414) 358-6600
(Registrant's Telephone Number)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:
CLASS A NONVOTING COMMON STOCK, PAR VALUE \$.01 PER SHARE, NEW YORK STOCK
EXCHANGE

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:
NONE

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
Registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes [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 []

The aggregate market value of the non-voting common stock held by
non-affiliates of the entity as of October 1, 2002 was approximately
\$580,858,102, (based on closing sale price of \$32.85 per share on that date as
reported for the New York Stock Exchange). As of October 1, 2002, there were
outstanding 21,345,841 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 2002 ANNUAL REPORT, INCORPORATED INTO PART II & IV

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PART I

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

ITEM 1. BUSINESS

(A) GENERAL DEVELOPMENT OF BUSINESS

The Company, a Wisconsin corporation founded in 1914, currently operates 25 manufacturing facilities worldwide. Ten are located in the United States, three in Australia, two each in Brazil and France and one each in Belgium, Canada, China, England, Germany, Italy, Japan and Singapore. The Company sells through subsidiaries or sales offices in Australia, Belgium, Brazil, Canada, China, England, France, Germany, Hong Kong, Hungary, Italy, Japan, Korea, Malaysia, Mexico, the Philippines, Singapore, Sweden, Taiwan and the United States. The Company's corporate headquarters are located at 6555 West Good Hope Road, Milwaukee, Wisconsin 53223, and the telephone number is (414) 358-6600. The Company's Internet address is <http://www.bradycorp.com>.

(B) FINANCIAL INFORMATION ABOUT INDUSTRY SEGMENTS

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 -- Financial Statements and Supplementary Data.

(C) NARRATIVE DESCRIPTION OF BUSINESS

OVERVIEW

Brady Corporation is a leading international manufacturer and marketer of high-performance identification solutions and specialty coated materials. The Company's products consist of over 50,000 stock and custom items as well as complete identification systems that are used by the Company's customers to create safer work environments 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 solutions and specialty tapes and graphics and workplace solutions.

The Company's products are sold in a variety of markets, including electrical, electronic, telecommunication, governmental, public utility, computer, construction, general manufacturing, laboratory, transportation equipment and education. The need for the Company's products is driven by specification of customer engineering departments, by regulatory compliance requirements imposed by agencies such as the Occupational Safety & Health Administration (OSHA) and the Environmental Protection Agency (EPA), or by the need to identify and track assets, or to direct, warn, inform, train and protect people. The Company manufactures and sells products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order catalogs, telemarketing and electronic access through the Internet. The Company has a broad customer base, which in fiscal 2002 consisted of more than 300,000 companies, with the largest customer representing just over 5% of net sales. Sales from international operations represented 48.5%, 44.0%, and 44.4% of net sales in fiscal 2002, 2001, and 2000, respectively.

BUSINESS STRATEGY

Brady's mission is to be the world leader in identification and material solutions that help companies improve productivity, performance, safety and security. The Company's goal is to accomplish this objective by offering a broad range of high-quality, innovative products to a widely diversified customer base in a prompt and responsive manner. Underlying the Company's business strategy is a Company-wide commitment to enhancing shareholder value. The Company's long-term focus on activities that will create sustainable value for shareholders drives decision making at all levels of the Company. The Company's employees participate in an incentive plan that has a component focused upon growth, profitability and return on invested capital. 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 customers' requirements and expectations. Brady's commitment to product innovation is reflected in research and development efforts that include approximately 175 employees primarily dedicated to research and development activities in the United States, Canada, Belgium, France and Singapore.

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

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

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

GROWTH STRATEGY

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

New products and new markets. The Company, through strong product innovation and development activities, seeks continually to introduce new products and explore additional applications for products in existing and new markets. Through its market planning process, the Company seeks to fully understand the broad needs of each of its major market segments and determine a strategy to meet those needs in each segment.

Increased market penetration. The Company seeks to increase market penetration in existing domestic and international markets through existing distribution channels and strong sales and marketing efforts. To achieve this objective, the Company is aligning more closely with distributors, expanding its current sales force and pursuing additional channels.

Geographic expansion. Sales from Brady's international operations have increased from \$50,707,000 or 26.5% of net sales in fiscal 1990 to \$250,518,000 or 48.5% of net sales in fiscal 2002. The Company believes that international markets continue to represent a significant growth opportunity. Accordingly, the Company is actively seeking to increase penetration in established markets in Europe, Asia/Pacific and Canada and to enter new emerging markets elsewhere in Eastern Europe, the Pacific Rim and Latin America.

Strategic acquisitions and joint ventures. While the Company intends to continue pursuing internal growth through the above strategies, it also intends, where practical, to fill product lines or market sectors, open new geographic markets, acquire new technology, and strengthen product offerings through the pursuit of strategic acquisitions and joint ventures.

E-business. E-Business will help support growth as the Company works to make every Brady business an electronic or Internet-enabled business. Brady's long-term goal is to transact 50 percent of its business electronically. Brady has increased investments in e-commerce and information technology to help it achieve this goal.

Process Improvement. Process Improvement will also support the Company as it grows. Brady has been working over the last three years on its Earning Customer Loyalty through Integrated Processes and Systems Everywhere (Eclipse) initiative, a global project creating one Brady enterprise with common and shared processes supported by a single integrated system (SAP). This will allow Brady to better anticipate and serve the future needs of its customers while making improvements in working capital measures and Selling, General and Administrative (SG&A) expense. As of July 31, 2002, approximately 45% of Brady's global operations were operating on this system.

PRODUCTS

The Company's products consist of over 50,000 stock and thousands of 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: identification solutions and specialty tapes products including wire and cable markers, high-performance labels, laboratory identification products, stand-alone printing systems, bar-code and other software, automatic identification and data collection systems and specialty tapes and precision die-cut solutions; graphics and workplace solutions products including signs, pipe and valve markers, storage markers, asset identification tags, lockout/tagout products, traffic-control products, printing systems, software and graphics products.

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.

IDENTIFICATION SOLUTIONS AND SPECIALTY TAPES PRODUCTS

WIRE AND CABLE MARKERS

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

HIGH PERFORMANCE LABELS

Brady produces a complete line of label materials to meet customers' needs for identification that performs under harsh or sensitive conditions. Brady prints stock and custom labels and also sells unprinted materials to enable customers to print their own labels on site, on demand, using thermal-transfer, laser, dot-matrix and inkjet printers. Brady labels range from static-dissipative labels for use on electronic components to labels that withstand extreme conditions, such as 1000 degrees Fahrenheit temperatures and harsh chemicals. Such products may be used in the general industrial or electronics manufacturing markets, among others.

SOFTWARE AND PRINTING SYSTEMS

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

AUTOMATIC IDENTIFICATION AND DATA-COLLECTION SYSTEMS

Brady's automatic identification and data collection solutions include bar-code-label-generating software and bar-code tags and labels to enable accurate tracking of manufacturing, warehousing, receiving and shipping data. The Company's software applications, integration services, fixed station terminals, high-speed printers and associated customized consumable products allow its customers, in a wide variety of markets, to

have a higher degree of knowledge and control over production, asset management and all phases of inventory control, including receiving, warehousing, work-in-process, finished goods and shipping.

SPECIALTY TAPES

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

PRECISION DIE-CUT SOLUTIONS

The Company develops customized precision die-cut solutions which are used to seal, insulate, protect, shield or provide other mechanical performance properties in the assembly of electronic, telecommunications and other equipment, including cellular phones, personal data assistants, computer hard drives, computers and other devices. Solutions not only include the materials and converting, but also automatic placement and other value-added services.

GRAPHICS AND WORKPLACE SOLUTIONS PRODUCTS

SIGNS

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

PIPE AND VALVE MARKERS

The Company manufactures both self-adhesive and mechanically applied stock and custom-designed pipe markers, and plastic and metal valve tags for the identification of pipes and control valves in the mechanical contractor and process industry markets. 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.

WAREHOUSE PRODUCTS

The Company produces signs, self-adhesive and self-aligning die-cut numbers and letters, labels, signs and tags used to mark warehouse locations and identify inventory. Warehouse products are primarily used by industrial companies in storage facilities such as warehouses, factories, stockrooms and other facilities.

ASSET IDENTIFICATION MARKERS

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

LOCKOUT/TAGOUT PRODUCTS

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

SECURITY CONTROL PRODUCTS

The Company offers identification and security products including a variety of self-expiring badges, security seals, parking permits and wristbands designed for visitor control in financial, governmental, educational and commercial facilities including meeting and convention sites. Some of these products make use of migratory ink technology, which, upon activation, starts a timed process resulting in an altered message, color or design to indicate expiration.

TRAFFIC CONTROL PRODUCTS

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

GRAPHICS PRODUCTS

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

OTHER

The Company also offers sign-making kits, barricading products, visual warning systems, floor-marking products, safety badges, photo-identification kits, and first aid cabinets/kits, among others.

OTHER PRODUCTS

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

MARKETING AND SALES

The Company's products are sold in a wide variety of markets including electrical, electronic, telecommunications, governmental, public utility, commercial office, computer, construction, general manufacturing, laboratory, transportation equipment and education. Brady has a diverse customer base that consisted of over 300,000 customers in fiscal 2002. No material part of the Company's business is dependent upon a single customer or group of customers, and the loss of a particular customer would not have a material adverse effect upon the Company's business. In fiscal 2002, Brady's largest customer accounted for just over 5% of the Company's net sales.

Brady 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 its competitors. The Company markets and sells its products domestically and internationally through multiple channels including direct sales, distributor sales, mail-order-catalog marketing and electronic access through the Internet. The Company currently has over 4,000 established relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. To support the needs of its direct customers and its distributor network, the Company employs a sales force of over 500 people. The Company's sales force seeks to establish and foster ongoing relationships with the end-users and distributors by providing technical support and product-application advice.

The Company direct markets certain 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 original equipment manufacturer component products, among others. Catalog operations are conducted through offices in the U.S., Australia, Brazil, Canada, England, France, Germany and Italy, and include foreign-language catalogs.

MANUFACTURING PROCESS AND RAW MATERIALS

The Company manufactures the majority of the products it sells, while purchasing certain items from other manufacturers. Products manufactured by the Company generally require a high degree of precision and the application of adhesives with chemical and physical properties suited for specific uses. The Company's manufacturing processes include compounding, coating, converting, software development and printer design and assembly. The compounding process involves the mixing of chemical batches for primers, top coatings and adhesives, in solvent- or water-based materials. The coatings and adhesives are applied to a wide variety of materials including polyester, polyimide, cloth, paper, metal and metal foil. The converting process may include embossing, perforating, laminating, die cutting, slitting, and printing or marking 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 costs. The Company produces the majority of the adhesive stocks and top-coated materials through an integrated manufacturing process. These integrated manufacturing processes permit greater flexibility in product design and manufacture, and an improved ability to provide specialized products designed to meet the needs of specific applications. Brady's "cellular" manufacturing processes and "just-in-time" inventory control are designed to attain profitability in small orders by emphasizing flexibility and the maximization of assets through quick turnaround and delivery. A growing part of the Company's manufacturing is done through a Web-to-Workbench(TM) process. In this process, orders received for items such as signs and asset identification labels are sent directly from the Internet to the manufacturing floor. Most of the Company's manufacturing facilities have received ISO 9001 or 9002 certification.

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

TECHNOLOGY AND PRODUCT DEVELOPMENT

The Company focuses its research and development efforts on material development, systems design and software development. Material development involves the application of surface chemistry concepts to coatings and adhesives applied to a variety of base materials. Systems design integrates materials, custom firmware and a variety of printing technologies to form a complete solution for customer applications or the Company's own production requirements.

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

The Company conducts much of its technology and development activities at the Frederic S. Tobey Research and Innovation Center (approximately 39,600 sq. ft.) in Milwaukee, Wisconsin. The Company spent approximately \$17,300,000, \$20,300,000, and \$20,600,000 in fiscal 2002, 2001, and 2000, respectively, on its research and development activities. In fiscal 2002, approximately 175 employees were engaged in research and development activities for the Company. Additional research projects were conducted under contract with universities, other institutions and consultants.

The Company's name and its registered trademarks are important to each of its business segments. In addition, the Company owns other important trademarks applicable to only certain of its products.

INTERNATIONAL OPERATIONS

In fiscal 2002, 2001, and 2000, sales from international operations accounted for 48.5%, 44.0%, and 44.4% respectively, of the Company's net sales. The Company's global infrastructure includes subsidiaries in Australia, Belgium, Brazil, Canada, China, England, France, Germany, Hungary, Italy, Japan, Mexico, Singapore, and Sweden and sales offices in Hong Kong, Korea, 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 Australia, Brazil, China, Germany and Hungary in the last three years. The Company expects to continue to expand its international operations as appropriate.

COMPETITION

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

BACKLOG

As of July 31, 2002, the amount of the Company's backlog orders believed to be firm was approximately \$22,300,000. This compares with approximately \$22,100,000 and \$27,100,000 of backlog orders as of July 31, 2001 and 2000, respectively. Average delivery time for the Company's orders varies from one day to one month, depending on the type of product, and whether the product is stock or custom designed and manufactured.

ENVIRONMENT

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

EMPLOYEES

As of July 31, 2002, the Company employed approximately 3,200 individuals. The Company has never experienced a material work stoppage due to a labor dispute, is not a party to any labor contract and considers its relations with employees to be excellent.

ACQUISITIONS

Information about the Company's acquisitions is provided in Note 2 of the Notes to Consolidated Financial Statements contained in Item 8 -- Financial Statements and Supplementary Data.

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

The information required by this Item is provided in Note 7 of the Notes to Consolidated Financial Statements contained in Item 8 -- Financial Statements and Supplementary Data.

ITEM 2. PROPERTIES

The Company currently operates 25 manufacturing facilities. Ten are located in the United States, three in Australia, two each in Brazil and France and one each in Belgium, Canada, China, England, Germany, Italy, Japan and Singapore. The Company's present operating facilities contain a total of approximately 1,623,000 square feet of space, of which approximately 828,000 square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for present needs.

ITEM 3. LEGAL PROCEEDINGS

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

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

None.

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

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

(b) Holders

(c) Dividends

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 for the years ended July 31:

ITEM 6. SELECTED FINANCIAL DATA

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

Fiscal 2002 was the second straight year of difficult business conditions and disappointing sales and earnings results for Brady Corporation. Despite the challenges of a weak U.S. economy in the short term, we remained committed to investing in our businesses on a global basis for the long term. We continued with our key initiatives of process improvement through building an integrated global infrastructure of facilities and capabilities. We focused on meeting the needs of our customers with innovative new products and exceptional service

through global expansion. Above all, we maintained an unwavering adherence to the highest standards of integrity.

The recovery from the recession that has stalled our growth has not come as quickly or as strongly as we had hoped. Our sales for fiscal 2002 were \$517.0 million, down 5.3 percent from \$545.9 million in fiscal 2001. Our Graphics and Workplace Solutions group began to see some signs of stabilization in its markets, but sales

for our Identification Solutions & Specialty Tapes (ISST) group declined as its higher tech markets, particularly telecommunications and electronics, continued to struggle. Regionally, U.S. sales slipped, but we saw gains in China, parts of Europe, and Latin America.

Our reported net income for fiscal 2002 was \$28.3 million or \$1.20 per diluted share, compared to \$27.5 million or \$1.18 per diluted share in the previous year. To ensure that our cost structure reflects the levels of current activity, we reduced our workforce by about 3 percent, and are consolidating some resources and facilities at our U.S., European, and Asian operations, with expected pre-tax savings of about \$4 million in fiscal 2003. As a result, we took a restructuring charge of \$3.0 million pre-tax in the fourth quarter of fiscal 2002. Excluding non-recurring items and goodwill amortization in both years, net income for fiscal 2002 was \$30.0 million or \$1.28 per diluted share compared to \$39.4 million or \$1.70 per diluted share in fiscal 2001.

Brady maintains a strong balance sheet, with virtually no debt, and solid cash reserves of \$76.0 million, up from \$62.8 million at the end of fiscal 2001, even after investments in strategic initiatives for process improvement, e-business, global expansion, research and development, and dividend payments to our shareholders.

YEAR ENDED JULY 31, 2002, COMPARED TO YEAR ENDED JULY 31, 2001

Sales for fiscal 2002 decreased by \$28,982,000 or 5.3% from fiscal 2001. Sales of the Company's international operations increased 4.7% in U.S. dollars. The acquisition of Balkhausen GmbH in March 2001, Eset in July 2001 and Safety Signs Service in November 2001 increased international sales by 4.4% in fiscal 2002. International base business increased by 0.8% in local currencies. These increases were partially 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 0.5%. Sales of the Company's U.S. operations decreased 13.0%, with a base business decline of 14.3% partially offset by the acquisitions of Strandware, Inc. in November 2001 and Temtec, Inc in April 2002, which added 1.3% to sales.

The cost of products sold as a percentage of sales increased from 47.1% to 49.6%. The increase was due to higher unabsorbed manufacturing overhead costs, changes in product mix and the impact of a full year of Balkhausen's operations compared to four months in fiscal 2001; Balkhausen operations have lower margins than the company average due to a high portion of pass through items in their sales mix.

Selling, general and administrative expenses as a percentage of sales decreased to 39.1% from 41.0% in fiscal 2001. Fiscal 2002 expenses include a net nonrecurring charge of \$2,720,000 which included a \$3,030,000 charge relating primarily to consolidation of facilities in Asia/Pacific, United States and Europe and a workforce reduction of approximately 3 percent, offset by a \$310,000 adjustment to the fiscal 2001 severance accrual. Fiscal 2001 expenses included a nonrecurring charge of \$9,560,000, primarily related to facilities consolidation and a workforce reduction of approximately 5 percent as well as goodwill amortization of \$6,119,000. Excluding these nonrecurring items and goodwill amortization in both years, selling, general and administrative expenses as a percentage of sales increased from 38.1% to 38.6%, while decreasing in dollar amount by \$8,819,000. The increase as a percentage of sales was due primarily to fixed administrative expenses spread over a lower sales base.

Research and development investment as a percentage of sales was 3.3%, down from 3.7% in fiscal 2001.

Operating income decreased \$3,019,000 to \$41,503,000 in fiscal 2002. Excluding the nonrecurring items in both years and goodwill amortization in fiscal 2001, operating income decreased \$15,978,000 or 26.5% from \$60,201,000 to \$44,223,000.

Investment and other income increased \$1,028,000 from the prior year primarily due to the net effect of foreign exchange, primarily on intercompany transactions, improving over the prior year by approximately \$2,000,000. Reductions in interest income of \$800,000 partially offset the foreign exchange improvement.

Income before income taxes was \$43,135,000, a decrease of 3.7% compared to fiscal 2001's \$44,790,000. Excluding the nonrecurring items in both years and goodwill amortization in fiscal 2001, income before income taxes in 2002 decreased 24.2%.

The Company's effective tax rate decreased from 38.5% for fiscal 2001 to 34.5% for fiscal 2002. The large decrease in the effective rate is due to the effect of ceasing goodwill amortization on August 1, 2001.

Net income was \$28,253,000 for fiscal 2002, compared to \$27,546,000 for fiscal 2001 due to the factors discussed above. Excluding the nonrecurring items (a \$1,782,000 nonrecurring charge after-tax in fiscal 2002, a \$5,879,000 nonrecurring charge after-tax in fiscal 2001 and goodwill amortization in fiscal 2001 of \$5,939,000 after-tax), net income decreased 23.7% from the prior year.

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

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

The cost of products sold as a percentage of sales increased from 44.6% to 47.1% in fiscal 2001. The increase was due to changes in product mix, fixed costs spread over a lower sales volume and negative foreign exchange impact.

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

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

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

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

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

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

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

BUSINESS SEGMENT OPERATING RESULTS

IDENTIFICATION SOLUTIONS & SPECIALTY TAPES (ISST) GROUP

ISST sales decreased 12.9% in fiscal 2002 (down 12.5% in local currencies) from fiscal 2001, following an increase of 0.3% in fiscal 2001 versus 2000. Base-business sales in fiscal 2002 were down 16.7% due to continued weakness in the global electrical, electronic, telecommunication and automatic identification markets. Acquisitions added 4.3% to the group's sales in fiscal 2002. Acquisitions included Balkhausen GmbH in March 2001, Eset GmbH in July 2001 and Strandware, Inc. in November 2001.

Segment profit as a percentage of sales decreased from 19.7% in 2001 to 13.5% in 2002 as a result of the sales decline. Comparing fiscal 2000 to 2001, segment profit as a percentage of sales decreased from 26.1% to 19.7% as a result of sales decline in the group's higher margin products, the negative effect of foreign currencies and increased utility costs.

GRAPHICS & WORKPLACE SOLUTIONS GROUP

Graphics & Workplace Solutions' sales increased 1.4% in fiscal 2002 from fiscal 2001. The acquisitions of Safety Signs Service in November 2001 and Temtec, Inc. in April 2002 added 1.2% to the group's sales. Foreign currency did not have an impact on the group's sales in fiscal 2002 as compared to fiscal 2001. Sales decreased 1.9% in fiscal 2001 from fiscal 2000. Fiscal 2001 sales were negatively affected by the effect of foreign currency by 4.9%.

Segment profit as a percentage of sales in the group declined to 24.8% in fiscal 2002 from 25.7% in fiscal 2001 due to a decline in gross margin. This decline was driven by lower sales volume in North America and production costs for a new product introduction. Segment profit as a percentage of sales in the Graphics Group increased to 25.7% in fiscal 2001 from 24.4% in fiscal 2000. The improvement in fiscal 2001 was due to cost control measures, continued refinement in mail plan techniques and improvement in productivity of selling and marketing expenses.

LIQUIDITY

The Company's liquidity remains strong. Cash and cash equivalents were \$75,969,000 at July 31, 2002, compared to \$62,811,000 at July 31, 2001, and \$60,784,000 at July 31, 2000. Working capital increased \$11,934,000 during fiscal 2002 to \$135,764,000 at July 31, 2002.

The Company has maintained significant cash balances due in large part to its strong operating cash flow, which totaled \$54,251,000 for fiscal 2002, \$53,228,000 for fiscal 2001 and \$48,408,000 for fiscal 2000.

Capital expenditures were \$13,095,000 in fiscal 2002, \$20,770,000 in fiscal 2001 and \$22,624,000 in fiscal 2000. Fiscal 2002's capital expenditures included new toolings for two new products, continued investment in software related to our E-clipse initiative, computers and building improvements in Europe. Fiscal 2001's capital expenditures included a new manufacturing location in Brazil, new software, computers and manufacturing equipment in Europe. Fiscal 2000 capital expenditures were primarily from capital investments related to new software, a new facility in the United States, a startup in China and a new global telecommunications system.

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

Financing activities required \$13,385,000 in fiscal 2002, \$22,676,000 in fiscal 2001 and \$6,605,000 in fiscal 2000. Cash used for dividends to shareholders was \$17,358,000 in fiscal 2002, \$16,229,000 in fiscal 2001 and \$15,260,000 in fiscal 2000. In fiscal 2000, net cash borrowed was \$24,947,000, primarily used to purchase the Critchley securities, which was subsequently repaid in fiscal 2000 and 2001.

In fiscal 1999, the Company entered into a \$150,000,000 multicurrency revolving loan agreement with a group of six banks, which expires on September 23, 2004. On January 31, 2000, the multicurrency revolving loan was amended, increasing the amount available to \$200,000,000. On October 31, 2001, the multicurrency revolving loan was amended to modify a financial covenant to restrict the amount of line of credit available to a multiple of domestic earnings. Under the agreement, the Company has the option to elect to have interest rates determined based upon the prime rate at PNC Bank N.A. plus margin or a LIBOR rate plus margin. A commitment fee is payable on the unused amount of credit. The agreement requires the Company to maintain certain financial covenants. The Company is in compliance with the covenants of the agreement. At July 31, 2002, approximately \$107,000,000 of the line of credit was available to the Company under the formulas contained in the agreement. The agreement requires that the Company maintain a specified level of

consolidated net worth, which could restrict the Company's ability to pay dividends. At July 31, 2002, the required consolidated net worth was approximately \$255,000,000 and the Company's actual consolidated net worth on that date was approximately \$324,000,000. At July 31, 2002 and 2001, there were no borrowings under this line of credit.

Long-term obligations as a percentage of long-term obligations plus stockholders' investment were 1.1% at July 31, 2002 and 1.4% at July 31, 2001 and 2000.

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

The Company does not have material off-balance sheet arrangements or related party transactions. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risk factors presented in other Company filings. However, the following additional information is provided to assist financial statement users.

Operating Leases -- These leases generally are entered into only for non-strategic investments (e.g., warehouses, office buildings, computer equipment) where the economic profile is favorable.

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

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

Related Party Transactions -- The Company does not have any related party transactions that materially affect the results of operations, cash flow or financial condition.

The Company's future commitments at July 31, 2002 for long-term debt and capital lease obligations, and operating lease obligations are as follows (dollars in thousands):

LONG-TERM DEBT & YEAR ENDING JULY 31, CAPITAL LEASES OPERATING LEASES TOTAL - ---				

2003.....				
	\$ 162	\$ 8,867	\$ 9,029	
2004.....				
	305	7,102	7,407	
2005.....				
	304	5,469	5,773	
2006.....				
	300	1,632	1,932	
2007.....				
	298	1,616	1,914	
Thereafter.....				
	2,544	3,196	5,740	-----
Total.....				
	\$3,913	\$27,882	\$31,795	=====
				=====

INFLATION

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

EURO CONVERSION

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

CRITICAL ACCOUNTING POLICIES

ESTIMATES

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

REVENUE RECOGNITION

The Company recognizes revenue upon shipment of goods to customers. The vast majority of the Company's revenue relates to sale of inventory to customers, and revenue is recognized when title and the risks and rewards of ownership pass to the customer. Given the nature of the Company's business and the applicable rules guiding revenue recognition, the Company's revenue recognition practices do not contain estimates that materially affect results of operations.

RESTRUCTURING

Restructuring charges relate to the restructurings in fiscal 2002 and 2001. The Company provides forward-looking information about the restructuring activities, including estimated costs and savings. Such disclosures represent management's best estimate, but do require significant estimates that may change over time. However, the specific reserves recorded in each year under the restructuring activities are not considered highly uncertain, as discussed in more detail in Note 10 to the Consolidated Financial Statements.

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. Changes in existing regulatory tax laws and rates may affect the Company's ability to successfully manage regulatory matters around the world, and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time. The Company's accounting for deferred tax consequences represents management's best estimate of future events that can be appropriately reflected in the accounting estimates. Although certain changes cannot be reasonably assumed in the Company's current estimates, management does not believe such changes would result in a material period-to-period impact on the results of operations or financial condition.

PURCHASE PRICE ALLOCATION

The purchase price allocation process requires management estimates and judgment as to expectations for future cash flows of the acquired business and application of those cash flows to identifiable intangible assets in determining the estimated fair value for allocation purposes. If the actual results differ from the

estimates and judgments used in the purchase price allocation, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill or require acceleration in the amortization expense. In addition, FAS 142 requires that goodwill be tested annually for impairment. Changes in management estimates or judgments could result in an impairment charge, and such a charge could have an adverse effect on the Company's financial condition and results of operations.

NEW ACCOUNTING STANDARDS

As of August 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be separately disclosed from other intangible assets in the consolidated balance sheet, and no longer be amortized, but tested for impairment on at least a periodic basis.

The Company performed the transitional assessment of goodwill on August 1, 2001 and the annual assessment on May 1, 2002. The assessments included comparing the carrying amount of net assets, including goodwill, of each reporting unit to their respective fair value as of the date of the assessment. Fair value was estimated based upon discounted cash flow analyses. Because the estimated fair value of each of the Company's reporting units exceeded their carrying amount, management believes that no impairment existed as of the date of the latest assessment. No indications of impairment have been identified between the date of the latest assessment and July 31, 2002.

In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill effective August 1, 2001.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. The Company adopted both SFAS No. 143 and SFAS No. 144 in August 2002. The Company does not expect the statements to have a material impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This pronouncement is effective for exit or disposal activities that are initiated after December 31, 2002, and requires these costs to be recognized when the liability is incurred and not at project initiation. The Company is reviewing the provisions of this Statement, but does not expect it to have a material impact on its financial statements.

FORWARD-LOOKING STATEMENTS

Except for historical information, the Company's reports to the Securities and Exchange Commission on Form 10-K and Form 10-Q and periodic press releases, as well as other public documents and statements, may contain "forward-looking statements," as defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are often identified by words such as "intend," "anticipate," "assume," "believe," "estimate," "expect," "plan," "project," "will," and other expressions, which refer to future events and trends.

The ability of the Company to attain management's goals and objectives is materially dependent on numerous factors, including those set forth herein.

ECONOMIC CONDITIONS

Operating results are significantly influenced by general economic conditions and growth or contraction of the principal economies in which we operate, including the United States, Canada, Europe, Latin America and the Asia-Pacific region. This is especially true with respect to growth or contraction of the industrial and technology sectors of those economies. All economies in which we operate are cyclical

and the rates of growth or contraction can vary substantially. Because we have few long-term contracts, we generally ship products within a short period of time from receiving orders and thus maintain only a small backlog. The extent to which we can rapidly adjust our cost structure and output to changing economic conditions may have a significant effect on our future profitability.

CURRENCY FLUCTUATIONS

Approximately half of our sales are in foreign currencies, which fluctuate in relationship to one another and to the United States dollar. Fluctuations in currencies can cause transaction, translation and other losses. These fluctuations can have an adverse effect on our reported sales and earnings.

COST OF RAW MATERIALS

As a manufacturer, our sales and profitability are also dependent upon availability and cost of raw materials and the ability to control or pass on costs of raw materials and labor. Inflationary and other increases in the costs of raw materials and labor have occurred in the past and are expected to recur. Our ability to reflect these costs in increased selling prices for our products, increasing our productivity, and focusing on higher profit businesses, will significantly influence our ability to maintain our margins. Past performance may or may not be replicable in the future.

RELIANCE ON SUPPLIERS

Our manufacturing operations depend on our suppliers' ability to deliver quality components and products in time for us to meet critical manufacturing and distribution schedules. If shortages or delays occur, our operating results could suffer until other sources can be developed.

NEW PRODUCTS

A significant portion of the revenues in each of our recent fiscal years has been represented by sales of products we have introduced within three years prior to the period. Our ability to develop and successfully market new products and to develop, acquire and retain necessary intellectual property rights is therefore essential to maintaining our growth, which ability cannot be assured.

ACQUISITIONS, STRATEGIC ALLIANCES, JOINT VENTURES AND DIVESTITURES

Part of our historic growth has come through acquisitions. We may also engage in strategic alliances, joint ventures and divestitures. Our ability to effectively evaluate potential acquisition, strategic alliance, joint venture or divestiture transactions and to effectuate such transactions at a reasonable price can affect our profitability. In addition, acquisitions, strategic alliances and joint ventures may require us to integrate with a different company culture, management team and business infrastructure. We may also have to develop, manufacture and market products with our products in a way that enhances the performance of the combined business or product line. Depending on the size and complexity of an acquisition, our successful integration of the entity depends on a variety of factors, including:

- The hiring and retention of key employees,
- Management of facilities and employees in separate geographic areas,
- The integration or coordination of different research and development and product manufacturing facilities, and
- Systems integration and implementation.

All of these efforts require varying levels of management resources, which may divert our attention from other business operations.

INTELLECTUAL PROPERTY

We generally rely upon patent, copyright, trademark and trade secret laws in the U.S. and in certain other countries, and agreements with our employees and customers to establish and maintain our property rights in our technology and products. However, any of our intellectual property rights could be

challenged, invalidated or circumvented. Third parties may claim that we are infringing their intellectual property. Even if we do not believe that our products are infringing third parties' intellectual property rights, the claims can be time-consuming and costly to defend and divert management's attention and resources away from our business. Claims of intellectual property infringement might also require us to enter into costly royalty or license agreements. If we cannot or do not license the infringed technology or substitute similar technology from another source, our business could suffer.

ENVIRONMENTAL

Some of our operations use substances regulated under various federal, state and foreign laws governing the environment. It is our policy to apply strict standards for environmental protection to sites inside and outside the U.S., even when not subject to local government regulations. However, a failure to comply with applicable standards or the accidental emission of or exposure to hazardous materials could give rise to significant monetary liability. Also, the imposition of new governmental standards or requirements could materially increase our cost of operation.

EFFECT OF INTERNATIONAL POLITICAL CONSIDERATIONS

Our international operations may be significantly influenced by political, economic and regulatory conditions (including tariffs) in the countries in which we conduct our operations.

OTHER

Other factors include costs and other effects of interest rate increases; legal and administrative cases and proceedings, settlements, judgments and investigations, claims, and changes in those items; adoption of new, or revised accounting policies and practices and the application of such policies and practices; the successful implementation of a new enterprise-resource-planning system; business reorganizations or combinations; loss of significant contract or customer; the euro conversion; the ability and willingness of purchasers to substitute other products for the products that we distribute; and pricing, purchasing, financing and promotional decisions by intermediaries in the distribution channel.

The factors identified in this statement are believed to be important factors (but not necessarily all of the important factors) that could cause actual results to be materially different from those that may be expressed or implied in any forward-looking statement made by, or on behalf of, the Company. Other factors not discussed in this statement could also have material adverse effects concerning forward-looking objectives or estimates. The Company assumes no obligation to update the information included in this statement.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The global nature of the Company's business requires active participation in the foreign exchange markets. As a result of investments, production facilities and other operations on a global scale, the Company has assets, liabilities and cash flows in currencies other than the U.S. Dollar. The primary objective of the Company's foreign-exchange risk management is to minimize the impact of currency movements on intercompany transactions and foreign raw-material imports. To achieve this objective, the Company hedges a portion of known exposures using forward contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Japanese Yen and Australian Dollar. The risk of these hedging instruments is not material.

The Company could be exposed to interest rate risk through its corporate borrowing activities. The objective of the Company's interest rate risk management activities is to manage the levels of the Company's fixed and floating interest rate exposure to be consistent with the Company's preferred mix. The interest rate risk management program consists of entering into approved interest rate derivatives when there is a desire to modify the Company's exposure to interest rates. As of July 31, 2002, the Company has not entered into any interest rate derivatives.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

BRADY CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Brady Corporation:

We have audited the accompanying consolidated balance sheets of Brady Corporation and subsidiaries as of July 31, 2002 and 2001, and the related consolidated statements of income, stockholders' investment and cash flows for each of the three years in the period ended July 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the companies at July 31, 2002 and 2001, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2002 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

September 9, 2002
Milwaukee, Wisconsin

BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JULY 31, 2002 AND 2001

2002	2001		(DOLLARS IN THOUSANDS)
ASSETS			
Current Assets: Cash and cash equivalents (Note 1).....			
	\$ 75,969	\$ 62,811	Accounts receivable, less allowance for losses (\$3,206 and 2,297, respectively).....
	71,684		Inventories (Note 1): Finished products.....
		19,130	
	19,288		Work-in-process.....
	5,135	4,333	
	Raw materials and supplies.....		
	12,453	15,586	Total inventories.....
		36,718	
	39,207 Prepaid expenses and other current assets (Notes 1, 3 and 4).....		
	21,093	19,258	Total current assets.....
	210,026	192,960	Other Assets: Goodwill -- net (Note 1).....
	108,053	96,041	Other (Note 4).....
	21,555		Property, Plant and Equipment (Notes 1 and 5): Cost: Land.....
	5,612	5,944	Buildings and improvements.....
	50,122	47,611	Machinery and equipment.....
	127,955	132,272	Construction in progress.....
	3,062	6,474	Less accumulated depreciation.....
	186,751	192,301	Net property, plant and equipment.....
	80,891	84,533	
	TOTAL.....		
	\$420,525	\$393,592	LIABILITIES AND STOCKHOLDERS' INVESTMENT
Current Liabilities: Accounts payable.....			
	\$ 20,666		Wages and amounts withheld from employees.....
	26,251	26,767	Taxes, other than income taxes.....
	2,396	1,496	Accrued income taxes.....
	6,312	6,427	Other current liabilities (Note 3).....
	12,847	12,364	Short-term borrowings and current maturities on long-term obligations (Note 5).....
	162	1,410	Total current liabilities.....
	74,262	69,130	Long-Term Obligations, less current maturities (Note 5).....
	3,751	4,144	Other Liabilities (Note 3).....
	18,270	17,739	Total liabilities.....
	96,283		Stockholders' Investment (Notes 1 and 6): Preferred Stock (aggregate liquidation preference of \$3,026 at July 31, 2002).....
	2,855	2,855	Common Stock: Class A Nonvoting -- Issued 21,356,605 and 21,149,551 shares, respectively (aggregate liquidation preference of \$35,666 at July 31, 2002).....
	214	211	Class B Voting -- Issued and outstanding 1,769,314 shares.....
	18		Additional paid-in capital.....
	41,526	35,806	Earnings retained in the business.....
	287,674	276,779	Treasury stock -- 4,548 shares of Class A nonvoting common stock, at cost.....
	(132)	(132)	Cumulative other comprehensive loss.....
	(7,665)	(12,016)	Other.....
	(248)	(942)	Total stockholders' investment.....
	324,242	302,579	
	Total.....		
	\$420,525	\$393,592	

See notes to consolidated financial statements.

BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED JULY 31, 2002, 2001 AND 2000

2002	2001	2000		(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)
				Net Sales (Note 1).....
				\$516,962
\$545,944	\$550,664		Operating Expenses: Cost of products sold.....	256,186
			257,313	245,587 Research and development.....
				17,271
			20,329	20,555 Selling, general and administrative.....
				199,282 214,220
			215,231	Non-recurring charge -- net (Note 10).....
			2,720	9,560 -----
			-----	Total operating expenses.....
				475,459 501,422
			481,373	----- Operating Income.....
				41,503 44,522 69,291
				Other Income and (Expense): Investment and other income -- net.....
			1,714	686 7,418 Interest expense.....
				(82)
			(418)	(578) ----- Net other income.....
				1,632 268
			6,840	----- Income Before Income Taxes.....
				43,135 44,790
			76,131	Income Taxes (Notes 1 and 4).....
				14,882 17,244 28,930
			-----	Net Income.....
				\$ 28,253 \$ 27,546 \$ 47,201
				===== Net Income Per Common Share (Notes 6 and 8): Class A Nonvoting:
				Basic.....
			\$ 1.22	\$ 1.20 \$ 2.07
				===== Diluted.....
			\$ 1.20	\$ 1.18 \$ 2.05
				===== Voting:
				Basic.....
			\$ 1.19	\$ 1.16 \$ 2.04
				===== Diluted.....
			\$ 1.17	\$ 1.15 \$ 2.02
				=====

See notes to consolidated financial statements.
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BRADY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT
YEARS ENDED JULY 31, 2002, 2001 AND 2000

EARNINGS ADDITIONAL RETAINED
OTHER TOTAL PREFERRED COMMON
PAID-IN IN THE TREASURY
COMPREHENSIVE COMPREHENSIVE
STOCK STOCK CAPITAL BUSINESS
STOCK INCOME OTHER INCOME ---

----- (DOLLARS

IN THOUSANDS, EXCEPT PER
SHARE AMOUNTS) Balances at
July 31, 1999..... \$2,855
\$226 \$28,383 \$233,521 \$(132)
\$ (1,958) \$(2,331) Net
income.....
47,201 \$47,201 Net currency
translation
adjustment.....
(5,179) (5,179) ----- Total
comprehensive
income.....
\$42,022 ===== Issuance of
126,474 shares of Class A
Common Stock under stock
option plan..... 1
2,423

Other.....
694 Tax benefit from exercise
of stock
options..... 780
Cash dividends on Preferred
Stock: 1979 series -- \$10 a
share.....
(220) 6% and 1972 series --
\$6 a
share.....
(39) Cash dividends on Common
Stock: Class A -- \$.68 a
share..... (13,857) Class B -
- \$.65 a share..... (1,144) -

Balances at July 31,
2000..... 2,855 227 31,586
265,462 (132) (7,137) (1,637)
Net
income.....
27,546 \$27,546 Net currency
translation
adjustment.....
(4,879) (4,879) ----- Total
comprehensive
income.....
\$22,667 ===== Issuance of
183,236 shares of Class A
Common Stock under stock
option plan..... 2
3,578

Other.....
695 Tax benefit from exercise
of stock
options..... 642
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 -- \$.72 a
share..... (14,755) Class B -
- \$.69 a share..... (1,215) -

Balances at July 31,
2001..... 2,855 229 35,806
276,779 (132) (12,016) (942)
Net
income.....

28,253	\$28,253	Net currency translation adjustment.....	
4,351	4,351	----- Total comprehensive income.....	
\$32,604	=====	Issuance of 207,054 shares of Class A Common Stock under stock option plan.....	3
			4,885
Other.....			
694		Tax benefit from exercise of stock options.....	835
		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 -- \$.76 a share.....	(15,807)
		Class B -- \$.73 a share.....	(1,292)

		Balances at July 31, 2002.....	\$2,855 \$232
		\$41,526 \$287,674 \$(132) \$	
(7,665)	\$ (248)	=====	=====
		=====	=====

See notes to consolidated financial statements.

BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JULY 31, 2002, 2001 AND 2000

2002	2001	2000	
			(DOLLARS IN THOUSANDS)
Operating Activities: Net income..... \$			
28,253	\$ 27,546	\$ 47,201	Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization.....			
16,630	22,646	17,833	Loss (gain) on sale of property, plant and equipment....
1,166	(185)	(54)	Gain on sale of securities.....
	(722)	(4,414)	Provision for losses on accounts receivable.....
	2,467	1,537	1,830
Other.....			
694	695	694	Nonrecurring charge --
net..... 2,239 9,226 Changes in operating assets and liabilities (net of effects of business acquisitions): Accounts receivable..... (3,057)			
	8,299	(9,343)	
Inventory.....			
4,895	2,252	(1,362)	Prepaid expenses and other assets..... (1,538) (1,749) (6,590)
Accounts payable and accrued liabilities..... 923			
	(13,109)	4,608	Income taxes..... 453
	(2,382)	(1,115)	Deferred income taxes..... 449 (1,981) (763)
Other liabilities..... 677			
1,155	(117)		Net cash provided by operating activities..... 54,251 53,228 48,408 --
Investing Activities:			
Acquisitions of businesses, net of cash acquired..... (12,749) (6,699) (37,906) Purchases of securities..... (22,931)			
Purchases of property, plant and equipment..... (13,095) (20,770) (22,624)			
Proceeds from sale of property, plant and equipment..... 776 525 1,053 Proceeds from sale of securities..... 825 27,345			
Other.....			
534	(356)	16	Net cash (used in) investing activities..... (24,534) (26,475) (55,047) --
Financing Activities:			
Payment of			
dividends..... (17,358)			
(16,229) (15,260) Proceeds from issuance of common stock..... 5,720 4,222 3,204 Proceeds from borrowings..... 313 24,947			
Principal payments on short-term borrowings and long-term obligations..... (1,747) (9,257) (19,496)			
Other.....			
(1,725)			Net cash (used in) financing activities..... (13,385) (22,676) (6,605) --
Effect of exchange rate changes on cash..... (3,174) (2,050) (1,438) --			
Net increase (decrease) in cash and cash equivalents..... 13,158 2,027 (14,682) Cash and cash equivalents, beginning of year..... 62,811 60,784 75,466 --			
Cash and cash equivalents, end of year..... \$ 75,969 \$ 62,811 \$ 60,784			
Supplemental Disclosure of Cash Flow Information: Cash paid during the year for: Interest.....			
\$ 175	\$ 441	\$ 555	Income taxes, net of refunds..... 15,176 21,613 29,370
Acquisitions: Fair value of assets acquired, net of cash..... \$ 5,667 \$ 7,859 \$ 15,751 Liabilities assumed..... (1,789)			
	(4,736)	(10,783)	
Goodwill.....			
8,871	3,576	32,938	Net cash paid for acquisitions..... \$ 12,749
	\$ 6,699	\$ 37,906	

See notes to consolidated financial statements.

BRADY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JULY 31, 2002, 2001 AND 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Inventories -- Inventories are stated at the lower of cost or market. Cost has been determined using the last-in, first-out ("LIFO") method for certain inventories (approximately 39% and 55% of total inventories at July 31, 2002 and 2001, respectively) and the first-in, first-out ("FIFO") method for other inventories. The difference between the carrying value of domestic inventories stated at LIFO cost and the value of such inventories stated at FIFO cost was \$5,874,000 at July 31, 2002 and \$5,805,000 at July 31, 2001.

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

Intangible Assets -- The cost of intangible assets with determinable useful lives is amortized to reflect the pattern of economic benefits consumed, principally on a straight-line basis, over the estimated periods benefited. Goodwill is evaluated annually for impairment. Beginning in fiscal 2002, such determination of fair value is based on valuation models that incorporate expected future cash flows and profitability projections. Prior to 2002, goodwill was amortized over periods not exceeding 40 years.

Changes in the carrying amount of goodwill for the year ended July 31, 2002, are as follows:

GRAPHICS & WORKPLACE ISST SOLUTIONS TOTAL	

-- -----	
Balance as of August 1,	
2001.....	
\$56,740,000	
\$39,301,000	\$
96,041,000	Goodwill
acquired during the period.....	
2,041,000	6,830,000
8,871,000	Translation
adjustments and other.....	
1,103,000	2,038,000
3,141,000	-----

--- Balance as of July 31,	
2002.....	
\$59,884,000	
\$48,169,000	
\$108,053,000	
=====	
=====	
=====	

Other long-term assets include patents, trademarks, non-compete agreements and other intangibles with finite lives being amortized in accordance with SFAS

No. 142. The net book value of these assets was \$3,918,000 and \$1,643,000 at July 31, 2002 and 2001, respectively. This amount consists of approximately \$2,950,000 related to patents and trademarks and \$968,000 related to non-compete agreements. Amortization expense related to intangible assets was not material.

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

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

Catalog Costs -- Catalog costs are initially capitalized and amortized over the estimated useful lives of the publications (generally eight months). At July 31, 2002 and 2001, \$8,211,000 and \$6,380,000 respectively, of prepaid catalog costs were included in prepaid expenses and other current assets.

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

Shipping and Handling Fees and Costs -- The Company accounts for Shipping and Handling Fees and Costs in accordance with Emerging Issues Task Force ("EITF") Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." Under Issue No. 00-10 amounts billed to a customer in a sale transaction related to shipping costs are reported as net sales and the related costs incurred for shipping are reported as cost of goods sold.

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

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

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

Risk Management Activities -- The Company is exposed to market risk, such as changes in interest rates and currency exchange rates. The Company does not hold or issue derivative financial instruments for trading purposes.

Interest Rate Hedging -- The Company could be exposed to interest rate risk through its corporate borrowing activities. The objective of the Company's interest rate risk management activities is to manage the levels of the Company's fixed and floating interest rate exposure to be consistent with the Company's preferred mix. The interest rate risk management program consists of entering into approved interest rate derivatives when there is a desire to modify the Company's exposure to interest rates. As of July 31, 2002, the Company has not entered into any interest rate derivatives.

Currency Rate Hedging -- The primary objectives of the foreign exchange risk management activities are to understand and mitigate the impact of potential foreign exchange fluctuations on the Company's financial results and its economic well-being. While the Company's risk management objectives and strategies will be driven from an economic perspective, the Company will attempt, where possible and practical, to ensure that

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

the hedging strategies it engages in can be treated as "hedges" from an accounting perspective or otherwise result in accounting treatment where the earnings effect of the hedging instrument provides substantial offset (in the same period) to the earnings effect of the hedged item. Generally, these risk management transactions will involve the use of foreign currency derivatives to protect against exposure resulting from intercompany sales and identified inventory or other asset purchases.

The Company primarily utilizes forward exchange contracts with maturities of less than 12 months, which qualify as cash flow hedges. These are intended to offset the effect of exchange rate fluctuations on forecasted sales, inventory purchases and intercompany charges. The fair value of these instruments at July 31, 2002 and 2001 was not material.

Hedge effectiveness is determined by how closely the changes in the fair value of the hedging instrument offset the changes in the fair value or cash flows of the hedged item. Hedge accounting is permitted only if the hedging relationship is expected to be highly effective at the inception of the hedge and on an on-going basis. Any ineffective portions are to be recognized in earnings immediately. The Company's existing cash flow hedges are considered to be 100% effective. As a result, there is no current impact to earnings due to hedge ineffectiveness.

No cash flow hedges were discontinued during the year ended July 31, 2002.

New Accounting Standards -- As of August 1, 2001, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses the financial accounting and reporting standards for the acquisition of intangible assets outside of a business combination and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill be separately disclosed from other intangible assets in the consolidated balance sheet, and no longer be amortized, but tested for impairment on at least a periodic basis.

The Company performed the transitional assessment of goodwill on August 1, 2001 and the annual assessment on May 1, 2002. The assessments included comparing the carrying amount of net assets, including goodwill, of each reporting unit to their respective fair value as of the date of the assessment. Fair value was estimated based upon discounted cash flow analyses. Because the estimated fair value of each of the Company's reporting units exceeded their carrying amount, management believes that no impairment existed as of the date of the latest assessment. No indications of impairment have been identified between the date of the latest assessment and July 31, 2002.

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

In accordance with SFAS No. 142, the Company discontinued the amortization of goodwill effective August 1, 2001. A reconciliation of previously reported net income and net income per share to the amounts adjusted for the exclusion of goodwill amortization net of the related income tax effect follows:

FISCAL 2002 FISCAL 2001 FISCAL 2000

Reported net

income.....
\$28,253,000 \$27,546,000 \$47,201,000
Add: Goodwill amortization, net of
tax..... -- 5,939,000 5,438,000 --

Adjusted net

income.....
\$28,253,000 \$33,485,000 \$52,639,000
=====

Net income per Class A Nonvoting
Common Share -- Basic: Reported net
income..... \$ 1.22

\$ 1.20 \$ 1.74 Add: Goodwill
amortization, net of
tax.....
-- 0.26 0.24 -----

- Adjusted net

income..... \$ 1.22
\$ 1.46 \$ 1.98 =====

===== Net income
per Class A Nonvoting Common Share
-- Diluted: Reported net

income..... \$ 1.20
\$ 1.18 \$ 1.73 Add: Goodwill
amortization, net of

tax.....
-- 0.26 0.24 -----

- Adjusted net

income..... \$ 1.20
\$ 1.44 \$ 1.97 =====
=====

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," which addresses the financial accounting and reporting for the impairment or disposal of long-lived assets. The Company will adopt both SFAS No. 143 and SFAS No. 144 in August 2002. The Company does not expect the statements to have a material impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This pronouncement is effective for exit or disposal activities that are initiated after December 31, 2002, and requires these costs to be recognized when the liability is incurred and not at project initiation. The Company is reviewing the provisions of this Statement, but does not expect it to have a material impact on its financial statements.

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

2. ACQUISITIONS OF BUSINESSES

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

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

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

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

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

Effective March 2001, the Company acquired the assets of Balkhausen GmbH, located in Syke, Germany, a manufacturer of precision die-cut parts, specialty materials and thermal-management products for cash of approximately \$6,600,000 and assumed liabilities of approximately \$4,300,000.

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

In November 2001, the Company acquired Strandware, Inc., located in Eau Claire, Wisconsin, a bar-code, label-design, and data-collection software developer. Also in November 2001, the Company acquired Safety Signs Service, located in Perth, Australia, a manufacturer and supplier of safety products. In April 2002, the Company acquired Temtec, located in Suffern, New York, a printing Company that develops and markets products for security applications. The combined purchase price of these acquisitions was approximately \$13,600,000. Each of the acquisitions was for cash. The agreements include provisions for contingent payments up to a maximum of \$4,000,000 based on the earnings of the acquired entities. Approximately \$8,900,000 was assigned to goodwill and approximately \$2,000,000 was assigned to patents, which will be amortized over a weighted average life of nine years.

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

3. EMPLOYEE BENEFIT PLANS

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

The Company accounts for postretirement benefits other than pensions in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other than Pensions." The Company funds benefit costs on a pay-as-you-go basis.

The following table provides a reconciliation of the changes in the Plan's benefit obligations at July 31, 2002, 2001 and 2000:

2002	2001	2000				(DOLLARS IN THOUSANDS)
			Obligation at beginning of fiscal			
year.....	\$10,438	\$ 8,857	\$8,104			
			Service			
cost.....	628	469	444	Interest		
cost.....	790	726	665	Actuarial (gain)		
loss.....				(240)		
			751	Benefit		
payments.....	(472)	(365)	(356)			
			Obligation at end of fiscal			
year.....	\$11,144	\$10,438				
	\$8,857	=====	=====	=====		

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

The following table shows the unfunded status of the Plan as of July 31, 2002 and 2001:

2002	2001	
(DOLLARS IN THOUSANDS)		Unfunded
		status at July
31.....		
\$11,144	\$10,438	Unrecognized net
		actuarial
gain.....		
1,391	1,181	Unrecognized prior
		service
cost.....		
(219)	(241)	
Accumulated postretirement benefit		
obligation liability.....	\$12,316	
\$11,378	=====	=====

The following table provides the components of net periodic benefit cost for the Plan for fiscal years 2002, 2001 and 2000:

YEAR ENDED JULY 31, -----	2002		
2001 2000 -----			(DOLLARS IN THOUSANDS)
Net periodic postretirement benefit cost included the			
following components: Service cost -- benefits			
attributed to service during the			
period.....	\$ 628	\$ 469	\$ 444 Prior service
cost.....	22	22	22
Interest cost on accumulated postretirement benefit			
obligation.....	790	726	665 Amortization of unrecognized
(gain).....	(30)	(81)	(93) ----- --
----- Periodic postretirement benefit			
cost.....	\$1,410	\$1,136	\$1,038
=====	=====	=====	

The assumed health care cost trend rates used in measuring the accumulated postretirement benefit obligation at July 31, 2002 and 2001 were 10% grading down 0.5% per year to 5.5% at July 31, 2011 and 2010, respectively.

The weighted average discount rates used in determining the accumulated postretirement benefit obligation was 7.5% in 2001 and 2002.

If the health care cost trend rate assumptions were increased by 1% or decreased by 1%, the accumulated postretirement benefit obligation as of July 31, 2002 would be increased by \$59,200 and decreased by \$59,200, respectively. The effect of this change on the sum of the service cost and interest cost would not be material. If the health care cost trend rate assumptions were increased by 1% or decreased by 1%, the accumulated postretirement benefit obligation as of July 31, 2001 would be increased by \$35,400 and decreased by \$35,400, respectively. The effect of this change on the sum of the service cost and interest cost would not be material.

The Company has retirement and profit-sharing plans covering substantially all full-time domestic employees and certain of its foreign subsidiaries. Contributions to the plans are determined annually or quarterly, according to the plan, based on earnings of the respective companies and employee contributions. At July 31, 2002 and 2001, \$2,503,000 and \$2,501,000, respectively, of accrued profit-sharing contributions were included in other current liabilities.

The Company also has deferred compensation plans for directors, officers and key executives utilizing the phantom stock plan concept. At July 31, 2002 and 2001, \$5,191,000 and \$5,533,000, respectively, of deferred compensation was included in current and other long-term liabilities.

During fiscal 1998, the Company adopted a new deferred compensation plan that invests solely in shares of the Company's Class A Nonvoting Common Stock. Participants in the old phantom stock plan were allowed to convert their balances in the old plan to this new plan. The new plan was funded initially by the issuance of 372,728 shares of Class A Nonvoting Common Stock to a Rabbi Trust. All deferrals into the new

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

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.

During fiscal 2002, the Company adopted a new deferred compensation plan that allows future contributions to be invested in shares of the Company's Class A Nonvoting Common Stock or in certain other investment vehicles. Prior deferred compensation deferrals must remain in the Company's Class A Nonvoting Common Stock. All deferrals into the new plan result in purchases of Class A Nonvoting Common Stock or certain other investment vehicles by the Rabbi Trust. Balances 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 \$8,918,000 in 2002, \$7,515,000 in 2001 and \$7,736,000 in 2000.

The Company has a voluntary employee benefit trust for the purpose of funding employee medical benefits and certain other employee benefits. At July 31, 2002 and 2001, \$4,142,000 and \$2,378,000, respectively, of payments to the trust to fund such benefits were included in prepaid expenses and other current assets.

4. INCOME TAXES

Income taxes consist of the following:

YEAR ENDED JULY 31, -----	2002			
2001 2000 -----				(DOLLARS IN
THOUSANDS) Currently payable:				
Federal.....	\$ 408	\$ 4,977	\$16,354	
Foreign.....	13,421	13,242	11,030	
State.....	605	1,006	2,309	----- 14,434 19,225
	29,693	-----	-----	Deferred provision
				(credit):
Federal.....	3,290	(1,101)	(210)	
Foreign.....	(3,319)	(569)	(486)	
State.....	477	(311)	(67)	----- 448 (1,981)
		(763)	-----	-----
Total.....	\$14,882	\$17,244	\$28,930	=====

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

Pre-tax income consists of the following:

YEAR ENDED JULY 31, -----	2002			
2001 2000 -----				(DOLLARS IN
THOUSANDS) United				
States.....	\$15,269	\$17,957	\$42,085	
Foreign.....	27,866	26,833	34,046	-----
Total.....	\$43,135	\$44,790	\$76,131	=====

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

The approximate tax effects of temporary differences are as follows:

JULY 31, 2002 ----- ASSETS	
LIABILITIES TOTAL ----- (DOLLARS	
IN THOUSANDS)	
Inventories.....	
\$ 2,422 \$ 2,422 Prepaid catalog	
costs.....	\$(1,944)
(1,944) Employee	
benefits.....	(649)
(649) Allowance for doubtful	
accounts.....	274 274 Other,
net.....	5,374
5,374 -----	
Current.....	
8,070 (2,593) 5,477 Excess of tax over book	
depreciation.....	(3,920) (3,920)
Deferred	
compensation.....	6,373
6,373 Postretirement	
benefits.....	4,815 4,815
Currency translation	
adjustment.....	4,362 4,362 Tax
loss carryforwards.....	
4,647 4,647 Less valuation	
allowance.....	(4,647)
(4,647) Other,	
net.....	3,457
3,457 -----	
Noncurrent.....	
19,007 (3,920) 15,087 -----	
Total.....	
\$27,077 \$(6,513) \$20,564 =====	

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

The change in the valuation allowance was \$930,000, \$663,000 and \$(229,000) in fiscal 2002, 2001 and 2000, respectively.

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

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

YEAR ENDED JULY 31, ----- 2002		
2001	2000	----- (DOLLARS IN THOUSANDS)
		Tax at statutory rate..... \$15,097
\$15,676	\$26,645	State income taxes, net of Federal tax benefit..... 583 751 1,566
		International losses with no related tax benefits..... 1,447
		1,071 1,408 International rate differential..... (1,099) 2,127
		271 Rate variances arising from foreign subsidiary distributions.....
		(564) (2,860) (1,525) Other, net.....
(582)	479 565	----- Total income tax provision..... \$14,882
\$17,244	\$28,930	===== Effective tax rate..... 34.5%
		38.5% 38.0% =====

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

The cumulative undistributed earnings of such companies at July 31, 2002 amounted to approximately \$57,893,000. If all such undistributed earnings were remitted, an additional provision for foreign income taxes of \$493,000 would be required.

5. LONG-TERM OBLIGATIONS

On September 23, 1999, the Company entered into a \$150,000,000 multicurrency revolving loan agreement with a group of six banks, which expires on September 23, 2004. On January 31, 2000, the multicurrency revolving loan was amended, increasing the amount available to \$200,000,000. On October 31, 2001, the multicurrency revolving loan was amended to modify a financial covenant to restrict the amount of line of credit available to a multiple of domestic earnings. Under the agreement, the Company has the option to elect to have interest rates determined based upon the prime rate at PNC Bank N.A. plus margin or a LIBOR rate plus margin. A commitment fee is payable on the unused amount of credit. The agreement requires the Company to maintain certain financial covenants. The Company is in compliance with the covenants of the agreement. At July 31, 2002, approximately \$107,000,000 of the line of credit was available to the Company under the formulas contained in the agreement. The agreement requires that the Company maintain a specified level of consolidated net worth, which could restrict the Company's ability to pay dividends. At July 31, 2002, the required consolidated net worth was approximately \$255,000,000 and the Company's actual consolidated net worth was approximately \$324,000,000. At July 31, 2002 and 2001, there were no borrowings under this line of credit.

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

Long-term obligations consist of the following:

JULY 31, -----	2002	2001	-----	-----
(DOLLARS IN THOUSANDS) Capital lease on building, term				
7/1/00 - 6/30/15.....	\$3,010	\$3,487	6.25% Industrial	
Development Revenue Bonds paid on December 1,				
2001.....				
	1,000			
Other.....				
903 1,067 -----	3,913	5,554	Less current	
maturities.....	162	1,410	-	
-----	\$3,751	\$4,144	=====	=====

The carrying value of the Company's long-term obligations approximates fair value due to the variable nature of its interest rates.

Maturities on long-term debt are as follows:

YEAR ENDING JULY 31, - -----	(DOLLARS IN
THOUSANDS)	
2003.....	\$ 162
2004.....	305
2005.....	304
2006.....	300
2007.....	298
Thereafter.....	2,544

6. STOCKHOLDERS' INVESTMENT

Information as to the Company's capital stock at July 31, 2002 is as follows:

SHARES	SHARES	AUTHORIZED	ISSUED	AMOUNT	----
-----	-----	-----	-----	-----	-----
(DOLLARS IN					
THOUSANDS) Preferred Stock, \$.01 par					
value.....	5,000,000				
Cumulative Preferred Stock: 6%					
Cumulative.....					
5,000 3,984 \$ 399 1972					
Series.....					
10,000 2,600 260 1979					
Series.....					
30,000 21,963 2,196 -----	\$2,855	=====			
Common Stock, \$.01 par value: Class A					
Nonvoting.....					
100,000,000 21,356,605 \$ 214 Class B					
Voting.....					
10,000,000 1,769,314 18 -----	\$ 232	=====			

On August 1, 2002, all Cumulative Preferred Stock was redeemed at a 6% premium for approximately \$3,000,000. Each share of \$100 par value Cumulative Preferred Stock was entitled to receive cumulative cash dividends and could 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 were held by the initial holder thereof, were subject to redemption only if the holder consented thereto.

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

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 were 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.

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

The following is a summary of other activity in stockholders' investment for the years ended July 31, 2000, 2001 and 2002:

UNEARNED SHARES HELD RESTRICTED DEFERRED IN RABBI STOCK COMPENSATION TRUST, AT COST TOTAL ----- -----			
(DOLLARS IN THOUSANDS)			
Balances July 31,			
1999.....			
\$ (2,331)	\$11,231	\$ (11,231)	
\$ (2,331)	=====	=====	
=====	=====	Sale of	
10,682 shares of Class A			
Common Stock purchased by the			
Rabbi Trust related to			
deferred compensation			
plan.....			
(296)	296	Purchase of 59,278	
shares of Class A Common			
Stock purchased by the Rabbi			
Trust related to deferred			
compensation			
plan.....			
1,837	(1,837)	Amortization of	
restricted			
stock.....	694	694	

---	Balances July 31,		
2000.....			
\$ (1,637)	\$12,772	\$ (12,772)	
\$ (1,637)	=====	=====	
=====	=====	Sale of	
13,608 shares of Class A			
Common Stock purchased by the			
Rabbi Trust related to			
deferred compensation			
plan.....			
(407)	407	Purchase of 60,101	
shares of Class A Common			
Stock purchased by the Rabbi			
Trust related to deferred			
compensation			
plan.....			
1,906	(1,906)	Amortization of	
restricted			
stock.....	695	695	

---	Balances July 31,		
2001.....			
\$ (942)	\$14,271	\$ (14,271)	\$
(942)	=====	=====	
=====	=====	Sale of	
15,545 shares of Class A			
Common Stock purchased by the			
Rabbi Trust related to			
deferred compensation			
plan.....			
(609)	609	Purchase of 22,859	
shares of Class A Common			
Stock purchased by the Rabbi			
Trust related to deferred			
compensation			
plan.....			
670			
(670)	Amortization of		
restricted			
stock.....	694	694	

---	Balances July 31,		
2002.....			
\$ (248)	\$14,332	\$ (14,332)	\$
(248)	=====	=====	
=====	=====		

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, 2,125,000 and 500,000 shares of Class A Nonvoting Common Stock for issuance under the 1989, 1997 and 2001 Plans, respectively. Options granted prior to 1992 become exercisable once the employees have been continuously

employed for six months after the grant date. Generally, options granted in 1992 and thereafter will not be exercisable until one year after the date of grant, and will be exercisable thereafter, to the extent of one-third per year and have a maximum term of ten years.

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

Changes in the options are as follows:

WEIGHTED EXERCISE OPTIONS AVERAGE			
OPTION PRICE	OUTSTANDING	PRICE	-----
----- Balance,			
July 31, 1999.....			
\$ 6.83 - \$34.00	1,800,434	\$22.45	-----
----- Options			
granted.....			
30.56 - 33.75	318,733	31.19	Options
exercised.....			
6.83 - 31.38	(126,474)	19.17	Options
cancelled.....			
19.19 - 34.00	(43,902)	26.17	-----
Balance, July 31,			
2000.....		6.83 -	
34.00	1,948,791	\$24.01	=====
Options			
granted.....			
28.32 - 32.88	386,633	28.92	Options
exercised.....			
6.83 - 31.38	(185,336)	19.66	Options
cancelled.....			
19.19 - 34.00	(31,016)	26.76	-----
Balance, July 31,			
2001.....		12.17 -	
34.00	2,119,072	\$25.24	=====
Options			
granted.....			
30.38 - 32.00	275,200	31.93	Options
exercised.....			
12.17 - 34.00	(207,054)	23.61	Options
cancelled.....			
19.19 - 32.00	(28,236)	28.02	-----
Balance, July 31,			
2002.....		\$12.17 -	
\$34.00	2,158,982	\$26.21	=====
Available for grant after July 31,			
2002.....	507,669		

There were 1,418,118, 859,770 and 809,575 options exercisable with a respective weighted average exercise price of \$24.39, \$23.82 and \$21.98 at July 31, 2002, 2001 and 2000, respectively.

The following table summarizes information about stock options outstanding at July 31, 2002:

OPTIONS OUTSTANDING OPTIONS EXERCISABLE ----- ----- ----- -----			
----- SHARES			
WEIGHTED AVERAGE WEIGHTED SHARES WEIGHTED OUTSTANDING REMAINING AVERAGE EXERCISABLE AVERAGE RANGE OF AT JULY 31, CONTRACTUAL EXERCISE AT JULY 31, EXERCISE EXERCISE PRICES 2002 LIFE -- YEARS PRICE 2002 PRICE - ----- ----- -----			
-	\$12.17	-	
\$22.99.....			
495,885	4.4	\$18.96	
420,885		\$18.72	
23.00	-		
29.99.....			
854,439	5.7	25.44	
670,123		24.65	

30.00	-
34.00	
808,658	7.6 31.47
327,110	31.17 ----

\$12.17	-
\$34.00	
2,158,982	6.1
\$26.21	1,418,118
\$24.39	=====
	=====

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

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

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

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

2002	2001	2000	----- (DOLLARS IN THOUSANDS)			Net Income: As Reported.....
			\$28,253	\$27,546	\$47,201	Pro Forma.....
26,215	25,393	45,289	Net Income per Class A Common Share -- Diluted: As Reported.....			
			\$ 1.20	\$ 1.18	\$ 2.05	Pro Forma.....
			1.11	1.09	1.96	

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 and the resulting estimated fair value for fiscal years 2002, 2001 and 2000 as follows:

2002	2001	2000	-----		
----- Risk-free interest					
rate.....	5.5%	5.9%	Expected		5.4%
volatility.....	37.5%	36.5%	39.6%	Dividend	
yield.....	2.3%	2.1%	2.3%	Expected option	
life.....	4.6	4.6 years	4.6 years	Weighted	4.6
years	4.6 years	4.6 years	4.6 years	Weighted	
average	estimated	fair			
value.....	\$10.37	\$9.40	\$10.81		

7. SEGMENT INFORMATION

Brady Corporation's reportable segments are business units that are each managed separately because they manufacture and/or distribute distinct products to differentiated markets. The Company has two reportable segments: the Identification Solutions & Specialty Tapes Group and the Graphics and Workplace Solutions Group. Effective August 1, 2001, the Company's Graphics and Direct Marketing operating segments were combined to form Graphics and Workplace Solutions. The prior year segment information has been reclassified to conform to the current year presentation.

The Identification Solutions & Specialty Tape Group consists of High-Performance Identification (HPI), Power & Communications Identification (PCI), Precision Die-Cut Solutions and Brady Software & Services. HPI develops, manufactures and sells high performance identification products including labels and printing systems used in recording and transmitting data throughout the manufacturing process. PCI develops, manufactures and sells identification solutions for customers that design, build, install and manage power and communications distribution systems. Precision Die Cut Solutions develops, manufactures and sells precision die cut products and services for electronic, telecommunication, automotive and computer original equipment manufacturers requiring value-added engineering die-cut solutions and global support. Brady Software & Services is focused on Automatic Identification and Data Collection software development for barcode, label design and data collection applications and system integration services.

The Graphics & Workplace Solutions Group consists primarily of Safety & Facility Identification and Presentation Systems. Safety & Facility Identification is the core business of the group and involves several brands: Seton, Champion and Signals brands sell by direct marketing; Brady-Signmark(R) brand sells through a field sales force and distributors. Each of the direct marketing brands engages in direct selling to end users via direct-mail catalogs, telemarketing and the Internet. Their products include more than 50,000 items including signs, property identification tags, training programs for hazardous materials and regulatory compliance and related products, and office accessories. Signmark(R) manufactures and sells signs, labels and devices to meet

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

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. Presentation systems focuses on the education market in North America under the Varitronics brand and sells through distributors and telemarketing. Varitronics produces and markets printing systems including lettering and labeling systems, poster printers, and supplies and laminating equipment.

The Company evaluates performance and allocates resources based on profit or loss from operations before income taxes, not including administrative costs, interest, exchange gain or loss and nonrecurring items. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies.

Intersegment sales and transfers are recorded at cost plus a standard percentage markup. Intercompany profit is eliminated in consolidation. It is not practicable to disclose enterprise-wide revenue from external customers on a by product or service basis.

IDENTIFICATION GRAPHICS & CORPORATE
SOLUTIONS & WORKPLACE AND SPECIALTY TAPES
SOLUTIONS ELIMINATIONS TOTALS -----

(DOLLARS IN THOUSANDS) Year ended July 31,
2002: Revenues from external
customers..... \$221,678 \$295,284
\$516,962 Intersegment
revenues..... 468 1,419 \$
(1,887) Depreciation and amortization
expense..... 9,058 4,626 2,946 16,630
Profit
(loss).....
29,819 73,143 (2,140) 100,822
Assets.....
154,527 149,907 116,091 420,525
Expenditures for property, plant and
equipment.....
4,188 5,983 2,924 13,095 Year ended July
31, 2001: Revenues from external
customers..... \$254,611 \$291,333
\$545,944 Intersegment
revenues..... 2,194 1,847
\$ (4,041) Depreciation and amortization
expense..... 13,425 6,299 2,922 22,646
Profit
(loss).....
50,270 74,873 (1,917) 123,226
Assets.....
161,638 123,148 108,806 393,592
Expenditures for property, plant and
equipment.....
7,597 5,508 7,665 20,770 Year ended July
31, 2000: Revenues from external
customers..... \$253,812 \$296,852
\$550,664 Intersegment
revenues..... 2,184 3,016
\$ (5,200) Depreciation and amortization
expense..... 10,509 5,863 1,461 17,833
Profit
(loss).....
66,286 72,556 (3,706) 135,136
Assets.....
165,127 125,426 107,581 398,134
Expenditures for property, plant and
equipment.....
6,845 4,617 11,162 22,624

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

YEAR ENDED JULY 31 -----
 -- 2002 2001 2000 -----
 (DOLLARS IN THOUSANDS) Profit reconciliation:
 Total profit or loss for reportable
 segments..... \$102,962 \$125,143 \$138,842
 Corporate and
 eliminations..... (2,140)
 (1,917) (3,706) Unallocated amounts:
 Administrative
 costs..... (53,832)
 (58,071) (56,589)
 Goodwill.....
 (6,119) (5,618) Interest-
 net..... 665
 1,128 1,857 Foreign
 exchange..... 963
 (1,115) (1,779) Nonrecurring charge --
 net..... (2,720) (9,560)
 Other.....
 (2,763) (4,699) 3,124 -----
 - Income before income taxes..... \$
 43,135 \$ 44,790 \$ 76,131 =====
 =====

REVENUES* LONG-LIVED
 ASSETS** YEAR ENDED JULY
 31, YEAR ENDED JULY 31, ---

 --- 2002 2001 2000 2002
 2001 2000 -----

 ----- (DOLLARS IN
 THOUSANDS) Geographic
 information: United
 States.....
 \$302,543 \$341,379 \$343,596
 \$129,986 \$127,632 \$129,080
 Europe.....
 165,020 156,115 162,702
 45,551 40,648 37,232 Other
 foreign.....
 85,498 84,112 81,258 13,407
 13,198 14,626
 Eliminations.....
 (36,099) (35,662) (36,892)

 Consolidated total.....
 \$516,962 \$545,944 \$550,664
 \$188,944 \$181,478 \$180,938
 =====
 =====

- -----
 * Revenues are attributed based on country of origin.

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

8. NET INCOME PER COMMON SHARE

Net income per Common Share is computed by dividing net income (after deducting the applicable Preferred Stock dividends and preferential Class A Common Stock dividends) by the weighted average Common Shares outstanding of 23,023,687 for 2002, 22,824,398 for 2001 and 22,669,854 for 2000. The preferential dividend on the Class A Common Stock of \$.0333 per share has been added to the net income per Class A Common Share for all years presented.

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

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

FISCAL 2002	FISCAL 2001	FISCAL 2000	
----- Numerator: Net			
income.....			
\$28,253,000	\$27,546,000	\$47,201,000	Less: Preferred
			stock dividends..... (259,000)
(259,000)	(259,000)		-----
---- Numerator for basic and diluted Class A net			
income per			
share.....			
27,994,000	27,287,000	46,942,000	Less: Preferential
			dividends..... (705,000)
(699,000)	(695,000)		Preferential dividends on
			dilutive stock
options.....			
(10,000)	(8,000)	(10,000)	-----
----- Numerator for basic and diluted Class B			
net income per			
share.....			
\$27,279,000	\$26,580,000	\$46,237,000	=====
===== Denominator: Denominator			
for basic net income per share for both Class A and			
B.....			23,023,687
22,824,398	22,669,854		Plus: Effect of dilutive
stock options.....			316,021 282,831 263,345
----- Denominator for			
diluted net income per share for both Class A and			
B.....			23,339,708
23,107,229	22,933,199		=====
===== Class A common stock net income per			
share calculation:			
Basic.....			
	\$ 1.22	\$ 1.20	\$ 2.07
Diluted.....			
	\$ 1.20	\$ 1.18	\$ 2.05
Class B common stock net			
income per share calculation:			
Basic.....			
	\$ 1.19	\$ 1.17	\$ 2.04
Diluted.....			
	\$ 1.17	\$ 1.15	\$ 2.02

Options to purchase 0, 95,050, and 264,167 shares of Class A common stock were not included in the computations of diluted net income per share for the fiscal years 2002, 2001 and 2000, respectively, because the option exercise prices were greater than the average market price of the common shares and, therefore, the effect would be antidilutive.

9. COMMITMENTS

The Company has entered into various noncancellable operating lease agreements. Rental expense charged to operations was \$8,955,000 for 2002, \$8,822,000 for 2001 and \$9,293,000 for 2000. Future minimum lease payments required under such leases in effect at July 31, 2002, are as follows (by fiscal year):

2003.....	\$ 8,867,000
2004.....	7,102,000
2005.....	5,469,000
2006.....	1,632,000
2007.....	1,616,000
Thereafter.....	3,196,000

	\$27,882,000
	=====

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

10. NONRECURRING AND ONE-TIME CHARGES

The Company recorded a nonrecurring charge of \$3,030,000 in fiscal 2002 related primarily to consolidation of facilities in Asia/Pacific, United States and Europe and workforce reduction of approximately three percent. The \$3,030,000 charge includes a provision for severance of approximately \$1,720,000, a provision for lease cancellation costs associated with the facilities consolidation of \$940,000 and write-off or impairment of assets and other of \$370,000. The workforce reduction of approximately 100 people was essentially completed in July 2002. Total cash expenditures in connection with these actions will approximate \$2,750,000, of which, approximately \$800,000 was paid prior to July 31, 2002. The cost savings resulting from this plan are expected to be recognized beginning in fiscal 2003. The \$3,030,000 charge in fiscal 2002 was partially offset by a credit of \$310,000 related to adjustments in severance costs associated with our fiscal 2001 restructuring. The net nonrecurring charge in fiscal 2002 was \$2,720,000 (\$1,782,000 after tax, \$0.07 per share).

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

A reconciliation of activity with respect to the Company's 2001 restructuring is as follows:

Ending balance, July 31, 2001.....	\$ 6,937,000
Cash payments associated with severance and other.....	(4,389,000)
Non-cash asset write-offs.....	(490,000)
Adjustment to severance accrual.....	(310,000)

Ending balance, July 31, 2002.....	\$ 1,748,000
	=====

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

11. UNAUDITED QUARTERLY FINANCIAL INFORMATION

{QUARTERS}	-----					

FIRST	SECOND	THIRD	FOURTH	TOTAL	--	

	(DOLLARS IN THOUSANDS,					
	EXCEPT PER SHARE DATA)					
2002 Net						
Sales.....						
\$130,001	\$120,589	\$130,533				
\$135,839	\$516,962	Gross				
Margin.....						
66,878	59,637	67,017	67,244			
260,776	Operating					
Income.....				11,668		
9,386	12,716	7,733*	41,503	Net		
Income.....						
7,995	6,138	8,475	5,645*	28,253		
Net Income	Per Class A Common					
Share:						
Basic.....						
0.35	0.26	0.36	0.24	1.22		
Diluted.....						
0.34	0.26	0.36	0.24	1.20	2001 Net	
Sales.....						
\$146,818	\$135,965	\$136,881				
\$126,280	\$545,944	Gross				
Margin.....						
80,571	71,855	72,583	63,622			
288,631	Operating	Income				
(Loss).....				18,412	14,056	
16,493	(4,439)*	44,522	Net	Income		
(Loss).....				11,419		
8,622	10,159	(2,654)*	27,546	Net		
Income (Loss)	Per Class A Common					
Share:						
Basic.....						
0.50	0.38	0.44	(0.12)	1.20		
Diluted.....						
0.49	0.37	0.44	(0.12)	1.18		

* The fourth quarters of fiscal 2002 and 2001 include nonrecurring charges related to restructuring activities of \$2,720,000 (\$1,782,000 after-tax) and \$9,560,000 (\$5,879,000 after-tax), respectively.

* * * * *

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.....		55 President, CEO	
		and Director David	
		R.	
Hawke.....		48 Sr. V.P. of the	
		Company & President,	
		Graphics & Workplace	
		Solutions Group	
		Frank M.	
Jaehnert.....		45 Sr. V.P. of the	
		Company & President,	
		Identification	
		Solutions &	
		Specialty Tapes	
		Group Michael O.	
		Oliver.....	
		49 Sr. V.P., Human	
		Resources David W.	
Schroeder.....		47 Sr. V.P. of the	
		Company, CFO &	
		President, Brady	
		Technologies Conrad	
		G.	
Goodkind.....		58 Secretary Peter	
		J.	
Lettenberger.....		65 Director Robert	
		C.	
Buchanan.....		62 Director Roger D.	
Peirce.....		65 Director Richard	
		A.	
Bemis.....		61 Director Dr.	
		Frank W.	
Harris.....	60	Director Gary E.	
Nei.....		58 Director Mary K.	
Bush.....		54 Director Frank R.	
Jarc.....		60 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, printing and publishing and professional photography. She is a director of CNH Global N.V. and Charming Shoppes, Inc., and serves on the Alverno College Board of Trustees, the Medical College of Wisconsin Board of Trustees and the Board of Wisconsin United for Health Foundation.

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. From February 1995 to August 2001, he served as Vice President, Graphics Group. He served as Vice President, Graphics and Workplace Solutions from August 2001 to January 2002. In January 2002, 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 served as Chief Financial Officer from November 1996 to January 2002. He was appointed to his present position in January 2002. 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 February 1997 as Vice President -- Human Resources. He was appointed to his present position in January 2002. Before joining the Company, he held various human resource

positions for 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 served as Vice President, Identification Solutions & Specialty Tapes Group from March 1995 to January 2002. He was appointed to his present position in January 2002. Before joining the Company, he served as President and Chief Executive Officer of Uniroyal Adhesives & Sealants Co., Inc. from 1988 to May 1991.

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

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

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

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

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

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

Gary E. Nei -- Mr. Nei has been a Director of the Company since November 1992. Mr. Nei is a member of the Company's Governance Committee and Chair of its Finance Committee. Mr. Nei is Chairman of B&B Publishing, a publishing company in Walworth, Wisconsin, and Chairman of the Beverage Testing Institute, a publishing company in Chicago, Illinois. He also serves as a consultant to Welsh Carson Anderson and Stowe, a private investment company in New York, New York. He is also a Director of Bone Care International, Inc. a pharmaceutical company in Madison, Wisconsin.

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

Frank R. Jarc -- Mr. Jarc was elected to the Board of Directors in May 2000. Mr. Jarc is a consultant specializing in corporate development and international acquisitions. From April 1999 to March 2000 he was Senior Vice President of Corporate Development at Office Depot, an operator of office supply superstores. Between June 1996 and March 1999, he was Executive Vice President and Chief Financial Officer of Viking Office Products, a direct mail marketer of office products. Prior to that, he was Executive Vice President and Chief Financial Officer of R.R. Donnelley and Sons, a global printing company. He is chair of Brady's Audit Committee and serves on the Compensation Committee.

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

ITEM 11. EXECUTIVE COMPENSATION

The following table summarizes the compensation paid or accrued by the Company during the three fiscal years ended July 31, 2002, to those persons who, as of the end of fiscal 2002, were the Named Executive Officers.

SUMMARY COMPENSATION TABLE

LONG-TERM ANNUAL COMPENSATION COMPENSATION -					

- - - - - AWARDS					
OTHER -----					
ANNUAL ALL OTHER NAME AND	FISCAL SALARY BONUS COMP	OPTIONS/SAR COMP PRINCIPAL	POSITION YEAR (\$)(1)	(\$)(2) (# OF SHARES)(6)	(\$)(3)

--- K. M.					
Hudson.....					
2002	536,626	100,000	--		
35,000	58,919(4)	President			
& Chief	2001	497,231	0	--	
35,000	95,063(4)	Executive			
Officer	2000	470,308			
535,963	--	82,000	58,059(4)		
D. W.					
Schroeder.....					
2002	321,038	45,000	--		
13,000	19,705	Sr. V.P.,			
Chief Financial	2001				
289,385	0	--	13,000	21,849	
Officer & President	2000				
255,962	238,659	--	12,500		
6,699	Brady Technologies				
D.R.					
Hawke.....					
2002	292,669	45,000	--		
13,000	18,900	Sr. V.P. &			
President Graphics &	2001				
258,384	0	--	13,000	18,449	
Workplace Solutions Group					
2000	245,961	191,112	--		
12,500	6,735	F.M.			
Jaehnert.....					
2002	265,384	45,000	--		
13,000	17,312	Sr. V.P. &			
President	2001	236,154	0	--	
10,000	16,893				
Identification Solutions &					
2000	213,269	165,710	--		
8,600	8,931	Specialty Tapes			
Group M.O.					
Oliver.....					
2002	207,227	25,000	--		
5,000	15,484	Sr. Vice			
President,	2001	178,107	0	-	
-	45,000	12,522	Human		
Resources	2000	168,654			
122,308	82,062(5)	3,500			
7,599					

- (1) Reflects bonus earned during the listed fiscal year, which was paid during the next fiscal year.
- (2) Unless otherwise noted, any prerequisites or other personal benefits received from the Company by any of the named executives were less than the reporting thresholds established by the Securities and Exchange Commission (the lesser of \$50,000 or 10% of the individual's cash compensation).
- (3) All other compensation for fiscal 2002 for Mrs. Hudson, and Messrs. Schroeder, Hawke, Jaehnert and Oliver, respectively, includes: (i) matching contributions to the Company's Matched 401(k) Plan, Funded Retirement Plan

and Restoration Plan for each named executive officer of \$25,013, \$19,095, \$18,331, \$16,872 and \$14,889 respectively and (ii) the cost of group term life insurance for each named executive officer of \$2,931, \$610, \$569, \$440 and \$595, respectively.

All other compensation for fiscal 2001 for Mrs. Hudson, and Messrs. Schroeder, Hawke, Jaehnert and Oliver, respectively, includes: (i) matching contributions to the Company's Matched 401(k) Plan, Funded Retirement Plan and Restoration Plan for each named executive officer of \$44,165, \$21,063, \$17,731, \$16,449 and \$12,060 respectively and (ii) the cost of group term life insurance for each named executive officer of \$1,572, \$786, \$718, \$444 and \$462, respectively.

All other compensation for fiscal 2000 for Mrs. Hudson, and Messrs. Schroeder, Hawke, Jaehnert and Oliver, respectively, includes: (i) matching contributions to the Company's Matched 401(k) Plan and Funded Retirement Plan for each named executive officer of \$9,600, \$5,946, \$5,977, \$8,580 and \$7,182 respectively and (ii) the cost of group term life insurance for each named executive officer of \$1,485, \$753, \$758, \$351 and \$417 respectively.

(1) The options granted October 16, 2001, become exercisable as follows: 33 1/3% of the shares on October 16, 2002; 33 1/3% of the shares on October 16,

2003; and 33 1/3% of the shares on October 16, 2004. These options have a term of ten years.

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- (2) The exercise price is the average of the highest and lowest sale prices of the Company's Class A Common Stock as reported by the New York Stock Exchange on the date of the grant.
- (3) Represents total potential appreciation of approximately 0%, 63% and 159% for assumed annual rates of appreciation of 0%, 5% and 10%, respectively, compounded annually for the ten-year option term.
- (4) Calculated from the \$32.0000 exercise price applicable to the options granted on October 16, 2001 and based on the 21,176,566 shares of Class A Common Stock outstanding on October 16, 2001.
- (5) Represents potential realizable value for all options granted in fiscal 2002 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 2002
AND VALUE OF OPTIONS AT END OF FISCAL 2002

NUMBER OF UNEXERCISED
OPTIONS AT SHARES JULY 31,
2002 ACQUIRED ON VALUE ----

-- NAME EXERCISE(#)
REALIZED(\$) EXERCISABLE(#)
UNEXERCISABLE(#) - ----

K.M.

Hudson.....
0 0 462,001 118,999 D.W.
Schroeder.....
5,250 130,602 166,416
25,834 D.R.
Hawke.....
3,750 89,000 161,166 25,834
F.M.
Jaehnert.....
0 0 33,566 97,534 M.O.
Oliver.....
0 0 13,000 49,500

VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT JULY
31, 2002(1) ----- NAME
EXERCISABLE(\$) UNEXERCISABLE(\$) - ----
----- K.M.

Hudson.....
2,574,750 0 D.W.
Schroeder.....
692,780 0 D.R.
Hawke.....
612,281 0 F.M.
Jaehnert.....
108,656 536,715 M.O.
Oliver.....
41,563 0

- (1) Represents the closing price for the Company's Class A Common Stock on July 31, 2002, of \$27.5000 less the exercise price for all outstanding exercisable and unexercisable options for which the exercise price is less than such closing price.

The graph below shows a comparison of the cumulative return over the last five fiscal years had \$100 been invested at the close of business on July 31, 1997, in each of Brady Corporation Class A Common Stock, the Standard & Poor's (S&P) 500 Index, the Russell 2000 Index and the New York Stock Exchange (NYSE) Composite Index.

[LINE GRAPH]

[illegible]

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

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

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

RESTRICTED STOCK

In August 1997, the Company granted restricted stock awards to certain key executives. Mrs. Hudson was awarded 50,000 shares of authorized, but unissued, Class A Common Stock and Messrs. Schroeder and Hawke were awarded 25,000 shares each of authorized, but unissued Class A Common Stock. The restricted stock awards granted Mrs. Hudson vested on August 1, 2002. The restricted stock awards granted Mr. Schroeder and Mr. Hawke vested 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 2002, the Board's Compensation Committee was composed of Messrs. Bemis, Jarc and Peirce. Mr. Lettenberger serves as a nonvoting advisor to the Committee. None of these persons has at any time been an employee of the Company or any of its subsidiaries. There are no relationships among the Company's executive officers, members of the Compensation Committee or entities whose executives serve on the Board that require disclosure under applicable SEC regulations.

MONEY PURCHASE AND 401(K) PLAN

Substantially all Brady employees in the United States and certain expatriate employees working for its international subsidiaries are eligible to participate in the Company's Money Purchase ("Brady Corporation Funded Retirement Plan") and Employee 401K Plan (the "Brady Corporation Matched 401(k) Plan"). Under this plan the Company agrees to contribute certain amounts to the Brady Corporation Matched 401(k) Plan. Under the Funded Retirement Plan, the Company contributes 4% of the eligible earnings of each person covered by the Funded Retirement Plan. In addition, participants may elect to have their annual pay reduced by up to 4% and have the amount of this reduction contributed to the Brady Corporation Matched 401(k) Plan and matched by an additional, equal contribution by the Company. Participants may also elect to have up to another 8% of their eligible earnings contributed to the Brady Corporation Matched 401(k) Plan (without an additional matching contribution by the Company). The assets of the Brady Corporation Matched 401(k) Plan and Brady Corporation Funded Retirement Plan credited to each participant are invested by the trustee of the Plans as directed in several investment funds as permitted by the Brady Corporation Matched 401(k) Plan and Brady Corporation Funded Retirement Plan. The annual contributions and forfeitures allocated to any participant under all defined contribution plans may not exceed the lesser of \$30,000 or 25% of the participant's base compensation and bonuses.

Benefits are generally payable upon the death, disability, or retirement of the participant or upon termination of employment before retirement, although benefits may also be withdrawn from the Brady Corporation Matched 401(k) Plan and paid to the participant if required for certain emergencies. Under certain specified circumstances, the Brady Corporation Matched 401(k) Plan allows loans to be drawn on a participant's account. The participant is immediately fully vested with respect to the contributions attributable to reductions in pay; all other contributions become fully vested over a three-year period of continuous service

for the Brady Corporation Matched 401(k) Plan and after five years of continuous service for the Brady Corporation Funded Retirement Plan.

DEFERRED COMPENSATION ARRANGEMENTS

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

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

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

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

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

During fiscal 2002, the Company adopted new deferred compensation plans whereby executive officers, corporate staff officers and certain key management employees of the Company are permitted to defer portions of their fees, salary and bonus into a plan account, the value of which is measured by the fair value of the underlying investments. The assets of the Plan are held in a Rabbi Trust and are invested by the trustee of the Plan as directed by the participant in several investment funds as permitted by the Plan.

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

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 median 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 2002, 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 BONUS 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 80% objective. It stresses maximization of Company profitability, revenue growth and return on invested capital.

STOCK OPTIONS

In October 2001, the Company approved the Brady Corporation 2001 Omnibus Incentive Stock Plan under which 500,000 shares of Class A Common Stock are available for grant. 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 \$536,626 in base salary in fiscal 2002, an increase of 7.9% from the prior year's base salary. She was paid a bonus attributable to fiscal 2002 of \$100,000, an increase of \$100,000, from fiscal 2001, when no bonus was paid. The bonus was determined in accordance with the Company's objective Bonus Plan, discussed above. Mrs. Hudson's compensation reflects:

(i) continued strong operating cash flow and the Company's relative performance to its peers with respect to stock price performance, sales and profits, given current economic conditions;

(ii) the successful acquisitions of Temtec, Inc., Safety Signs Service and Strandware, Inc. this year and the integration of last year's acquisitions of Balkhausen GmbH and Eset, GmbH;

(iii) continued improvement in asset utilization (an increase in working capital of 12.9%);

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

(v) continued improvement in intercompany teamwork.

During fiscal 2002, Mrs. Hudson was awarded options to purchase 35,000 shares of Class A Common Stock.

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

The Compensation Committee believes the executive compensation programs and practices described above are competitive. They are designed to provide increased compensation with improved financial performance and to provide additional opportunity for capital accumulation.

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(A) SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth the current beneficial ownership of shareholders who are known by the Company to own five percent (5%) of any class of the Company's voting shares on September 11, 2002.

AMOUNT OF BENEFICIAL PERCENT
OF TITLE OF CLASS NAME AND
ADDRESS OF BENEFICIAL OWNER
OWNERSHIP OWNERSHIP(2) - ----

----- Class B
Common Stock William H.
Brady, Jr. Trust f/b/o
Elizabeth B.
Lurie(1).....
884,652 50% c/o Quarles &
Brady Attn: Peter J.
Lettenberger 411 East
Wisconsin Avenue Milwaukee,
WI 53202 William H. Brady III
Revocable Trust
2001(1).....
884,652 50% c/o Quarles &
Brady Attn: Peter J.
Lettenberger 411 East
Wisconsin Avenue Milwaukee,
WI 53202

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

(2) An additional 10 shares are owned by a third trust with the same trustees.

(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 11, 2002. Unless otherwise noted, the address for each of the listed persons is c/o Brady Corporation, 6555 West Good Hope Road, Milwaukee, Wisconsin 53223. Except as otherwise indicated, all shares are owned directly.

AMOUNT OF BENEFICIAL PERCENT OF TITLE OF CLASS	NAME OF BENEFICIAL OWNER & NATURE OF BENEFICIAL OWNERSHIP	(9)	OWNERSHIP

Class A Common Stock			
Richard A. Bemis	(1)		
(2)		2,436,756	
11.4%	Peter J. Lettenberger	(1)	
(3)		2,431,742	11.4
	Roger D. Peirce	(1)	
(4)			
2,430,756	11.4	Robert C. Buchanan	(1)
(5)		2,429,856	
11.4	Gary E. Nei	(1)	
(6)			
2,429,756	11.4	Katherine M. Hudson	(7)
(7)			
551,851	2.6	David W. Schroeder	
208,298	1.0	David R. Hawke	
195,851	0.9	Frank M. Jaehnert	
47,878	0.2	Michael O. Oliver	
25,000	0.1	Conrad G. Goodkind	
18,145	0.1	Frank W. Harris	
10,033	*	Frank R. Jarc	
4,500	*	Mary K. Bush	
3,500	*	All Officers and Directors as a Group	(16 persons)
(9)	...	3,663,707	17.2
		Class B Common Stock	Peter J. Lettenberger
(1)			
1,769,314	100	Richard A. Bemis	(1)
1,769,314	100	Gary E. Nei	(1)
1,769,314	100	Roger D. Peirce	(1)
1,769,314	100	Robert C. Buchanan	(1)
1,769,314	100	All Officers and Directors as a Group	
1,769,314	100		

* Indicates less than one-tenth of one percent.

- (1) The amount shown includes shares held directly by the William H. Brady, Jr. Trust f/b/o Elizabeth B. Lurie (the "William H. Brady, Jr. Trust"), the William H. Brady III Revocable Trust 2001 (the "Revocable Trust") and the William H. Brady, Jr. Family Trust (the "Family Trust") (collectively, the "Trusts"). The William H. Brady, Jr. Trust owns 1,160,128 shares of Class A Common Stock and 884,652 shares of Class B Common Stock. The Revocable Trust owns 1,260,128 shares of Class A Common Stock and 884,652 shares of Class B Common Stock. The Family Trust owns 10 shares of Class B Common Stock. The Trustees of the Trusts are Richard A. Bemis, Robert C. Buchanan, Peter J. Lettenberger, Gary E. Nei and Roger D. Peirce, each of whom shares voting and dispositive power.
- (2) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Bemis owns 9,000 shares of Class A Common Stock directly and holds vested options to acquire an additional 7,500 shares of Class A Common Stock.
- (3) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Lettenberger owns directly 3,986 shares of Class A Common Stock and holds vested options to acquire an additional 7,500 shares of Class A Common Stock.

- (4) 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 7,500 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, 1,500 additional shares through his Keogh plan and holds vested options to acquire an additional 7,500 shares of Class A Common Stock.
- (6) In addition to shares beneficially owned as a trustee of the Trusts, Mr. Nei owns 2,000 shares of Class A Common Stock directly and holds vested options to acquire an additional 7,500 shares of Class A Common Stock.
- (7) Mrs. Hudson owns 55,851 shares of Class A Common Stock directly and holds vested options to acquire an additional 496,000 shares of Class A Common Stock.
- (8) The amount shown for all officers and directors as a group (16 persons) includes options to acquire a total of 1,073,816 shares of Class A Common Stock, which are currently exercisable or will be exercisable within 60 days of September 11, 2002. It does not include other options for Class A Common Stock, which have been granted at later dates.
- (9) In addition to the shares shown in this table, the officers and directors as a group owned the equivalent of 328,074 shares of the Company's Class A Common Stock in its deferred compensation plans, including 96,074 for Mrs. Hudson, 8,802 for Mr. Jaehnert, 35,986 for Mr. Hawke, 28,852 for Mr. Schroeder, and 5,085 for Mr. Oliver.

(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.

(D) EQUITY COMPENSATION PLAN INFORMATION

NUMBER OF SECURITIES REMAINING AVAILABLE FOR NUMBER OF SECURITIES FUTURE ISSUANCE UNDER TO BE ISSUED UPON WEIGHTED-AVERAGE EQUITY COMPENSATION EXERCISE OF EXERCISE PRICE OF PLANS (EXCLUDING OUTSTANDING OPTIONS, OUTSTANDING OPTIONS, SECURITIES REFLECTED IN WARRANTS AND RIGHTS WARRANTS AND RIGHTS COLUMN (A)) PLAN CATEGORY (A) (B) (C) - -----				
----- Equity				
compensation plans approved by security				
holders.....	None	None		
None Equity compensation plans not				
approved by security				
holders.....	2,158,982			
\$26.21 507,669 -----				
Total.....				
2,158,982 \$26.21 507,669 =====				
=====				

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, 2,125,000 and 500,000 shares of Class A Nonvoting Common Stock for issuance under the 1989, 1997 and 2001 Plans, respectively. Options granted prior to 1992 become exercisable once the employees have been continuously employed for six months after the grant date. Generally, options granted in 1992 and thereafter will not be exercisable until one year after the date of grant, and will be exercisable thereafter, to the extent of one-third per year and have a maximum term of ten years.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

PART IV

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

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

1) The selected financial data and stock price disclosure presented on Pages 8 through 10 of the Company's 2002 Annual Report are 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.

No report on form 8-K was filed by the Company during the fourth quarter of fiscal 2002.

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(11)
*10.5	Forms of Director's Deferred Compensation Agreement, as amended(11)
*10.6	Brady Corporation 1989 Non- Qualified Stock Option Plan(4)
10.9	Brady Corporation Automatic Dividend Reinvestment Plan(4)
*10.10	Supplemental Executive Retirement Plan between Brady Corporation and Katherine M. Hudson(5)
*10.12	Brady Corporation 1997 Omnibus Incentive Stock Plan(7)
*10.13	Brady Corporation 1997 Nonqualified Stock Option Plan for Non- Employee Directors(7)
*10.14	Change of Control Agreement dated January 5, 2001, between Brady Corporation and Katherine M. Hudson(10)
*10.15	Change of Control

Agreement
dated January
5, 2001,
between Brady
Corporation
and David W.
Schroeder(10)
*10.17 Change
of Control
Agreement
dated January
5, 2001,
between Brady
Corporation
and David R.
Hawke(10)
*10.20
Restricted
Stock
Agreement
dated August
1, 1997,
between Brady
Corporation
and Katherine
M. Hudson(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 January
5, 2001,
between Brady
Corporation
and Frank M.
Jaehnert(10)
*10.25 Brady
Corporation
Restoration
Plan dated
January 1,
2000(9)
*10.26 Brady
Corporation
Omnibus
Incentive
Stock
Plan(11)
10.27
Revolving
Credit
Facility
Credit
Agreement(12)
*10.28 Change
of Control
Agreement
dated January
5, 2001,
between Brady
Corporation
and Michael
O. Oliver
13.1 Annual
Report to
Shareholders

for year
ended July
31, 2002 18.1
Letter
regarding
change in
accounting
method(3)
21.1
Subsidiaries
of Brady
Corporation
23.1 Consent
of Deloitte &
Touche LLP,
Independent
Auditor 99.1
Written
Statement of
Chief
Executive
Officer
Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002. 99.2
Written
Statement of
Chief
Financial
Officer
Pursuant to
Section 906
of the
Sarbanes-
Oxley Act of
2002.

- -----

* Management contract or compensatory plan or arrangement

(1) Incorporated by reference to Registrant's Registration Statement No.
333-04155 on Form S-3

(2) Incorporated by reference to Registrant's Annual Report on Form 10-K for
the fiscal year ended July 31, 1989

- (3) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 1989
- (4) Incorporated by reference to Registrant's Annual Report on form 10-K for the fiscal year ended July 31, 1992
- (5) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1994
- (6) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1995
- (7) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 1997
- (8) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 1997
- (9) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2000
- (10) Incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended July 31, 2001
- (11) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2002
- (12) Incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended April 30, 2002

BRADY CORPORATION AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

YEAR ENDED JULY 31, -----
 ----- DESCRIPTION 2002 2001 2000 - --

(DOLLARS IN THOUSANDS) Valuation
 accounts deducted in balance sheet
 from assets to which they apply --
 Accounts receivable -- allowance for
 losses: Balances at beginning of
 period.....
 \$2,297 \$2,919 \$2,339 Additions --
 Charged to
 expense.....
 2,467 1,537 1,830 Due to acquired
 businesses..... 45
 Deductions -- Bad debts written off,
 net of recoveries.... (1,558) (2,159)
 (1,295) ----- Balances
 at end of
 period.....
 \$3,206 \$2,297 \$2,919 =====
 ===== Inventory -- reserve for slow-
 moving inventory: Balances at
 beginning of
 period.....
 \$4,273 \$4,714 \$5,506 Additions --
 Charged to
 expense..... 684
 349 Deductions -- Inventory written
 off..... -- (441)
 (1,141) ----- Balances
 at end of
 period.....
 \$4,957 \$4,273 \$4,714 =====
 =====

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized this twenty-third day of October 2002.

BRADY CORPORATION

By /s/ D. W. SCHROEDER

D. W. Schroeder
Senior Vice President & Chief
Financial Officer
(Principal Accounting Officer)
(Principal Financial Officer)

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

/s/ K. M. HUDSON

President and Director
(Principal Executive Officer)

October 23, 2002

K. M. Hudson

/s/ P. J. LETTENBERGER

Director

October 23, 2002

P. J. Lettenberger

/s/ R. A. BEMIS

Director

October 23, 2002

R. A. Bemis

/s/ F. W. HARRIS

Director

October 23, 2002

F. W. Harris

/s/ R. C. BUCHANAN

Director

October 23, 2002

R. C. Buchanan

/s/ R. D. PEIRCE

Director

October 23, 2002

R. D. Peirce

/s/ G. E. NEI

Director

October 23, 2002

G. E. Nei

/s/ M. K. BUSH

Director

October 23, 2002

M. K. Bush

/s/ F. R. JARC

Director

October 23, 2002

CERTIFICATIONS

I, Katherine M. Hudson, certify that:

1. I have reviewed this annual report on Form 10-K of Brady Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

Date: October 23, 2002

/s/ KATHERINE M. HUDSON

Katherine M. Hudson
President and Chief Executive Officer

I, David W. Schroeder, certify that:

1. I have reviewed this annual report on Form 10-K of Brady Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

Date: October 23, 2002

/s/ DAVID W. SCHROEDER

David W. Schroeder
Senior Vice President and Chief Financial Officer

BRADY CORPORATION

CHANGE OF CONTROL AGREEMENT

AGREEMENT, made as of January 5, 2001, between Brady Corporation, a Wisconsin corporation, ("Company") and Michael O. Oliver.

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

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

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

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

SECTION 1. DEFINITIONS.

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

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

(c) "Cause" means (i) the Executive's willful and continued failure to substantially perform the Executive's duties with the Company (other than any such failure resulting from physical or mental incapacity) after written demand for performance is given to the Executive by the Company which specifically identifies the manner in which the Company believes the Executive has not substantially performed and a reasonable time to cure has transpired, (ii) the Executive's conviction of (or plea of nolo contendere for the commission of) a felony, or (iii) the Executive's commission of an act of dishonesty or of any willful act of misconduct which results in or could reasonably be

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

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

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

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

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

(b) If the scheduled payments under paragraph (a) above would result in disallowance of any portion of the Company's deduction therefore under Section 162(m) of the Code, the payments called for under paragraph (a) shall be limited to the amount which is deductible, with the balance to be paid as soon as deductible by the Company. However, in such event, the Company shall pay the Executive on a quarterly basis an amount of interest based on the prime rate recomputed each quarter on the unpaid scheduled payments.

SECTION 3. EXCISE TAX, ATTORNEY FEES.

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

(b) If the Executive is required to file a lawsuit to enforce the Executive's rights under this Agreement, or the Executive's Nonqualified Retention Stock Option Agreement dated August 1, 2000, and the Executive prevails in such lawsuit, the Company will reimburse the Executive for his attorney fees incurred up to a maximum of \$25,000.00.

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

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

SECTION 5. CONFIDENTIAL INFORMATION AGREEMENT.

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

SECTION 6. MISCELLANEOUS.

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

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

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

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

If to the Executive:

Michael O. Oliver
34198 Old Walnut Circle
Gurnee, IL 60031

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

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

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

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

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

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

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

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

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

SECTION 7. CLAIMS PROCEDURE.

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

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

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

/s/ Michael O. Oliver

Executive - Michael O. Oliver

Brady Corporation

By: /s/ Katherine M. Hudson

Attest /s/ Conrad G. Goodkind

[PHOTO]
investment

[PHOTO]
innovation

[PHOTO]
infrastructure

[PHOTO]
integrity

[BRADY LOGO]

BRADY CORPORATION

2002 ANNUAL REPORT

BRADY CORPORATION, founded in 1914, is an international manufacturer and marketer of identification, safety and materials solutions, with products including high-performance labels, signs, precision die-cut materials, printing systems, software, and label-application and data-collection systems. Brady is a leader in its markets which include electronics, telecommunications, manufacturing, electrical, construction, education and a variety of others.

Through the Company's values of teamwork, customer focus, value, growth and honesty, Brady's 3,200 employees in 20 countries work to accomplish the company's mission of providing innovative identification solutions which improve safety, security, productivity and performance for customers worldwide. With a reputation for innovation, quality and service, Brady is the provider of choice to more than 300,000 customers around the globe.

2002 highlights

[Dollars in thousands except share amounts]

YEARS ENDED JULY 31	2002	2001	% CHANGE

RESULTS OF OPERATIONS - AS REPORTED			
Net sales	\$ 516,962	\$ 545,944	-5.3
Earnings before income taxes	\$ 43,135	\$ 44,790	-3.7
Net income	\$ 28,253	\$ 27,546	2.6
Return on invested capital	13.2%	14.7%	
Per diluted Common Share			
Class A Nonvoting	\$ 1.20	\$ 1.18	1.7
Class B Voting	\$ 1.17	\$ 1.15	1.7

RESULTS OF OPERATIONS - AS ADJUSTED*			
Net sales	\$ 516,962	\$ 545,944	-5.3
Earnings before income taxes	\$ 45,855	\$ 60,469	-24.2
Pre-tax profit margin	8.87%	11.08%	
Net Income	\$ 30,035	\$ 39,364	-23.7
After-tax profit margin	5.81%	7.21%	
Per diluted Common Share			
Class A Nonvoting	\$ 1.28	\$ 1.70	-24.7
Class B Voting	\$ 1.25	\$ 1.67	-25.2

OTHER INFORMATION			
Working capital	\$ 135,764	\$ 123,830	9.6
Stockholders' investment	\$ 324,242	\$ 302,579	7.2
Research and development	\$ 17,271	\$ 20,329	-15.0
Capital expenditures	\$ 13,095	\$ 20,770	-37.0
Depreciation and amortization**	\$ 16,630	\$ 22,646	-26.6
Dividend yield	2.76%	2.10%	31.4
Trailing P/E ratio, excluding non-recurring items*	21.5	20.3	5.9
Current ratio	2.8	2.8	0.0
Weighted average shares outstanding (diluted)	23,339,708	23,107,229	1.0

* Excluding amortization of goodwill of \$5.9 million after-tax in fiscal 2001, and non-recurring items of:
a one-time after-tax restructuring charge of \$5.9 million in fiscal 2001;
a one-time after-tax restructuring charge of \$1.8 million in fiscal 2002.

** On August 1, 2001, Brady adopted FASB 142 and ceased amortization of goodwill.

SALES BY REGION

[PIE GRAPH]

United States	52%
Europe	32%
Asia	10%
Canada & Latin America	6%

SALES BY BUSINESS UNIT

[PIE GRAPH]

Graphics & Workplace Solutions	57%
Identification Solutions & Specialty Tapes	43%

[BAR GRAPH]

97	434
98	463
99	479
00	551

01	546
02	517

NET SALES
in \$ millions

[BAR GRAPH]

97	34
98	35
99	44
00	51
01	39
02	30

NET INCOME
in \$ millions

* Net income adjusted for goodwill
** Non-recurring charge or income

[BAR GRAPH]

97	.52
98	.60
99	.64
00	.68
01	.72
02	.76

DIVIDEND HISTORY
annually per share

At its September 2002 board meeting, Brady
increased its annual dividend to \$0.80/share.

LETTER TO SHAREHOLDERS

[GRAPHIC]

TO OUR SHAREHOLDERS

Fiscal 2002 was the second straight year of difficult business conditions and disappointing sales and earnings results for Brady Corporation. Despite the challenges of a weak U.S. economy in the short term, we remained committed to investing in our businesses on a global basis for the long term. We continued with our key initiatives of process improvement through building a robust global infrastructure of facilities and capabilities. We focused on meeting the needs of our customers with innovative new products and exceptional service through global expansion. Above all, we maintained an unwavering adherence to the highest standards of integrity.

The recovery from the recession that has stalled our growth has not come as quickly or as strongly as we had hoped. Our sales for fiscal 2002 were \$517.0 million, down 5.3 percent from \$545.9 million in fiscal 2001. Our Graphics and Workplace Solutions group began to see some signs of stabilization in its markets, but sales for our Identification Solutions & Specialty Tapes (ISST) group declined as its higher-tech markets, particularly telecommunications and electronics, continued to struggle. Regionally, U.S. sales slipped, but we saw gains in China, parts of Europe and Latin America.

Our reported net income for fiscal 2002 was \$28.3 million or \$1.20 per diluted share, compared to \$27.5 million or \$1.18 per diluted share in the previous year. To ensure that our cost structure reflects the levels of current activity, we reduced our workforce by about 3 percent, and are consolidating some resources and facilities at our U.S., European, and Asian operations, with expected pre-tax savings of about \$4 million in fiscal 2003. As a result, we took a restructuring charge of \$3.0 million pre-tax in the fourth quarter. Excluding non-recurring items and goodwill amortization in both years, net income for fiscal 2002 was \$30.0 million or \$1.28 per diluted share compared to \$39.4 million or \$1.70 per diluted share in fiscal 2001.

[PHOTO]

Katherine M. Hudson
President and Chief Executive Officer

Brady maintains a strong balance sheet, with virtually no debt, and solid cash reserves of \$76.0 million, up from \$62.8 million at the end of fiscal 2001, even after dividend payments to our shareholders, and investments in strategic initiatives for process improvement, e-business, global expansion, and research and development.

...we remained committed to investing in our businesses on a global basis for the long term.

This year Brady launched a number of significant new products.

[PHOTO]

In January 2002, the ISST group introduced the ID Pal(TM) labeling tool around the world. A hand-held, thermal-transfer printer, designed specifically to meet the requirements of professionals working in the electrical and datacom industries, the ID Pal(TM) printer features easy-to-load drop-in label cartridges, a built-in label cutter, and a rugged and easy-to-find bright red outer shell. It provides an industrial-quality solution for on-site wire and cable marking, panel and component labeling, as well as asset and general identification. The ID Pal(TM) labeler is the most affordable hand-held printer offered by Brady.

Also this year, the Graphics group launched the GlobalMark(TM) Industrial Label Maker to replace the Labelizer(R) Plus printer, which has been an industry standard workhorse for the last decade. With new features including on-screen templates and touch-screen menus, the GlobalMark(TM) printer enables users to easily create industrial-grade indoor/outdoor labels and signs to meet OSHA and ANSI requirements as well as other equipment and security identification needs. As a result of improved product development processes at Brady, we were able to launch 4 different models of the GlobalMark(TM) printer, offering customers monochrome or multicolor options to fit any budget, options for built-in software and templates in 11 different languages, and a top-of-the-line "color & cut" model with a built-in plotter and cutter that cuts out text, shapes and graphics. In addition, a newly released MarkWare(TM) software upgrade complements the new printer.

[PHOTO]

Other new products include BradyGlo(TM) safety signs that glow in the dark to increase building safety in the event of blackouts or power failures; the ProImage(R) Plus 3000 PosterPrinter(TM) system for the education market, which helps schools create large, colorful visuals to capture students' attention and increase participation and excitement in the classroom; and a new line of laboratory identification solutions to meet the growing needs for sample identification in the laboratory market.

[PHOTO]

Innovation at Brady also goes beyond new product offerings, to new ways of manufacturing products and serving customers. For example, we continue to expand our digital manufacturing and our Web-to-Workbench(TM) initiative, which allows customers to customize products on-line and send their orders directly to the manufacturing floor. Web-to-Workbench(TM) signs and markers produced over \$1 million in sales this year. And we are constantly revamping our Web sites and focusing on being "easy to do business with" over the Internet and around the world.

INNOVATION [GRAPHIC]

[GRAPHIC] INFRASTRUCTURE

We had three acquisitions in fiscal 2002 that expanded our geographic infrastructure, increased our market share, and brought us new technologies to ensure Brady continues to be a leader in its markets.

In November 2001, we acquired StrandWare, Inc. in Eau Claire, Wis., a leading developer of bar-code-label-design software. Combining the strength of StrandWare's market position and well established reseller network with our existing software product offerings strengthens our position as the market leader in packaged software products for the automatic identification and data collection (AIDC) industry.

Also in November 2001, we acquired Safety Sign Service, a manufacturer and supplier of safety products, in Perth, Australia. Located about 1,500 miles from Brady Australia in the western part of the country, this acquisition gives Brady a stronger strategic position in Australia, where much of the safety and identification market is regionally based.

[GRAPHIC]
VISUALLY CHANGING PAPER

In April 2002, we acquired Temtec, Inc., located in Suffern, N.Y. Temtec is a specialty printing company that develops and markets products for security applications utilizing its patented Visually Changing Paper (VCP) technology. This technology uses coating and printing capabilities to create materials that reveal a message, color or design after a specified time period. Temtec's TEMPbadge(R) identification and security products include a variety of self-expiring badges, security seals, parking permits and wristbands designed for visitor control. The acquisition of Temtec provides Brady new technologies to further grow its security product offerings, as well as development opportunities for marketing Temtec products in international arenas served by Brady's current global infrastructure.

We also stretched our presence around the globe by responding to growth opportunities, particularly in Asia. This year we laid the groundwork for expanded manufacturing in China and Malaysia, as we continue to support the movement of our customers to new locations there.

[ECLIPSE LOGO]

Our process-improvement initiative, named "Eclipse" for "Earning Customer Loyalty through Integrated Processes and Systems Everywhere," is also building a global Brady infrastructure with common and shared processes supported by an integrated enterprise resource planning (ERP) system. Eclipse, with an investment of about \$30 million, has been our top priority since fiscal 2000.

Our objective is to streamline and coordinate our business processes, and leverage the power of SAP software as our ERP system to maximize the customer experience with Brady. This year we continued to implement SAP in coordinated phases throughout our global operations, and by December 2002, we will have more than two-thirds of our businesses converted to the new software.

Benefits of our new system include the creation of a more structured approach to market planning and new product development which uses better customer data and market information that we previously could not access or share across the company. The system also provides accurate real-time information on orders, which is enhancing the effectiveness and responsiveness of our customer service and manufacturing activities. Integrated systems, common processes and shared data are also making it possible for us to consolidate our buying power, better utilize our working capital, reduce our costs and accelerate global growth.

We are already seeing results from Eclipse, including an improvement in the days sales outstanding in the U.S. of about 16 days, an increase in global inventory turns of about one turn despite a sales decline, an improvement in the days payable outstanding of about 14 days in the U.S., and purchasing savings of more than \$2 million.

We are proud to again be named to the list of "The 100 Best Corporate Citizens" by Business Ethics magazine, moving up on the list to 23rd place, after debuting in the 44th position three years ago. Brady's ongoing support for education in our community, commitment to diversity in the workplace, and family-friendly employment policies and benefits have demonstrated year after year that companies can indeed succeed when they do the right thing.

In fiscal 2003, we'll be continuing our emphasis on our guiding values of teamwork, value creation, honesty, customer focus and growth.

INTEGRITY

[GRAPHIC]

Teamwork is our number one guiding value and a vital element for sustainable growth and superior business performance at Brady. In support of our teams, we strive to create a positive work environment that generates value for our employees, and in turn, for our customers and shareholders. This year we conducted our first on-line global employee survey. More than two-thirds of our 3,200 employees around the world participated. While it was gratifying to see that the vast majority believed overall Brady is a great place to work, we will be using survey feedback for continuous improvement in the Brady work place and the ways in which we work together.

Honesty and integrity in all our business activities must be sustained and protected. The ethical tone at Brady was set by the company's founders nearly 90 years ago. Their legacy of ethical business behavior lives on in our business and accounting practices today. We review our financial actions both internally and with our independent Audit Committee. Our goal is not only to follow the letter of the law, but also to communicate in the spirit of full and honest disclosure that accurately reflects the reality of our business conditions.

[GRAPHIC]

Customer Focus remains the key to our success and is being enabled and strengthened by our process improvement initiatives. While our current sales and net income reflect the pressures of two years of a difficult economy, our global presence, people and processes have strongly positioned us to return to the more traditional levels of growth that Brady shareholders have come to expect.

Going forward, we certainly hope that economic conditions improve in fiscal 2003. But we aren't relying on outside factors to lift our business. We will continue to focus on the core products and customers that have made Brady successful in the past. And we have developed strategies to grow our business beyond those traditional markets into allied areas such as health care and security. Brady has been built on innovation and integrity. We have financial strength and a worldwide workforce of dedicated people committed to generating long-term value for our customers and shareholders.

Thank you for your continued support,

/s/ Katherine M. Hudson

Katherine M. Hudson
President and Chief Executive Officer
Brady Corporation

2002 FINANCIAL REVIEW

(Dollars in Thousands,
Except Per Share Amounts)
Years Ended July 31, 1992 through 2002

	2002*	2001	2000	1999	1998	1997

OPERATING DATA						
NET SALES	\$ 516,962	\$ 545,944	\$ 550,664	\$ 479,025	\$ 463,235	\$ 433,649
Operating expenses:						
Cost of products sold	256,186	257,313	245,587	216,060	212,980	201,664
Research and development	17,271	20,329	20,555	17,116	20,287	16,300
Selling, general and administrative	199,282	214,220	215,231	182,688	178,648	165,317
Nonrecurring charge (credit) - net..	2,720	9,560	--	(611)	5,390	--

Total operating expenses	475,459	501,422	481,373	415,253	417,305	383,281

OPERATING INCOME	41,503	44,522	69,291	63,772	45,930	50,368
OTHER INCOME AND (EXPENSE):						
Investment and other income - net ..	1,714	686	7,418	1,455	638	1,159
Interest expense	(82)	(418)	(578)	(445)	(403)	(256)

Net other income	1,632	268	6,840	1,010	235	903

Income before income taxes and cumulative effect of changes in accounting principles	43,135	44,790	76,131	64,782	46,165	51,271

INCOME TAXES	14,882	17,244	28,930	25,198	18,129	19,564

Income before cumulative effect of changes in accounting principles ...	28,253	27,546	47,201	39,584	28,036	31,707
CUMULATIVE EFFECT OF CHANGES IN ACCOUNTING PRINCIPLES FOR:						
Postretirement benefits (net of income taxes of \$2,663)	--	--	--	--	--	--
Income taxes	--	--	--	--	--	--

NET INCOME	\$ 28,253	\$ 27,546	\$ 47,201	\$ 39,584	\$ 28,036	\$ 31,707
=====						
NET INCOME PER COMMON SHARE (DILUTED):						
Class A Nonvoting	\$ 1.20	\$ 1.18	\$ 2.05	\$ 1.73	\$ 1.23	\$ 1.43
Class B Voting	\$ 1.17	\$ 1.15	\$ 2.02	\$ 1.70	\$ 1.20	\$ 1.40
CASH DIVIDENDS ON:						
Class A Common Stock	\$.76	\$.72	\$.68	\$.64	\$.60	\$.52
Class B Common Stock	\$.73	\$.69	\$.65	\$.61	\$.57	\$.49

BALANCE SHEET (at year end)						
Working capital	\$ 135,764	\$ 123,830	\$ 116,084	\$ 129,884	\$ 125,386	\$ 130,724
Total assets	420,525	393,592	398,134	351,120	311,824	291,662
Long-term obligations, less current maturities	3,751	4,144	4,157	1,402	3,716	3,890
Stockholders' investment	324,242	302,579	291,224	260,564	233,373	206,547

* On August 1, 2001, Brady adopted FASB 142 and ceased amortization of goodwill.

2002 FINANCIAL REVIEW

1996	1995	1994	1993	1992
\$365,929	\$319,946	\$260,386	\$247,286	\$240,156
172,813	149,218	122,661	118,617	114,321
11,309	10,426	10,318	12,132	10,001
140,642	119,717	97,932	92,449	93,931
--	--	--	(1,236)	6,562
324,764	279,361	230,911	221,962	224,815
41,165	40,585	29,475	25,324	15,341
4,570	4,609	837	559	239
(302)	(555)	(410)	(54)	(219)
4,268	4,054	427	505	20
45,433	44,639	29,902	25,829	15,361
17,406	16,728	11,362	8,973	6,972
28,027	27,911	18,540	16,856	8,389
--	--	--	--	(3,995)
--	--	--	--	661
\$ 28,027	\$ 27,911	\$ 18,540	\$ 16,856	\$ 5,055
\$ 1.26	\$ 1.26	\$.84	\$.77	\$.22
\$ 1.23	\$ 1.23	\$.81	\$.74	\$.19
\$.40	\$.27	\$.23	\$.20	\$.19
\$.37	\$.23	\$.19	\$.17	\$.15
\$109,688	\$129,938	\$100,023	\$ 77,943	\$ 66,093
261,835	230,005	202,509	179,901	173,054
1,809	1,903	1,855	1,978	2,524
189,263	170,823	145,129	128,068	119,771

[BAR GRAPH]

97	65
98	66
99	75
00	61
01	63
02	76

CASH BALANCES
in \$ millions

[BAR GRAPH]

	Cash flow from operations	Free cash flow
97	40	20
98	47	17
99	61	37
00	48	11
01	53	16
02	54	24

CASH FLOW

in \$ millions

[BAR GRAPH]

97	24
98	20
99	25
00	25
01	15
02	13

% RETURN ON INVESTED CAPITAL

$$\text{ROIC} = \frac{\text{Net income} + \text{Income Taxes} + \text{Interest Expense}}{\text{Stockholders' Investment} + \text{Long-term Debt} + \text{Current Portion of Long-term Debt}}$$

BRADY CORPORATION

2002 ANNUAL REPORT ⁷

SHAREHOLDER SERVICES

COMMON SHARES

Brady Corporation Class A Common Stock trades on the New York Stock Exchange under the symbol BRC. As of September 10, 2002, there were 350 Class A Common Stock shareholders of record and about 4,000 beneficial shareholders. There are three Class B Common Stock shareholders. Brady Corporation stock is also listed on the Berlin stock exchange.

QUARTERLY STOCK DATA

	2002		2001		2000	
	High	Low	High	Low	High	Low
4th Quarter	\$36.69	\$26.70	\$35.94	\$28.67	\$34.13	\$27.00
3rd Quarter	\$40.47	\$32.04	\$38.83	\$30.48	\$32.28	\$24.50
2nd Quarter	\$37.47	\$29.03	\$38.35	\$27.08	\$34.56	\$26.25
1st Quarter	\$36.41	\$27.47	\$32.67	\$26.92	\$36.31	\$25.63

DIVIDENDS

Brady has paid dividends on its Common Stock every quarter since going public in June 1984, and the Company has increased the dividend every year for each of the past 17 years. At its September 2002 meeting, the Board of Directors increased the quarterly dividend on Class A Common Stock to \$0.20 per share per quarter, or \$0.80 per year. Dividends are normally paid on the last day of October, January, April and July.

DIVIDEND REINVESTMENT

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

STOCK TRANSFER AGENT

Wells Fargo Bank Minnesota, N.A.
Shareowner Services
P.O. Box 64584
St. Paul, MN, 55164-0854
www.wellsfargo.com

BRADY INFORMATION

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

INFORMATION REQUESTS AND INVESTOR NEWS LINE

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

ANALYST AND INVESTOR CONTACT

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

ANNUAL MEETING

The Brady Corporation Annual Meeting will be at 9 a.m., Thursday, November 14, 2002, at Brady Corporation Signmark Division, 2221 W. Camden Road, Milwaukee, Wisconsin. Highlights will be posted on the Internet at www.investor.bradycorp.com.

[NYSE LOGO]

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. - Global Die-Cut
Products
N144 W5690 Pioneer Road
Cedarburg, WI 53012

Brady Worldwide, Inc. - Coated
Products
P.O. Box 298
2230 W. Florist Ave.
Milwaukee, WI 53201-0298

Brady Worldwide, Inc. - Signmark(R)
Tobey Research & Innovation
2221 W. Camden Rd.
Milwaukee, WI 53209

Brady Worldwide Inc. - AIDC Software &
Services
12000 W. Park Place
Milwaukee, WI 53224

Brady Business Process Innovation
Center
5300 N. 118th Court, Bldg. F
Milwaukee, WI 53225

Brady Worldwide, Inc. - Varitronics
6835 Winnetka Circle
Brooklyn Park, MN 55428

Imtec Identification Solutions
100 S. Massachusetts Street
Seattle, WA 98134

Seton Identification Products
20 Thompson Rd.
Branford, CT 06405

Seton Identification Products
4451 Eucalyptus Ave.
Suite 330
Chino, CA 91710

Brady Data Recognition International
2929 Longhorn Blvd., Suite 103
Austin, TX 78758

Brady Precision Die-Cut Products South
6500 NW 12th Avenue, Suite 119
Fort Lauderdale, FL 33309

AUSTRALIA

Brady Australia Pty. Ltd.
Seton Australia Pty. Ltd.
112 Christina Road
Villawood NSW 2163
Australia

Brady Australia Pty. Ltd.
Visi Sign
10 Reid Street
Bayswater, Victoria 3153
Australia

Brady Australia Pty. Ltd.
Safety Sign Service
663 Dundas Road
Forrest Field, West Australia 6058

Australia

BELGIUM

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

BRAZIL

W.H.B. do Brasil Ltda.
Brady Sao Paulo
Rua Rosangela Donata De Oliveira 30
06236-110 Osasco
Sao Paulo, Brazil

W.H.B. do Brasil Ltda.
Seton Brasil
Centro Empresarial Alphaville
Av. Jurua, 105 - Modulo 4
06455-010 Barueri
Sao Paulo, Brazil

W.H.B. do Brasil Ltda.
Brady Manaus
Avenida Solimoes, N. 2100
Distrito Industrial da Suframa
69075-200 Manaus
Amazonas, Brazil

CANADA

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

CHINA

Brady (Beijing) Co. Ltd.
Unit 8401/8402
3 Yong Chang North Road
Yong Chang Industrial Park
Beijing Economic Technological Area
Beijing 100176, PRC

Brady (Shanghai) International Trading
Co. Ltd.
5F-B, No. 158 Aona Road
Wai Gao Qiao Free Trade Zone
Shanghai 200131, PRC

Brady (Wuxi) Co. Ltd.
No. 229
Xingchuang Ba Lu
Wuxi-Singapore Industrial Park
Wuxi, Jinagsu, PRC 214028

FRANCE

Braton Group s.a.r.l.
Brady France
1 Rue de Terre Neuve - Bat. E
BP 362 - ZAC Les Ulis
91959 Courtaboeuf Cedex, France

Tricor Groupe S.A. - Seton
45 Avenue de L'Europe
BP 132
594 Roncq Cedex, France

Brady LettraSoft S.A.
13 Rue des Emeraudes
F-69006 Lyon, France

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

Brady Software Group Europe
Z.I. Est
2, rue Vincent Van Gogh
32000 Auch, France

GERMANY

Brady GmbH - Division ISST
Lagerstrasse 13
64807 Dieburg, Germany

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

Brady GmbH - Balkhausen
Rudolf-Diesel-Strasse 17
28857 Syke, Germany

Brady GmbH
Olchinger Str. 56
D-82194 Grobenzell, Germany

HONG KONG

Brady Corporation S.E.A. Pte. Ltd.
Unit 03/04, 18th Floor
CRE Centre
889 Cheung Sha Wan Road
Kowloon, Hong Kong

ITALY

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

JAPAN

Nippon Brady K.K.
TVP Building 3rd Floor
3-9-13 Moriya-cho, Kanagawa-Ku
Yokohama, Kanagawa 221-0022
Japan

KOREA

Brady Corporation S.E.A. Pte Ltd. -
Korean Branch
272-2 Yatap-dong, Bundang-gu
Seongnam
Gyeonggi-do Lighthouse, 4th floor,
42 peong
Seoul, Republic of Korea (South)

MALAYSIA

Brady Corporation S.E.A. Pte. Ltd.
54-G-2,Wisma Sri Mata
Jalan Van Praagh
11600 Penang, Malaysia

Brady Technology Sdn Bhd
Level 41- Suite B
Menara Maxix
Kuala Lumpur City Center
50088 Kuala Lumpur

MEXICO

W.H. Brady S. de R.L. de C.V.
Iago Iseo, N. 91
Col. Anahuac
11320 Mexico D.F., Mexico

PHILIPPINES

Brady Corporation S.E.A. Pte. Ltd.

9 Narra Drive, Palmera Heights III
Valley Golf, Cainta Rizal
Philippines 1900

SINGAPORE

Brady Corporation S.E.A. Pte. Ltd.
Brady Corporation Asia Pte. Ltd.
55 Ayer Rajah Crescent #03-25
Ayer Rajah Industrial Estate
Singapore 139949

SWEDEN

Brady AB
Karins Vag 5
194 54 Upplands Vasby
Sweden

TAIWAN

Brady Corporation S.E.A. Pte. Ltd.
6F-2, 412, Chung Hsiao E. Rd.
SEC 5
Taipei 110, Taiwan

UNITED KINGDOM

Brady Corporation Ltd.
Wildmere Industrial Estate
Banbury, Oxfordshire
OX16 7JU
United Kingdom

BRADY CORPORATION
P.O. Box 571
Milwaukee, WI 53201-0571
www.bradycorp.com

[BRADY LOGO]

[RECYCLE LOGO] In keeping with Brady Corporation's policy of
environmental stewardship, this brochure is recyclable.

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10-LP-02-30

SCHEDULE OF SUBSIDIARIES OF BRADY CORPORATION

Name of Company	State (Country) of Incorporation	Percentage of Voting Securities Owned
Brady Corporation	Wisconsin	Parent
Tricor Direct Inc.- Doing Business As: Seton Seton Name Plate Company D&G Sign and Label Co. Seton Identification Products The Hirol Company	Delaware	100%
Worldmark of Wisconsin Inc.	Delaware	100%
Brady Investment Co.	Nevada	100%
Brady International Sales, Inc.	U.S. Virgin Islands	100%
Brady International Co.	Wisconsin	100%
Brady Worldwide, Inc. Also Doing Business As: Varitronic Systems Teklynx International Barcodes West	Wisconsin	100%
Temtec, Inc.	New York	100%
Brady Australia Pty. Ltd. Also Doing Business As: Visi Sign Pty.	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.- Doing Business As: Brady GrafTek Revere-Seton Seton	Canada	100%
1167232 Ontario, Inc.	Canada	100%

SCHEDULE OF SUBSIDIARIES OF BRADY CORPORATION (Continued)

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

INDEPENDENT AUDITORS' CONSENT

To the Board of Directors and Stockholders of Brady Corporation:

We consent to the incorporation by reference in Registration Statements Nos. 333-99615, 333-38857, 333-38859, 333-44505 and 333-92417 of Brady Corporation on Forms S-8 of our reports dated September 9, 2002, appearing in and incorporated by reference in the Annual Report on Form 10-K of Brady Corporation for the year ended July 31, 2002.

/s/ Deloitte & Touche LLP
Milwaukee, Wisconsin
October 21, 2002

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brady Corporation (the "Company") on Form 10-K for the year ended July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Katherine M. Hudson, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Katherine M. Hudson

Katherine M. Hudson
Chief Executive Officer
October 23, 2002

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Brady Corporation (the "Company") on Form 10-K for the year ended July 31, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David W. Schroeder, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David W. Schroeder

- - - - -

David W. Schroeder
Chief Financial Officer
October 23, 2002

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.