BRADY CORP
Form 10-K
September 27, 2011

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended July 31, 2011

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from __________ to __________

Commission file number 1-14959

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

Wisconsin	
(State or other jurisdiction of incorporation or organization)	**39-0178960** *(IRS Employer Identification No.)*

6555 West Good Hope Road,
Milwaukee, WI 53223
(Address of principal executive offices) (Zip Code)
(414) 358-6600
(Registrant s telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of large accelerated filer , accelerated filer , and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the non-voting common stock held by non-affiliates of the registrant as of January 31, 2011, was approximately $1,488,000,246 based on closing sale price of $32.75 per share on that date as reported for the New York Stock Exchange). As of September 20, 2011, there were 49,244,116 outstanding shares of Class A Nonvoting Common Stock (the Class A Common Stock), and 3,538,628 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.

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PART I

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

Item 1. *Business*

(a) *General Development of Business*

The Company, a Wisconsin corporation founded in 1914, currently operates globally in Australia, Belgium, Brazil, Canada, the Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Singapore, Slovakia, South Korea, Spain, Sweden, Thailand, Turkey, the United Arab Emirates, the United Kingdom and the United States. The Company also sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in Hungary, New Zealand, Russia, Taiwan, and Vietnam. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa, and South America. 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 an international manufacturer and marketer of identification solutions and specialty products that identify and protect premises, products and people. Brady s core capabilities in manufacturing, channel management, printing systems, precision engineering and materials expertise make it a leading supplier to customers in general manufacturing, maintenance and safety, process industries, construction, electrical, telecommunications, electronics, laboratory/healthcare, airline/transportation, brand protection, education, governmental, public utility, and a variety of other industries. The Company s ability to provide customers with a broad range of differentiated solutions both through the organic development of its existing business and the acquisition of complementary and adjacent businesses, its commitment to quality and service, its global footprint and its diversified sales channels have made it a world leader in many of its markets.

Brady manufactures and markets a wide range of products for use in diverse applications. Major product lines include facility identification; safety and complementary products; wire and cable identification products; sorbent materials; people identification products; regulatory publishing; high-performance identification products for product identification and work-in-process identification; and bar-code labels and precision die-cut components for mobile telecommunications devices, hard disk drives, medical devices and supplies, and automotive and numerous other electronics industry applications. Products are marketed through multiple channels, including distributors, resellers, business-to-business direct marketing and a direct sales force.

The need for the Company s products is driven, in part, by customer specifications, by regulatory compliance requirements imposed by agencies such as the Occupational Safety & Health Administration (OSHA) and the Environmental Protection Agency (EPA) in the United States and similar regulatory agencies around the world, and by the need to identify and track assets or to identify, direct, warn, inform, train and protect people or products.

The Company has a broad customer base. No individual customer is 5% or more of total net sales.

Competitive Strengths

The Company believes the following competitive strengths will allow it to achieve its growth and profitability strategies:

Leader in Markets. Brady competes in markets where it believes it is often the leading supplier with the manufacturing expertise, infrastructure, channels and sales resources necessary to provide the required product or comprehensive solution. For example, the Company believes it is the leading supplier of wire identification products to the North American MRO (Maintenance, Repair and Operations) market and of precision die-cut components to the mobile telecommunications market. The Company believes its leadership positions make it a preferred supplier to many of its customers and enables it to be successful in its markets.

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Differentiated Solutions and Commitment to Innovation. The Company believes its sophisticated engineering and manufacturing capabilities, as well as its expertise in materials, give it a competitive advantage in supplying customized or high specification product solutions to meet individualized customer needs. The Company has been successful in identifying and incorporating innovative technologies to create integrated and precise solutions. Additionally, it is able to use its materials expertise and its investment in research and development to provide unique products to meet the demands of end-customers in new, faster growing markets adjacent to its traditional markets, such as laboratory identification, aerospace, defense, and mass transit.

Operational Excellence. Brady continues to improve in operational productivity. It employs well-developed problem solving techniques through the Brady Business Performance System (BBPS) and invests in state-of-the-art equipment to capture efficiencies. The Company is largely vertically integrated and designs, manufactures and markets a majority of the products it sells. The Company has consistently generated positive cash flow from operations by continually reducing costs, improving working capital, and optimizing the efficiency of its manufacturing operations.

Broad Customer Base and Geographic Diversity. Brady believes its global infrastructure and diverse market presence provide a solid platform for further expansion, and enable it to act as a primary supplier to many of its global customers. Sales from international operations increased from 44.4% of net sales in fiscal 2000 to 64.6% of net sales in fiscal 2011. Brady has more than one million end-customers that operate in multiple industries.

Disciplined Acquisition and Integration Strategy. The Company has a dedicated team of experienced professionals that employ a disciplined acquisition strategy and process to acquire companies. It applies strict financial standards to evaluate all acquisitions using an expected return model based on a modified return on invested capital calculation. It also conducts disciplined integration reviews of acquired companies to track progress toward results expected at the time of acquisition. Since 1996, the Company has acquired and integrated 57 companies to increase market share in existing and new geographies, expand the product range it offers to both existing and new customers, as well as add new technological capabilities.

Channel Diversity and Strength. Brady utilizes a wide range of channels to reach customers across a broad array of industries. It employs multi-channel direct marketing expertise to meet its customers need for convenience. The Company also has long-standing relationships with, and is a preferred supplier to, many of its largest distributors. In addition, the Company employs a global sales team to support both distributors and customers and to serve their productivity, tracking and safety requirements. The Company believes its strong brands and reputation for quality, innovation and on-time delivery contribute to the popularity of its products with distributors, original equipment manufacturers (OEMs), resellers and other customers.

Deep and Talented Team. The Company believes that its team of employees has substantial depth in critical operational areas and has demonstrated success in reducing costs, integrating acquisitions and improving processes through economic cycles. The international experience of its management team and its commitment to developing strong management teams in each of its local operations is a competitive advantage. In addition, the Company believes it employs a world-class team of people and dedicates significant resources to recruiting people committed to excellence and investing in their potential. The depth and breadth of knowledge within the entire Brady organization strengthens relationships with its customers and suppliers and enables the Company to provide its customers with a high level of product and industry expertise.

Key Strategies

The Company s primary objectives are to build upon its leading market positions, to improve its performance and profitability and to expand its existing activities through a multi-pronged strategic approach that focuses on revenue expansion and improved productivity. The Company s key strategies include:

Revenue Expansion

Capitalize on Growing Markets. The Company seeks to leverage its distribution network, global footprint and strength in manufacturing and materials expertise to capitalize on growth in existing markets. Growth prospects are driven primarily by the general expansion of regional economies, changes in legal and regulatory compliance requirements and the increased need of customers to identify and protect their assets and employees, as well as technological advances in markets such as mobile telecommunications and other electronic devices.

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Increase Market Share. Many Brady markets are fragmented and populated with smaller regional or local competitors. The Company seeks to leverage its investment in new product development and its global sales, operations and distribution capabilities to increase market share, as well as expand its distribution channels to capture new customers. The Company employs a dedicated and experienced sales team that works closely with existing distributors and customers to identify and capture new opportunities. In addition, Brady continues to leverage the strength of its brands, the quality of its products and its long-standing relationships with key customers to build upon current market positions.

Enter New Markets. The Company looks to leverage its quality products, global infrastructure, channel relationships and selling capabilities to effectively enter new markets, many of which are fragmented and populated with smaller competitors. The Company is also considering entering adjacent markets where its core competencies can be successfully leveraged. The Company reviews its product and market portfolio on a regular basis through its standardized review process in order to identify new opportunities.

Expand Geographically. Brady s long-term strategy involves the pursuit of growth opportunities in a number of markets outside of the United States, including growth in emerging markets where the future growth rate prospects are believed to exceed those of the more established geographies. The Company is committed to being in close proximity to its customers and to low-cost global supply chain capabilities including manufacturing. Brady currently operates in 30 countries and employs approximately 6,500 people. Of the approximately 6,500 global employees, Asia-Pacific accounts for 43%, with the Americas and Europe employing 36%, and 21% of the workforce, respectively. Brady has made strategic acquisitions and has invested heavily in its global infrastructure and flexible manufacturing capacity in order to follow its customers into new geographies. Brady s regional management structure is a key component in effectively entering and competing in new geographies.

Market/Customer Segmentation and Voice of the Customer. The Company employs a systematic process to facilitate its goals for growth into new and/or adjacent market spaces and focuses Company resources on the best and most promising business development opportunities. Market and customer segmentation identifies fast growing, profitable market segments and the most attractive customers within these segments, while voice of the customer provides a more complete understanding of what these customers want and need in terms of products, services, and delivery options.

New Product Development. Through product innovation and development activities, Brady seeks to introduce new technologies and differentiated products that leverage its capabilities in specialty materials, printing systems, and die-cutting. The Company continues to invest in research and development activities, and employs approximately 215 R&D professionals worldwide with the largest R&D centers located in the United States, China, and Singapore. Amounts incurred for research and development activities were 3.2%, 3.4%, and 2.8% of sales in fiscal 2011, 2010, and 2009, respectively.

E-Business Expansion. The Company continues to develop and enhance its e-commerce capabilities in a systematic process to facilitate sales growth over the Internet. This e-business strategy is part of a more comprehensive multi-channel marketing strategy whereby the Company is focusing on multiple channels to reach its customers to provide a better overall buying experience.

Pursue Strategic Acquisitions. The Company intends to continue to make complementary strategic acquisitions to further its goals of strengthening its market positions and entering new markets, new geographies and adjacent markets, where Brady competencies can be applied and social, economic and cultural trends can be positively leveraged. Brady works to drive substantial value creation through capitalizing on its acquisition and integration acumen.

Improve Productivity

Brady Business Performance System. The Company plans to continue its focus on improving operating efficiency and customer service, reducing costs, and improving productivity and return on invested capital. To this end, Brady is continuing the expansion of its Brady Business Performance System (BBPS) in most of its operations globally. This approach to improving profitability focuses on strategy deployment, implementing scalable business processes, operational efficiencies and lean manufacturing principles to drive cost savings, enhance customer service and improve overall business performance. BBPS started in operations, but its underlying principles have since been deployed beyond the manufacturing floor to functions such as human resources, information technology, finance, and sales and marketing.

Global Strategic Sourcing. Through coordinated supply chain management, the Company looks to increase productivity and efficiency in the process of procuring goods and services ranging from raw materials and products for resale, to travel and other services, as well as energy, communication and building lease costs. Brady s strategic sourcing program focuses on improving vendor performance, reducing both direct and indirect spending, and implementing standard processes globally.

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Sales and Marketing Productivity and Effectiveness. The Company continues to focus on improving the effectiveness and efficiency of its sales and marketing professionals and processes to better serve our existing customers and prospective customers while better managing our sales and marketing costs through common processes for sales and marketing activities.

General and Administrative Productivity and Effectiveness. The Company is focusing on the automation, standardization, and simplification of its back-office activities including finance, information technology, human resources, and other functions. This includes the centralization of certain functions in global and regional shared-service centers to better leverage talent and gain economies of scale.

Products

The Company is largely vertically integrated by designing, developing, distributing, and producing the majority of its products internally. Brady materials are developed and manufactured out of a variety of films, many of which are coated by Brady, for applications in the following markets: electronic, industrial, electrical, utility, laboratory, safety and security. Brady also manufactures specialty tapes and related products that are characterized by high-performance printable top coats and adhesives, most of which are formulated by the Company, to meet high-tolerance requirements of the industries in which they are used. The Company also designs, develops and manufactures most of its printing and software systems.

The Company has thousands of stock and custom products which consist of complete identification systems and other products used to create a safer work environment, improve operating efficiencies, and increase the utilization of assets through tracking and inventory process controls. Major product categories include: facility and safety signs, identification tags and markers, pipe and valve markers, asset identification labels, lockout/tagout products, security and traffic control products, printing systems and software for creating safety and regulatory labels and signs, spill control and clean-up products, wire and cable markers, high-performance labels, laboratory identification labels and printing systems, stand-alone printing systems, bar-code and other software, automatic identification and data collection systems, personal identification products, and precision die-cut solutions.

Some of the Company s stock products were originally designed, developed, distributed, and manufactured as custom products for a specific application. However, such products have frequently created wide industry acceptance and have become stock items offered by the Company through direct marketing and distributor sales channels. The Company s most significant types of products are described below.

Safety and Facility Identification

Informational signs, tags and labels, and do-it-yourself printers for use in a broad range of industrial, utility, commercial, governmental and institutional applications. These products are either self-adhesive or mechanically mounted, 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 include 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; transformers and power pole markers; personal hazard warnings; housekeeping and operational warnings; pictograms; radiation and laser signs; safety practices signs and regulatory markings; employment law posters; and photo luminescent (glow-in-the-dark) products.

Pipe markers and valve tags including plastic or metal, self-adhesive or mechanically applied stock or custom-designed pieces 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 systems.

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, and can be custom designed to ensure brand protection from counterfeiting.

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.

Warehouse identification products including labels, tags, and printing systems used to locate and identify inventory in storage facilities such as warehouses, factories, stockrooms and other industrial facilities.

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Security and traffic control products including a variety of security seals, parking permits and wristbands designed for visitor control in financial, governmental, educational and commercial facilities including meeting and convention sites. The Company also offers a wide variety of traffic control devices including traffic signs, directional and warning signs, parking tags and permits, barriers, cones and other products including barricading, visual warning systems, floor-marking products, safety badges, and first aid cabinets/kits, among others.
Spill control and clean-up products including natural and synthetic sorbent materials in a variety of shapes, sizes and configurations; spill kits, containment booms, industrial rugs, absorbing pillows and pads, barrier spill matting and granular absorbents; and other products for absorbing and controlling chemical, oil-based and water-based spills.

Wire and Cable Identification

Brady manufactures a broad range of wire and cable-marking products, including labels, sleeves, printers and software that allow customers to create their own labels, and printers to print and apply them. These products mark and identify wires, cables and their termination points to facilitate manufacturing, construction, repair or maintenance of equipment, and data communication and electrical wiring systems used in virtually every industrial, power and communication market.

High Performance Identification

Brady produces a complete line of label materials and printing systems to meet customers needs for identification requirements for product identification, brand protection labeling, tamper-evident labeling, work in process labeling, finished product identification and bar coding that perform under harsh or demanding conditions. Brady prints stock and custom labels and also sells unprinted materials to enable customers to print their own labels.

Precision Die-Cut Parts

The Company manufactures customized precision die-cut products that are used to seal, insulate, protect, shield or provide other mechanical performance properties in the assembly of electronic, telecommunications and other equipment, including mobile phones, hard disk drives, computers, displays, and other devices. Solutions not only include the materials and converting, but also automatic placement and other value-added services. The Company also provides converting services to the medical market for materials used in in-vitro diagnostic kits, patient monitoring, and bandaging applications.

People Identification

The Company offers identification systems and products including photo ID card systems that combine digital imaging and other technologies to positively identify people; self-expiring name tags and software for visitor and employee identification. In addition, the Company provides asset control software identification accessories including lanyards, badge holders, badge reels and attachments, providing security to companies, employees, and company assets.

Software and Printer Systems

The Company also designs and produces software for inspection automation, industrial thermal-transfer 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. The Company also offers poster printers, cutting systems, laminators and supplies to education and training markets.

Marketing and Sales

Brady seeks to offer high quality products with rapid response and superior service so that it can provide solutions to customers that are better, faster and more economical than those available from the Company s competitors. The Company markets and sells its products domestically and internationally through multiple channels including distributors, direct sales, mail-order-catalog marketing, and electronic access through the Internet. The Company has long-standing relationships with a broad range of electrical, safety, industrial and other domestic and international distributors. The Company s sales force seeks to establish and foster ongoing relationships with the end-users and distributors by providing technical application and product expertise.

The Company also direct markets certain products and those of other manufacturers by catalog sales, outbound telemarketing, and electronic access via the Internet 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. Catalogs are distributed in the United States of America, Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Italy, the Netherlands, Portugal, Slovakia, Spain, Sweden, Switzerland and the United Kingdom, and include foreign language catalogs.

Brands

The Company goes to market under a variety of brand names. The Brady brand includes high-performance labels, wire identification products, printers, software, safety and facility identification products, lock-out/tag-out products, people identification products, precision die-cut parts and specialty materials. Other die-cut materials are marketed as Balkhausen products. Safety and facility identification products are also marketed under the Safety Signs Service brand, with some lockout/tagout products offered under the Scafftag brands. In addition, identification products for the utility industry are marketed under the Electromark brand and spill-control products are marketed under the Sorbent Products Company and D.A.W.G. brands; poster printers and cutting systems for education and government markets are offered under the Varitronics brand; wire identification products are marketed under the Modernotecnica brand and the Carroll brand; and custom labels and nameplates under the Stickolor brand. Direct Marketing safety and facility identification products are offered under the Seton, Emedco, Signals, Safetyshop, Clement and Personnel Concepts names; direct supplies under the Accidental Health and Safety, Trafalgar, and Securimed brands. Security and identification badges and systems are included in the Temtec, B.I.G., Identicard/Identicam, STOPware, J.A.M. Plastics, PromoVision, Brady People ID, and Quo-Luck brands; hand-held regulatory documentation systems are available under the Tiscor name.

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, printing, melt-blown operations, software development and printer design and assembly. The compounding process involves the mixing of chemical batches for primers, top coatings and adhesives. 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 produces the majority of its pressure sensitive materials through vertically integrated manufacturing processes. These integrated manufacturing processes permit greater flexibility to meet customer needs in product design and manufacture, and an improved ability to provide specialized products designed to meet the needs of specific applications. Brady s manufacturing processes and inventory controls are designed to attain profitability in small orders by emphasizing flexibility and the optimal utilization of assets through quick turnaround and delivery, balanced with optimization of lot sizes. Many of the Company s manufacturing facilities have received ISO 9001, 13485, or 14001 certification.

The materials used in the products manufactured by the Company consist primarily of plastic sheets and films, paper, metal and metal foil, cloth, fiberglass, polypropylene, inks, dyes, adhesives, pigments, natural and synthetic rubber, organic chemicals, polymers, solvents and electronic components and subassemblies. In addition, the Company purchases finished products for resale. The Company purchases raw materials, components and finished products from many suppliers. Overall, the Company is not dependent upon any single supplier for its most critical base materials or components; however the Company has chosen in certain situations to sole source materials, components or finished items for design or cost reasons. As a result, disruptions in supply could have an impact on results for a period of time, but generally these disruptions would simply require qualification of new suppliers and the disruption would be modest. In certain instances, the qualification process could be more costly or take a longer period of time and in rare circumstances, such as a global shortage of a critical materials or components, the financial impact could be significant.

Technology and Product Development

The Company focuses its research and development efforts on material development, printing systems design and software development. Material development involves the application of surface chemistry concepts for top coatings and adhesives applied to a variety of base materials. Systems design integrates materials, embedded software and a variety of printing technologies to form a complete solution for customer applications or the Company s own production requirements. The Company s research and development team also supports production and marketing efforts by providing application and technical expertise.

The Company possesses patents covering various aspects of adhesive chemistry, electronic circuitry, printing systems for 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 research and development activities at the Frederic S. Tobey Research and Innovation Center (approximately 39,600 sq. ft.) in Milwaukee, Wisconsin and its research and development facilities in Singapore and Beijing, China. The Company spent approximately $43.0 million, $42.6 million, and $34.2 million during the fiscal years ended July 31, 2011, 2010, and 2009, respectively, on its research and development activities. In fiscal 2011, approximately 215 employees were engaged in research and development activities for the Company. Additional research projects were conducted in Company facilities in other locations in the United States, Europe and Asia and 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 2011, 2010, and 2009, sales from international operations accounted for 64.6%, 63.4%, and 61.8%, respectively, of the Company s sales. Its global infrastructure includes subsidiaries in Australia, Belgium, Brazil, Canada, the Cayman Islands, China, Denmark, France, Germany, Hong Kong, India, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Singapore, Slovakia, South Korea, Spain, Sweden, Thailand, Turkey, the United Arab Emirates, the United Kingdom and the United States of America. The Company also sells through subsidiaries or sales offices in these countries, with additional sales through a dedicated team of international sales representatives in Hungary, New Zealand, Russia, Taiwan, and Vietnam. The Company further markets its products to parts of Eastern Europe, the Middle East, Africa and South America.

Competition

The markets for all of the Company s products are competitive. Brady believes that it is one of the leading producers in its specific markets of wire markers, safety signs, pipe markers, label printing systems, and die-cut. Brady competes for business principally on the basis of production capabilities, engineering, and research and development capabilities, materials expertise, its global footprint, global account management where needed, customer service and 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 its 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 overall product lines. A number of Brady s competitors are larger than the Company and have greater resources. Notwithstanding the resources of these competitors, management believes that Brady provides a broader range of identification solutions than any of them, and that its global infrastructure is a significant competitive advantage in serving large multi-national customers.

Backlog

As of July 31, 2011, the amount of the Company s backlog orders believed to be firm was $27.2 million. This compares with $35.3 million and $27.5 million of backlog orders as of July 31, 2010 and 2009, respectively. The decrease in the backlog from July 31, 2010 to July 31, 2011 was primarily due to the larger amount of backlog related to a one-time brand protection order in the Americas Brady business in the prior year. Average delivery time for the Company s orders varies from same-day delivery to one month, depending on the type of product, customer request or demand, and whether the product is stock or custom-designed and manufactured. The Company s backlog does not provide much visibility for future business.

Environment

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. The Company has implemented a number of systems and procedures to reduce atmospheric emissions and/or to recover solvents. Management believes the Company is substantially in compliance with all environmental regulations.

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Employees

As of September 20, 2011, the Company employed approximately 6,500 individuals. Brady has never experienced a material work stoppage due to a labor dispute and considers its relations with employees to be good. The mix of employees is changing as the Company employs more people in developing countries where wage rates are lower and employee turnover tends to be higher than in developed countries.

Acquisitions and Divestitures

Information about the Company s acquisitions and divestitures 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.

(e) *Information Available on the Internet*

The Company s Corporate Internet address is http://www.bradycorp.com. The Company makes available, free of charge, on or through its Internet website copies of its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to all such reports as soon as reasonably practicable after such reports are electronically filed with or furnished to the SEC. The Company is not including the information contained on or available through its website as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 1A. *Risk Factors*

Before making an investment decision with respect to the Company s stock, you should carefully consider the risks set forth below and all other information contained in this report. If any of the events contemplated by the following risks actually occur, then the Company s business, financial condition, results of operations, cash flow, or liquidity could be materially affected.

The Company s financial condition, results of operations, cash flows, or liquidity may be adversely affected by a prolonged economic downturn or economic uncertainty.

The Company s business and operating results have been and will continue to be affected by global economic conditions. As global economic conditions deteriorate or economic uncertainty continues, our customers and potential customers may experience deterioration of their businesses, which may result in the delay or cancellation of plans to purchase our products. Our sensitivity to economic cycles and any related fluctuations in the businesses of our customers or potential customers may have a material effect on our financial condition, results of operations, cash flows, or liquidity.

Demand for the Company s products may be susceptible to fluctuations in the major markets served that may cause volatility in its results of operations, cash flows, and liquidity.

Sales of the Company s products may be susceptible to changes in market conditions. The Company s business in the safety and facility identification and wire and cable identification product lines tends to vary with the nominal GDP of the local economies in which the Company manufactures and sells. As a result, in periods of economic contraction, the business is likely to decline. In the precision die-cut and high performance identification product lines, the Company may be adversely affected by reduced demand for products due to downturns in the global economy as this is a more volatile business. This can result in higher degrees of volatility in the Company s net sales, results of operations, cash flows, and liquidity. These more volatile markets include, but are not limited to, mobile telecommunication devices, hard disk drives and electronics in personal computers and other electronic devices.

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Failure to meet certain financial covenants required by our debt agreements may adversely affect our assets, financial position, cash flows, and liquidity.

The Company s debt and revolving loan agreements require it to maintain certain financial covenants. The June 2004, February 2006, March 2007 and May 2010 debt agreements require the Company to maintain a ratio of debt to the trailing twelve months earnings before interest, taxes, depreciation and amortization (EBITDA), as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). The October 2006 revolving loan agreement, as amended and extended in May 2008, requires the Company to maintain a ratio of debt to trailing twelve months EBITDA, as defined by the debt agreement, of not more than a 3.0 to 1.0 ratio. Additionally, the revolving loan agreement requires the trailing twelve months earnings before interest and taxes (EBIT) to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). The October 2006 revolving loan agreement, as amended and extended in May 2008, also requires that the aggregate net book value of the assets sold or otherwise disposed of by the Company and its subsidiaries, as defined in the agreement, in any fiscal year of the Company shall not exceed 15% of consolidated tangible net worth.

If we breach any of these restrictions or covenants and do not obtain a waiver from the lenders, then, subject to applicable cure periods, the outstanding indebtedness (and any other indebtedness with cross-default provisions) could be declared immediately due and payable, which would adversely affect our liquidity and financial condition.

An increase in the Company s level of debt could adversely affect our financial health.

An increase in the Company s level of debt, which historically has occurred to finance acquisitions and for other general corporate purposes, could adversely impact: obligations under existing debt agreements; ability to obtain additional financing for future growth; future interest rates; cash flows available to fund new product development; capital expenditures; working capital and other general corporate activities; and the Company s flexibility in planning and reacting to changes in the business.

The Company s net earnings could be affected by changes in tax legislation or tax rates. Additionally, audits by taxing authorities could result in tax payments for prior periods.

The Company is subject to income taxes in the U.S. and in many non-U.S. jurisdictions. As such the Company s net earnings are subject to risk due to changing tax laws and tax rates around the world. At any point in time, there are a number of tax proposals at various stages of legislation throughout the globe. While it is impossible for us to predict whether some or all of these proposals will be enacted, it is likely they will have an impact on our net earnings.

The Company s tax filings are subject to audit by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in payments or assessments different from our reserves, our future net earnings may be adversely impacted.

The Company reviews the probability of the realization of its deferred tax assets on a quarterly basis based on forecasts of taxable income in both the U.S. and foreign jurisdictions. As part of this review, the Company utilizes historical results, projected future operating results, eligible carry-forward periods, tax planning opportunities, and other relevant considerations. Adverse changes in profitability and financial outlook in both the U.S. and foreign jurisdictions, or changes in its geographic footprint may require changes in the valuation allowances to reduce its deferred tax assets. Such changes could result in material non-cash expenses in the period in which the changes are made and could have a material impact on the Company s net earnings.

The Company may be adversely impacted by an inability to identify, complete and integrate acquisitions.

Our historical growth has included, and our future growth strategy includes, acquisitions. The Company may not be able to identify acquisition targets or successfully complete acquisitions in the future due to the absence of quality companies, economic conditions, or price expectations from sellers. If the Company is unable to complete additional acquisitions, its growth may be limited.

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Additionally, as the Company grows through acquisitions, it will continue to place significant demands on its management, operational and financial resources. Recent and future acquisitions will require integration of operations, sales and marketing, information technology, finance and administrative operations. The successful integration of acquisitions will require substantial attention from the Company s management and the management of the acquired businesses, which could decrease the time management, has to serve and attract customers. The Company cannot assure that it will be able to successfully integrate these recent or any future acquisitions, that these acquisitions will operate profitably or that it will be able to achieve the financial or operational success expected from the acquisitions. The Company s financial condition, cash flows and operational results could be adversely affected if it does not successfully integrate the newly acquired businesses or if its other businesses suffer on account of the increased focus on the newly acquired businesses.

If the Company fails to develop new products or its customers do not accept the new products it develops, the Company s business could be adversely affected.

Development of proprietary products is key to the success of the Company s core growth and reasonable gross profit margins now and in the future. Therefore, the Company must continue to develop new and innovative products and acquire and retain the necessary intellectual property rights in these products on an ongoing basis. If it fails to make innovations, launches products with quality problems, or the market does not accept its new products, then the Company s financial condition, results of operations, cash flows, and liquidity could be adversely affected. The Company continues to invest in the development and marketing of new products. These expenditures do not always result in products that will be accepted by the market. Failure to develop successful new products may also cause its customers to buy from a competitor or may cause the Company to lower its prices in order to compete. This could have an adverse impact on the Company s profitability.

The Company operates in competitive markets and may be forced to cut its prices or incur additional costs to remain competitive, which may have a negative impact on its profitability.

The Company faces substantial competition throughout its entire business, but particularly in the precision die-cut business. Competition may force the Company to cut its prices or incur additional costs to remain competitive. The Company competes on the basis of production capabilities, engineering and R&D capabilities, materials expertise, its global footprint, global account management where needed, customer service and price. Present or future competitors may have greater financial, technical or other resources, lower production costs or other pricing advantages, any of which could put the Company at a disadvantage in the affected business by threatening its market share or reducing its profit margins. Additionally, in some of its other businesses, the Company s distributors/customers may seek lower cost sourcing opportunities, which could cause a loss of business that may adversely impact the Company s revenues.

The global nature of our business exposes us to foreign currency fluctuations that could adversely affect the Company s sales, profits, and cash balances.

More than 60 percent of the Company s revenues are derived outside the United States. As such, fluctuations in foreign currency exchange rates can have an adverse impact on its sales and profits as amounts that are measured in foreign currency are translated back to U.S. dollars. Any increase in the value of the U.S. dollar in relation to the value of the local currency will adversely affect operating results from the Company s foreign operations when translated into U.S. dollars. Similarly, any decrease in the value of the U.S. dollar in relation to the value of the local currency will increase operating results in the Company s foreign operations when translated into U.S. dollars. During fiscal 2011, the weakening U.S. dollar versus the majority of other currencies increased the Company s sales by $31.1 million.

At July 31, 2011, approximately 69% of the Company s cash and cash equivalents were held outside the United States. As a result, fluctuations in foreign currency can have an adverse impact on the Company s cash balances. Any increase in the value of the U.S. dollar in relation to the value of various foreign currencies will have a negative impact on cash balances when translated into U.S. dollars. Weakening of the U.S. dollar against foreign currencies will have a positive impact on cash balances when foreign currencies are translated into U.S. dollars. During fiscal 2011, the weakening U.S. dollar versus the majority of other currencies increased the Company s cash and cash equivalents by $22.0 million.

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The Company s goodwill or other intangible assets may become impaired, which may negatively impact the Company s profitability.

The Company has a substantial amount of goodwill and other intangible assets on its balance sheet as a result of its acquisitions. As of July 31, 2011, the Company had $800.3 million of goodwill on its balance sheet, representing the excess of the total purchase price for its acquisitions over the fair value of the net assets it acquired, and $90.0 million of other intangible assets, primarily representing the fair value of the customer relationships, patents and trademarks it acquired in its acquisitions. At July 31, 2011, goodwill and other intangible assets represented approximately 48% of the Company s total assets. The Company evaluates goodwill for impairment on an annual basis or more frequently if impairment indicators are present based on the fair value of each operating segment. It assesses the impairment of other intangible assets on an annual basis or more frequently if impairment indicators are present based upon the expected future cash flows of the respective assets. These valuations include management s estimates of sales, profitability, cash flow generation, capital structure, cost of debt, interest rates, capital expenditures, and other assumptions. Significant negative industry or economic trends, disruptions to the Company s business, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets or in entity structure, and divestitures may adversely impact the assumptions used in the valuations. If the estimated fair value of the Company s operating segments change in future periods, it may be required to record an impairment charge related to goodwill or other intangible assets, which would have the effect of decreasing its earnings in such period.

The Company has a concentration of business with several large key customers and distributors and loss of one or more of these customers could significantly affect the Company s results of operations, cash flows, and liquidity.

While the Company has a broad customer base and no individual customer represents 5% or more of total net sales, several of the Company s large key customers in the precision die-cut business together comprise a significant portion of its revenues. Additionally, the Company does business with several large distribution companies. The Company s dependence on these large customers makes its relationships with these customers important to its business. The Company cannot guarantee that it will be able to maintain these relationships and retain this business in the future. Because these large customers account for a significant portion of the Company s revenues, they possess relatively greater capacity to negotiate a reduction in the prices the Company charges for its products. If the Company is unable to provide products to its customers at the quality and prices acceptable to them or adapt to technological changes, some of its customers may in the future elect to shift some or all of this business to competitors or to substitute other manufacturer s products. If one of the Company s key customers consolidates, is acquired by another company or loses market share, the result of that event may have an adverse impact on the Company s business. The loss of or reduction of business from one or more of these large key customers could have a material impact on the Company s financial condition, results of operations, cash flows, and liquidity.

The Company increasingly conducts a sizable amount of its manufacturing outside of the United States, which may present additional risks to its business.

A significant portion of the Company s sales are attributable to products manufactured outside of the United States. More than half of the Company s approximately 6,500 employees and more than half of its manufacturing locations are outside of the United States. The Company s international operations are generally subject to various risks including political, economic and societal instability, the imposition of trade restrictions, local labor market conditions, the effects of income taxes, and differences in business practices. The Company may incur increased costs and experience delays or disruptions in product deliveries and payments in connection with international manufacturing and sales that could cause loss of revenue. Unfavorable changes in the political, regulatory and business climate in countries where the Company has operations could have a material effect on its financial condition, results of operations, and cash flows

Environmental, health and safety laws and regulations could adversely affect the Company s business.

The Company s facilities and operations are subject to numerous laws and regulations relating to climate change, air emissions, wastewater discharges, the handling of hazardous materials and wastes, manufacturing and disposal of certain materials, and regulations otherwise relating to health, safety and the protection of the environment. The Company s products may also be governed by regulations in the countries where they are sold. As a result, the

Company may need to devote management time or expend significant resources on compliance, and has incurred and will continue to incur capital and other expenditures to comply with these regulations. Any significant costs may have a material impact on the Company s financial condition, results of operations or cash flows. Further, these laws and regulations are constantly evolving and it is impossible to predict accurately the effect they may have upon the Company s financial condition, results of operations or cash flows.

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The Company s businesses are subject to regulation; failure to comply with those regulations could adversely affect its financial condition, results of operations, cash flows, and reputation.

In addition to the environmental regulations noted above, the Company s businesses are subject to extensive regulation by U.S. and non-U.S. governmental and self-regulatory entities at the federal, state and local levels, including the following:

The Company is required to comply with various import laws and export control and economic sanctions laws, which may affect its transactions with certain customers, business partners and other persons and dealings with or between its employees and subsidiaries. In certain circumstances, export control and economic sanctions regulations may prohibit the export of certain products, services and technologies, and in other circumstances the Company may be required to obtain an export license before exporting the controlled item.

The Company also has agreements relating to the sale of products to government entities or supply products to companies who resell these products to government entities and are subject to various statutes and regulations that apply to companies doing business with the government. The laws governing government contracts differ from the laws governing private contracts. The Company is also subject to investigation and audit for compliance with the requirements of government contracts, including requirements related to procurement integrity, export control, employment practices, the accuracy of records and the recording of costs. A failure to comply with these requirements might result in suspension of these contracts and suspension or debarment from government contracting or subcontracting.

The Company cannot provide assurance that its internal controls and compliance systems will always protect the Company from acts committed by the Company s employees, agents or business partners that would violate U.S. and/or non-U.S. laws, including the laws governing payments to government officials, bribery, fraud, anti-kickback and false claims rules, competition, export and import compliance, money laundering and data privacy. Any such improper actions could subject the Company to civil or criminal investigations in the U.S. and in other jurisdictions, could lead to substantial civil or criminal, monetary and non-monetary penalties and related shareholder lawsuits and could damage the Company s reputation.

The Company may be unable to successfully complete its restructuring plans to reduce costs and increase efficiencies in its businesses and, therefore, it may not achieve projected financial statement benefits.

The Company continues to implement several measures to address its cost structure. Successful implementation of such initiatives is critical to the Company s future competitiveness and its ability to improve profitability. Further actions to reduce the Company s cost structure and the charges related to these actions may have a material effect on the Company s results of operations and financial condition.

Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

The Company currently operates 55 manufacturing or distribution facilities in the following regions:

Americas: Thirteen are located in the United States; three in Brazil, two in Mexico; and one in Canada.

Europe: Four each located in the United Kingdom, Belgium, and Germany; three in France; and one each in the Netherlands, Italy, Norway, Poland, and Sweden.

Asia-Pacific: Seven are located in China; three in Australia; and one each in Japan, Thailand, Singapore, India, South Korea, and Malaysia.

The Company s present operating facilities contain a total of approximately 3.1 million square feet of space, of which approximately 2.1 million square feet is leased. The Company believes that its equipment and facilities are modern, well maintained and adequate for present needs.

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Item 3. ***Legal Proceedings***

The Company is, and may in the future be, party to litigation arising in the normal course of business. The Company is not currently a party to any material pending legal proceedings in which management believes the ultimate resolution would have a material effect on the Company s consolidated financial statements.

Item 4. (Removed and Reserved)

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

(a) ***Market Information***

Brady Corporation Class A Nonvoting Common Stock trades on the New York Stock Exchange under the symbol BRC. The following table sets forth the range of high and low daily closing sales prices for the Company s class A stock as reported on the New York Stock Exchange for each of the quarters in the fiscal years ended July 31:

	2011		2010		2009	
	High	**Low**	**High**	**Low**	**High**	**Low**
4th Quarter	$ 38.49	$ 29.60	$ 34.75	$ 24.37	$ 29.41	$ 21.33
3rd Quarter	$ 37.71	$ 33.37	$ 35.28	$ 27.19	$ 23.08	$ 14.61
2nd Quarter	$ 33.78	$ 30.83	$ 31.22	$ 26.77	$ 31.07	$ 16.38
1st Quarter	$ 31.33	$ 25.35	$ 33.06	$ 27.08	$ 39.68	$ 25.18

There is no trading market for the Company s Class B Voting Common Stock.

(b) ***Holders***

As of September 20, 2011, there were 808 Class A Common Stock shareholders of record and approximately 7,500 beneficial shareholders. There are three Class B Common Stock shareholders.

(c) ***Issuer Purchases of Equity Securities***

During fiscal 2008 and fiscal 2009, the Company s Board of Directors authorized share repurchase plans for the Company s Class A Nonvoting Common Stock. The share repurchase plans were implemented by purchasing shares in the open market or privately negotiated transactions, with repurchased shares available for use in connection with the Company s stock-based plans and for other corporate purposes. The Company reacquired approximately 102,067, 1,345,000 and 1,349,000 shares of its Class A Common Stock for $2.5 million, $40.3 million and $42.2 million in fiscal 2010, 2009 and 2008, respectively, in connection with its stock repurchase plans. The Company did not reacquire any shares in fiscal 2011. As of July 31, 2011, there remained 204,133 shares to purchase in connection with this share repurchase plan. On September 9, 2011, the Company s Board of Directors authorized a share buyback program for up to an additional 2 million shares of the Company s Class A Common Stock.

(d) ***Dividends***

The Company has historically paid quarterly dividends on outstanding common stock. Before any dividend may be paid on the Class B Common Stock, holders of the Class A Common Stock are entitled to receive an annual, noncumulative cash dividend of $0.01665 per share (subject to adjustment in the event of future stock splits, stock dividends or similar events involving shares of Class A Common Stock). Thereafter, any further dividend in that fiscal year must be paid on all shares of Class A Common Stock and Class B Common Stock on an equal basis. The Company s revolving credit agreement restricts the amount of certain types of payments, including dividends that can be made annually to $50 million plus 75% of the consolidated net income excluding all extraordinary non-cash items for the prior fiscal year. The Company believes that based on its historic dividend practice, this restriction will not impede it in following a similar dividend practice in the future.

During the two most recent fiscal years and for the first quarter of fiscal 2012, the Company declared the following dividends per share on its Class A and Class B Common Stock for the years ended July 31:

	2012	2011				2010			
	1st Qtr	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**	**1st Qtr**	**2nd Qtr**	**3rd Qtr**	**4th Qtr**
Class A	$ 0.185	$ 0.18	$ 0.18	$ 0.18	$ 0.18	$ 0.175	$ 0.175	$ 0.175	$ 0.175
Class B	0.16835	0.16335	0.18	0.18	0.18	0.15835	0.175	0.175	0.175

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(e) ***Common Stock Price Performance Graph***

The graph below shows a comparison of the cumulative return over the last five fiscal years had $100 been invested at the close of business on July 31, 2006, in each of Brady Corporation Class A Common Stock, The Standard & Poor s (S&P) 500 index, the Standard and Poor s SmallCap 600 index, and the Russell 2000 index.

Comparison of 5 Year Cumulative Total Return*
Among Brady Corporation, The S&P 500 Index,
The S&P SmallCap 600 Index and The Russell 2000 Index

* $100 invested on 7/31/06 in stock or index including reinvestment of dividends. Fiscal year ended July 31.

	7/31/2006	7/31/2007	7/31/2008	7/31/2009	7/31/2010	7/31/2011
Brady Corporation	100.00	105.28	112.28	92.53	89.61	104.98
S&P 500 Index	100.00	116.13	103.25	82.64	94.08	112.56
S&P SmallCap 600 Index	100.00	114.10	104.66	84.49	100.69	125.58
Russell 2000 Index	100.00	112.13	104.61	82.91	98.20	121.68

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Item 6. ***Selected Financial Data***

CONSOLIDATED STATEMENTS OF INCOME AND SELECTED FINANCIAL DATA
Years Ended July 31, 2007 through 2011

	2011	2010	2009	2008	2007
Operating Data (1)					
Net Sales	$ 1,339,597	$ 1,259,096	$ 1,208,702	$ 1,523,016	$ 1,362,631
Gross Margin	656,196	623,297	577,583	744,195	657,044
Operating Expenses:					
Research and development	43,001	42,621	34,181	40,607	35,954
Selling, general and administrative	441,815	435,906	397,180	495,904	449,103
Restructuring charge (2)	9,188	15,314	25,849		
Total operating expenses	494,004	493,841	457,210	536,511	485,057
Operating Income	162,192	129,456	120,373	207,684	171,987
Other Income (Expense):					
Investment and other income net	3,990	1,168	1,800	4,888	2,875
Interest expense	(22,124)	(21,222)	(24,901)	(26,385)	(22,934)
Net other expense	(18,134)	(20,054)	(23,101)	(21,497)	(20,059)
Income before income taxes	144,058	109,402	97,272	186,187	151,928
Income Taxes	35,406	27,446	27,150	53,999	42,540
Net Income	$ 108,652	$ 81,956	$ 70,122	$ 132,188	$ 109,388
Net Income Per Common Share (Diluted):					
Class A nonvoting	$ 2.04	$ 1.55	$ 1.32	$ 2.41	$ 2.00
Class B voting	$ 2.03	$ 1.53	$ 1.31	$ 2.39	$ 1.98
Cash Dividends on:					
Class A common stock	$ 0.72	$ 0.70	$ 0.68	$ 0.60	$ 0.56
Class B common stock	$ 0.70	$ 0.68	$ 0.66	$ 0.58	$ 0.54
Balance Sheet at July 31:					
Working capital	$ 456,406	$ 375,184	$ 286,955	$ 390,524	$ 303,359
Total assets	1,861,505	1,746,231	1,583,267	1,850,513	1,698,857
Long-term obligations, less current maturities	331,914	382,940	346,457	457,143	478,575
Stockholders investment	1,156,192	1,005,027	951,092	1,021,808	891,012
Cash Flow Data:					
Net cash provided by operating activities	$ 167,350	165,238	126,645	225,554	136,018
Depreciation and amortization	48,827	53,022	54,851	60,587	53,856
Capital expenditures	(20,532)	(26,296)	(24,027)	(26,407)	(51,940)

(1) Financial data has been impacted by the acquisitive nature of the Company as one, three, two, and seven acquisitions were completed in fiscal years ended July 31, 2011, 2010, 2008, and 2007, respectively. There were no acquisitions in fiscal 2009. See Note 2 in Item 8 for further information on the acquisitions that were

completed.

(2) In fiscal 2009, in response to the global economic downturn, the Company initiated several measures to address its cost structure, including the reduction in its workforce and decreased discretionary spending. The Company continued certain of these measures during fiscal 2011 and 2010.

Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

Overview

In fiscal 2011, the Company posted sales of $1,339.6 million and net income of $108.7 million, an increase of 6.4% and 32.6%, respectively, from fiscal 2010. Of the 6.4% increase in sales, organic sales increased 2.9%, the effects of fluctuations in the exchange rates used to translate financial results into the United States dollar increased sales by 2.5%, and a fiscal 2011 acquisition, net of divestiture, increased sales by 1.0%. Regionally, fiscal 2011 sales in the Americas, Europe, and Asia-Pacific increased 4.8%, 6.5%, and 9.0% , respectively, as compared to fiscal 2010.

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Net income for fiscal 2011 increased 32.6% to $108.7 million or $2.04 per diluted share of Class A Common Stock, compared to $82.0 million, or $1.55 per diluted share of Class A Common Stock in fiscal 2010. Fiscal 2011 net income before restructuring related expenses was $115.2 million, or $2.16 per diluted share of Class A Common Stock compared to 2010 net income before restructuring related expenses of $93.4 million, or $1.76 per diluted share of Class A Common Stock. The improvement in earnings was driven by organic sales growth, the positive impacts of the Company s ongoing process improvement initiatives and restructuring activities as well as benefits from foreign currency translation.

In fiscal 2011, the Company generated $167.4 million of cash from operations, an increase of $2.2 million from the prior fiscal year. The increase in fiscal 2011 net income was mainly offset by improvements in working capital in the prior year.

Results of Operations

Year Ended July 31, 2011, Compared to Year Ended July 31, 2010

The comparability of the operating results for the fiscal years ended July 31, 2011 to July 31, 2010, has been impacted by the following acquisitions and divestitures completed in fiscal 2011.

Acquisition:	**Segment**	**Date Completed**
ID Warehouse	Asia Pacific	November 2010

Divestiture:	**Segment**	**Date Completed**
Teklynx	Americas Europe	December 2010

Fiscal 2011 sales increased $80.5 million, or 6.4% from fiscal 2010. The 6.4% increase in sales consisted of 2.9% growth in organic sales, 2.5% growth due to the effects of the foreign currency translation, and 1.0% growth due to an acquisition net of divesture.

Organic sales, defined as sales in the Company s existing core businesses and regions (exclusive of acquisitions owned less than one year, divestitures, and foreign currency translation effects), were up 2.9% compared to fiscal 2010. Regionally, fiscal 2011 organic sales in the Americas, Europe, and Asia-Pacific increased 3.2%, 4.7%, and 0.4%, respectively, as compared to fiscal 2010. The organic sales increase experienced in the Americas was due primarily to the strong Brady brand sales growth and new products positively received by end users and distributors. The increase in Europe s organic sales was broad-based with growth in both the Brady business and Direct Marketing business. Geographically, sales were weak in the United Kingdom, offsetting strength in other European markets. Organic sales in the Asia-Pacific segment remained relatively flat. The segment s on-going customer base diversification in the mobile handset and other adjacent markets offset the reduced demand from one of our largest mobile handset customers.

The acquisition net of the divestiture listed above increased sales by $12.7 million or 1.0% in fiscal 2011 as compared to fiscal 2010. The currency growth reflects fluctuations in the exchange rates used to translate financial results into the United States Dollar which increased sales by $31.1 million or 2.5% for the year.

The gross margin as a percentage of sales declined to 49.0% in fiscal 2011 from 49.5% in fiscal 2010. The decline in gross margin as a percentage of sales was primarily due to the increased costs of raw materials which the company was not able to fully offset through continued cost reduction activities or price increases. The Company continues to focus on gross margin improvements through the Brady Business Performance System, lean, and strategic sourcing efforts.

Research and development expenses increased to $43.0 million in fiscal 2011 from $42.6 million in fiscal 2010, and declined as a percentage of sales in fiscal 2011 to 3.2% compared to 3.4% in fiscal 2010. The increase in R&D spending was due to the Company s continued commitment to innovation and new product development. This investment declined as percentage of sales slightly in fiscal 2011 as a result of the elimination of the R&D expenses incurred by the Company s previously owned Teklynx business.

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Selling, general, and administrative (SG&A) expenses increased to $441.8 million in fiscal 2011 as compared to $435.9 million in fiscal 2010. SG&A expenses increased during the fiscal year mainly due to the fluctuations in exchange rates. The Company divested of its Teklynx business resulting in a pre-tax gain of $4.4 million, which is included in SG&A. This pre-tax gain was offset by the associated transaction-related costs and income tax expense, resulting in a net income impact of $0.8 million during fiscal 2011. SG&A also increased in fiscal 2011 as a result of the annual merit increases, and increased advertising campaign expenses. As a percentage of sales, SG&A declined to 33.0% in fiscal 2011 from 34.6% in fiscal 2010 as the Company continues to reduce administrative costs through its cost reduction activities including simplifying, standardizing, and automating processes.

Restructuring charges were $9.2 million and $15.3 million during fiscal 2011 and 2010, respectively. During fiscal 2010 and 2011, the Company incurred restructuring related costs as a result of facility consolidations and continued workforce reduction activities. The costs associated with the workforce reduction primarily include employee separation costs, consisting of severance pay, outplacement services, medical, and other related benefits for the Company s work force.

Interest expense increased to $22.1 million from $21.2 million for fiscal 2011 compared to fiscal 2010. In fiscal 2011, the Company repaid approximately $61.3 million of debt. Interest expense increased due to a full year of interest being recognized on the May 2010 private placement, compared to a partial year of interest in 2010. The increase was partially offset by the lower principal balance under the previously outstanding debt agreements.

Other income and expense increased $2.8 million in fiscal 2011 to $4.0 million from $1.2 million in the prior year. The increase was primarily due to the interest income earned on the Company s money market and depository accounts, in addition to the gains on securities held in executive deferred compensation plans.

The Company s effective tax rate was 24.6% in fiscal 2011, which was relatively consistent with the effective tax rate of 25.1% in fiscal 2010. The Company anticipates that its fiscal 2012 effective tax rate will be consistent with prior periods.

Net income for the fiscal year ended July 31, 2011, increased 32.6% to $108.7 million, compared to $82.0 million for the fiscal year ended July 31, 2010, as a result of the factors noted above. Net income as a percentage of sales increased to 8.1% from 6.5% for the fiscal year ended July 31, 2011 compared to the prior year. Diluted net income per share increased 31.6% to $2.04 per share for fiscal 2011 compared to $1.55 per share for the fiscal year ended July 31, 2010. Fiscal 2011 and 2010 net income before restructuring related expenses was $115.2 million, or $2.16 per diluted share of Class A Common Stock, and $93.4 million, or $1.76 per diluted share of Class A Common Stock, respectively.

Year Ended July 31, 2010, Compared to Year Ended July 31, 2009

The comparability of the operating results for the fiscal years ended July 31, 2010 to July 31, 2009, has been impacted by the following acquisitions completed in fiscal 2010.

Acquisitions:	**Segment**	**Date Completed**
Welconstruct Group Limited (Welco)	Europe	October 2009
Stickolor Industria e Comerciao de Auto Adesivos Ltd (Stickolor)	Americas	December 2009
Securimed SAS (Securimed)	Europe	March 2010

Fiscal 2010 sales increased $50.4 million, or 4.2% from fiscal 2009. The 4.2% increase consisted of 0.2% growth in organic sales, 1.3% growth due to acquisitions, and 2.7% growth resulting from the effects of foreign currency translation.

Organic sales, defined as sales in the Company s existing core businesses and regions (exclusive of acquisitions owned less than one year and foreign currency translation effects), were up 0.2% compared to fiscal 2009. The annual organic sales growth of 0.2% varied significantly by quarter. In the first quarter of the year the Company experienced a 15.9% decline in organic sales as the prior year quarter had not yet been impacted by the economic recession. Subsequent to the first quarter the Company experienced sequential growth over the prior period each quarter.

The acquisitions listed above increased sales by $16.2 million or 1.3% in fiscal 2010. The currency growth reflects fluctuations in the exchange rates used to translate financial results into the United States Dollar which increased sales by $32.3 million or 2.7% for the year.

The gross margin as a percentage of sales increased to 49.5% in fiscal 2010 from 47.8% in fiscal 2009. The increase in gross margin as a percentage of sales was primarily due to the cost savings generated from restructuring activities as well as lean and continuous improvement activities in fiscal 2010 and 2009.

Research and development expenses increased to $42.6 million in fiscal 2010 from $34.2 million in fiscal 2009, and increased as a percentage of sales in fiscal 2010 to 3.4% compared to 2.8% in fiscal 2009. The increase was due to the Company s continued commitment to investing in new product development as well as the increased incentive compensation expenses during fiscal 2010.

Selling, general, and administrative (SG&A) expenses increased to $435.9 million in fiscal 2010 as compared to $397.2 million in fiscal 2009. The increase in SG&A expenses was primarily due to the resumption of payment of certain incentive compensation expenses during fiscal 2010, as well as the effects of the fluctuations in the exchange rates used to translate financial results into the United States dollar. In fiscal 2009, the Company experienced a reduction in SG&A due to the elimination of certain incentive compensation plans during the year. As a percentage of sales, SG&A increased to 34.6% in fiscal 2010 from 32.9% in fiscal 2009.

Restructuring charges were $15.3 and $25.8 million during fiscal 2010 and 2009, respectively. In fiscal 2009, $1.6 million of income tax expense was also incurred related to the anticipated repayment of certain tax holidays due to site consolidation actions. In response to the global economic downturn, the Company implemented a plan to reduce its cost structure. During fiscal 2009 and 2010, the Company incurred costs related to the reduction of its workforce and facility consolidations. Restructuring costs related primarily to employee separation costs, consisting of severance pay, outplacement services, medical, and other related benefits for the Company s work force.

Interest expense decreased to $21.2 million from $24.9 million for fiscal 2010 compared to fiscal 2009. In fiscal 2010, the Company repaid approximately $44.9 million of debt. Interest expense decreased due to the Company s lower principal balance under the previously outstanding debt agreements. The decrease was partially offset by additional interest on the May 2010 private placement, as compared to the prior year.

Other income and expense decreased $0.6 million in fiscal 2010 to $1.2 million from $1.8 million in the prior year. The decrease was primarily due to a decrease in foreign exchange gains, offset by gains on securities held in executive deferred compensation plans.

The Company s effective tax rate was 25.1% for fiscal 2010 compared to 27.9% for fiscal 2009. The decrease in the Company s effective tax rate during fiscal 2010 was primarily due to the mix of profits in low and high tax countries as well as positive impacts from foreign and U.S. income tax audits.

Net income for the fiscal year ended July 31, 2010, increased 16.9% to $82.0 million, compared to $70.1 million for the fiscal year ended July 31, 2009, as a result of the factors noted above. Net income as a percentage of sales increased to 6.5% from 5.8% for the fiscal year ended July 31, 2010 compared the same period in the prior year. Diluted net income per share increased 17.4% to $1.55 per share for fiscal 2010 compared to $1.32 per share for the fiscal year ended July 31, 2009. Fiscal 2010 and 2009 net income before restructuring related expenses was $93.4 million, or $1.76 per diluted share of Class A Common Stock, and $90.2 million, or $1.71 per diluted share of Class A Common Stock, respectively.

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Business Segment Operating Results

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

(Dollars in thousands)	Americas	Europe	Asia-Pacific	Total Regions	Corporate and Eliminations	Total Company
SALES TO EXTERNAL CUSTOMERS						
Years ended:						
July 31, 2011	$ 577,428	$ 404,955	$ 357,214	$ 1,339,597		$ 1,339,597
July 31, 2010	551,185	380,121	327,790	1,259,096		1,259,096
July 31, 2009	534,440	367,156	307,106	1,208,702		1,208,702
SALES GROWTH INFORMATION						
Year ended July 31, 2011:						
Organic	3.2%	4.7%	0.4%	2.9%		2.9%
Currency	1.1%	0.6%	6.9%	2.5%		2.5%
Acquisitions/Divestitures	0.5%	1.2%	1.7%	1.0%		1.0%
Total	4.8%	6.5%	9.0%	6.4%		6.4%
Year ended July 31, 2010:						
Organic	0.1%	(0.3)%	0.8%	0.2%		0.2%
Currency	1.6%	1.4%	5.9%	2.7%		2.7%
Acquisitions/Divestitures	1.4%	2.4%	0.0%	1.3%		1.3%
Total	3.1%	3.5%	6.7%	4.2%		4.2%
SEGMENT PROFIT						
Years ended:						
July 31, 2011	$ 145,516	$ 112,047	$ 50,105	$ 307,668	$ (15,742)	$ 291,926
July 31, 2010	125,169	103,316	52,105	280,590	(14,131)	266,459
July 31, 2009	114,404	99,875	42,575	256,854	(7,952)	248,902

NET INCOME RECONCILIATION

(Dollars in thousands)	Years ended: July 31, 2011	July 31, 2010	July 31, 2009
Total profit for reportable segments	$ 307,668	$ 280,590	$ 256,854
Corporate and eliminations	(15,742)	(14,131)	(7,952)
Unallocated amounts:			
Administrative costs	(120,546)	(121,689)	(102,680)
Restructuring costs	(9,188)	(15,314)	(25,849)
Investment and other income net	3,990	1,168	1,800
Interest expense	(22,124)	(21,222)	(24,901)

Income before income taxes	144,058	109,402	97,272
Income taxes	(35,406)	(27,446)	(27,150)
Net income	$ 108,652	$ 81,956	$ 70,122

The Company evaluates short-term segment performance based on segment profit or loss and customer sales. Corporate long-term performance is evaluated based on shareholder value enhancement (SVE), which incorporates the cost of capital as a hurdle rate for capital expenditures, new product development, and acquisitions. Segment profit or loss does not include certain administrative costs, such as the cost of finance, information technology, human resources, and executive leadership which are managed as global functions. Restructuring charges, equity compensation costs, interest, investment and other income and income taxes are also excluded when evaluating segment performance.

Americas

Americas sales increased 4.8% from fiscal 2010 to fiscal 2011, and increased 3.1% from fiscal 2009 to fiscal 2010. Organic sales grew 3.2% in 2011 and grew 0.1% in 2010. The net impact of the fiscal 2010 acquisition of Stickolor and the fiscal 2011 divestiture of the Teklynx business increased sales of the segment by 0.5% and the fluctuations of the exchange rates used to translate financial results into U.S. dollars increased sales by 1.1% in fiscal 2011. The increase in organic sales in fiscal 2011 was driven by the broad-based improvements in the segment s core markets in additional to the positive results from the segment s sales and marketing productivity initiatives. The segment continues to focus on the sale of new, differentiated products, growth in new markets, while continuing to focus on growth in core products and markets.

The annual organic sales growth of 0.1% in fiscal 2010 varied significantly during the year. In the first quarter the Americas experienced a 15.2% decline in organic sales as the prior year quarter had not yet been impacted by the economic recession. In the second quarter the Americas experienced a 4.3% decline in organic sales as the economic recession began in the prior year quarter. Subsequent to the first half of the year, Americas experienced sequential growth over the prior period each quarter due to modest improvements in the cable and wire ID, industrial identification, and safety and facility identification markets. The Company s sales volumes of sorbent products increased in the fourth quarter of fiscal 2010 as a result of the clean-up of the Gulf of Mexico oil spill. The acquisition of Stickolor increased sales of the segment by 1.4% and the fluctuations of the exchange rates used to translate financial results into U.S. dollars increased sales by 1.6% in fiscal 2010.

In the Americas region, segment profit increased 16.3% to $145.5 million in fiscal 2011 from $125.2 million in fiscal 2010. Segment profit as a percentage of sales increased to 25.2% in 2011 from 22.7% in 2010. This increase was primarily due to the improved gross margin in the segment due to certain facility consolidation actions, operational and sourcing cost savings projects offset by higher inflation, in addition to the actions taken in fiscal 2011 to streamline the segment s selling expense structure. Comparing fiscal 2010 to 2009, segment profit increased 9.4% to $125.2 million in fiscal 2010 from $114.4 million in fiscal 2009. Segment profit as a percentage of sales increased to 22.7% in 2010 from 21.4% in 2009. This increase was primarily due to the segment s commitment to its productivity initiatives including lean manufacturing and strategic sourcing.

Europe

Europe sales increased 6.5% from fiscal 2010 to fiscal 2011, and increased 3.5% from fiscal 2009 to fiscal 2010. Organic sales increased 4.7% in fiscal 2011 and declined 0.3% in fiscal 2010 as compared to prior years. Segment sales increased 1.2% in fiscal 2011 as a result of the fiscal 2010 acquisitions of Welco and Securimed, net of the fiscal 2011 divestiture of the Teklynx business. The segment s organic sales were positively impacted during fiscal 2011 as a result of growth in the Brady business and Direct Marketing business in Germany and Southern Europe due to a combination of improving economies and positive results of sales initiatives, partially offset by the continued depressed conditions in the United Kingdom. Sales were also positively affected by fluctuations in the exchange rates used to translate financial results into the United States dollar, which increased sales within the segment by 0.6% in fiscal 2011.

The annual organic sales decline, in fiscal 2010, of 0.3% varied significantly during the year. In the first quarter Europe experienced a 12.3% decline in organic sales as the prior year quarter had not yet been impacted by the economic recession. In the second quarter Europe experienced a 1.6% decline in organic sales as the economic recession began in the prior year quarter. Subsequent to the first half of the year, Europe experienced sequential growth over the prior period each quarter. The segment s organic sales volumes in direct marketing businesses and electronic industries improved modestly. The increase was offset by the decline in sales to governmental and public utilities. The acquisitions of Welco and Securimed in fiscal 2010 increased sales by 2.4%. Sales were positively affected by fluctuations in the exchange rates used to translate financial results into the United States dollar, which increased sales within the segment by 1.4% in fiscal 2010.

In the Europe region, segment profit increased 8.5% to $112.0 million in fiscal 2011 from $103.3 million in fiscal 2010. Segment profit as a percentage of sales increased to 27.7% in fiscal 2011 from 27.2% in fiscal 2010 and 2009. The increase in the segment s profit was mainly due to the increased sales volumes in addition to the continued efforts to streamline selling expenses through the Company s strategic initiatives. The segment maintained its segment profit as a percentage of sales in fiscal 2010 and was able to offset the increased expenses with cost savings initiatives put in place in fiscal 2009 and 2010.

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Asia-Pacific

Asia-Pacific sales increased 9.0% from fiscal 2010 to fiscal 2011, and sales increased 6.7% from fiscal 2009 to fiscal 2010. Organic sales increased 0.4% and 0.8% in fiscal 2011 and 2010, respectively as compared to prior years. Foreign currency translation positively impacted the segment s sales by 6.9% and 5.9% in fiscal 2011 and 2010, respectively, as compared to prior years. Overall, Asia-Pacific organic sales were relatively flat in fiscal 2011. Increased sales from the segment s on-going customer base diversification in the mobile handset and other adjacent markets offset the reduced demand from one of our largest mobile handset customers.

The fiscal 2010 annual organic sales growth of 0.8% varied significantly during the year. In the first quarter Asia experienced a 20.4% decline in organic sales as the prior year quarter had not yet been impacted by the economic recession. In the second quarter Asia experienced a 25.7% growth in organic sales as the impact of the economic recession in the prior quarter was offset by a heightened focus on high end mobile electronics and strong growth in the data storage market. In the third and fourth quarters Asia experienced growth of 9.4% and 5.2%, respectively. The increase in organic sales in fiscal 2010 was primarily due to the success in higher-end solutions in both the mobile electronics and computer and storage markets.

In the Asia-Pacific region, segment profit declined 3.8% to $50.1 million in fiscal 2011 from $52.1 million in fiscal 2010. Segment profit as a percentage of sales declined to 14.0% in fiscal 2011 from 15.9% in fiscal 2010. The decline in the profit in fiscal 2011 was the result of relatively flat organic sales, continued price pressure, and inflation on raw materials and wages. The segment continues to focus on driving operational improvements through lean as well as strategic sourcing initiatives. Comparing fiscal 2010 to 2009, segment profit as a percentage of sales increased to 15.9% in 2010 from 13.9% in 2009. The increase in the segment s profit was primarily due to the commitment to lean manufacturing at all of the segment s facilities.

Liquidity and Capital Resources

Cash and cash equivalents were $390.0 million at July 31, 2011, compared to $314.8 million at July 31, 2010. The increase in cash and cash equivalents of $75.2 million was the result of cash provided by operations of $167.4 million, and the $22.0 million positive effects of foreign currency translation, offset by cash used for acquisitions, capital expenditures, dividends and debt repayments during fiscal 2011.

The Company s working capital excluding cash as a percentage of sales remained flat at 5% in fiscal 2011 and 2010. Accounts receivable balances increased $6.9 million from July 31, 2010 to July 31, 2011. The increase in accounts receivable was due primarily to the impact of foreign currency translation as well as the increase in sales volumes. Inventories increased $9.5 million from July 31, 2010 to July 31, 2011 due to increased business activity and the impact of foreign currency translation, partially offset by focused inventory reduction initiatives. Current liabilities increased $8.1 million over the same period mainly due to the Company s forward foreign exchange currency contracts designated as net investment hedges.

Cash flow from operating activities totaled $167.4 million and $165.2 million in fiscal 2011 and 2010, respectively. The increase was primarily due to the $26.7 million increase in net income partially offset by the change in working capital components outlined above. The increase was also due to the payment of the Company s fiscal 2010 annual incentive compensation during fiscal 2011, whereas no incentive compensation was paid in fiscal 2010 due to the elimination of the annual incentive compensation in fiscal 2009.

Cash used for investing activities totaled $22.6 million and $48.7 million in fiscal 2011 and 2010, respectively. Cash used for acquisitions totaled $8.0 million during fiscal 2011 for the acquisition of ID Warehouse. The Company used $30.4 million for acquisitions of Welco, Stickolor, and Securimed during fiscal 2010; the net cash paid for Welco, Stickolor, and Securimed was $1.8 million, $18.5 million, and $10.1 million, respectively. The Company did not complete any acquisitions in fiscal 2009. Cash received from the divestiture of the Teklynx business was $13.0 million during fiscal 2011.

The investing activities also include the settlement of net investment foreign exchange contracts totaling a $5.5 million loss and a $6.2 million gain in fiscal 2011 and 2010, respectively. The net settlement is accounted for as a component of other comprehensive income (OCI) on the Consolidated Balance Sheet. Payments of $0.9 million and $0.6 million were made during fiscal 2011 to satisfy the holdback and earnout liabilities of the Asterisco and Securimed acquisitions, respectively. Payments of $0.7 million and $0.7 million were also made during fiscal 2009 to satisfy the earnout and holdback liabilities of the Transposafe and Asterisco acquisitions, respectively.

Capital expenditures were $20.5 million in fiscal 2011, $26.3 million in fiscal 2010, and $24.0 million in fiscal 2009. The decrease in the capital expenditures in fiscal 2011 was due to the fiscal 2010 expenditures related to a new coater in the Americas segment and the increased tooling required for new products in fiscal 2010 which did not repeat in fiscal 2011.

Cash used for financing activities totaled $91.6 million in fiscal 2011 and $160.3 million in fiscal 2009. Financing activities provided a total of $15.3 million in fiscal 2010. Cash used for dividends to shareholders was $38.0 million in fiscal 2011, $36.8 million in fiscal 2010, and $35.8 million in fiscal 2009. Cash received from the exercise of stock options was $8.2 million in fiscal 2011, $3.7 million in fiscal 2010, and $1.7 million in fiscal 2009. The Company made principal payments on its long-term obligations of $61.3 million in fiscal 2011, $44.9 million in fiscal 2010, and $87.2 million in fiscal 2009. The Company purchased treasury stock of $2.5 million in fiscal 2010, and $40.3 million in fiscal 2009. During fiscal 2010, the Company received proceeds of $94.9 million from the May 2010 private placement as discussed below.

On November 24, 2008, the Company filed a shelf registration statement on Form S-3 with the Securities and Exchange Commission (SEC), which will allow the Company to issue and sell, from time to time in one or more offerings, an indeterminate amount of Class A Non-Voting Common Stock and debt securities as it deems prudent or necessary to raise capital at a later date. The shelf registration statement became effective upon filing with the SEC. The Company plans to use the proceeds from any future offerings under the shelf registration for general corporate purposes, including, but not limited to, acquisitions, capital expenditures, and refinancing of debt.

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

During fiscal 2004 through fiscal 2007, the Company completed three private placement note issuances totaling $500 million in ten-year fixed rate notes with varying maturity dates to institutional investors at interest rates varying from 5.14% to 5.33%. The notes must be repaid equally over seven years, with initial payment due dates ranging from 2008 to 2011, with interest payable on the notes due semiannually on various dates throughout the year, which began in December 2004. The private placements were exempt from the registration requirements of the Securities Act of 1933. The notes were not registered for resale and may not be resold absent such registration or an applicable exemption from the registration requirements of the Securities Act of 1933 and applicable state securities laws. The notes have certain prepayment penalties for repaying them prior to the maturity date. Under the debt agreement, the Company made scheduled principal payments of $21.4 million, $44.9 million, and $61.3 million during the years ended July 31, 2009, 2010, and 2011, respectively. In June 2009, the Company also completed a cash tender offer to purchase approximately $65.8 million of its outstanding notes at par without penalty.

On October 5, 2006, the Company entered into a $200 million multi-currency revolving loan agreement with a group of five banks that replaced the Company s previous credit agreement. At the Company s option, and subject to certain standard conditions, the available amount under the credit facility may be increased from $200 million up to $300 million. Under the credit agreement, the Company has the option to select either a base interest rate (based upon the higher of the federal funds rate plus one-half of 1% or the prime rate of Bank of America) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company s consolidated leverage ratio). A commitment fee is payable on the unused amount of the facility. The agreement restricts the amount of certain types of payments, including dividends, which can be made annually to $50 million plus an amount equal to 75% of consolidated net income for the prior fiscal year of the Company. The Company believes that based on historic dividend practice, this restriction would not impede the Company in following a similar dividend practice in the future. On March 18, 2008, the Company entered into an amendment to the revolving loan agreement which extended the maturity date from October 5, 2011 to March 18, 2013. All other terms of the revolving loan agreement remained the same. As of July 31, 2011, there were no outstanding borrowings under the credit facility.

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The Company s debt and revolving loan agreements require it to maintain certain financial covenants. The Company s June 2004, February 2006, March 2007, and May 2010 private placement debt agreements require the Company to maintain a ratio of debt to the trailing twelve months EBITDA, as defined in the debt agreements, of not more than a 3.5 to 1.0 ratio (leverage ratio). As of July 31, 2011, the Company was in compliance with the financial covenant of the June 2004, February 2006, March 2007, and May 2010 private placement debt agreements, with the ratio of debt to EBITDA, as defined by the agreements, equal to 1.7 to 1.0. Additionally, the Company s October 2006 revolving loan agreement, as amended and extended in May 2008, requires the Company to maintain a ratio of debt to trailing twelve months EBITDA, as defined by the debt agreement, of not more than a 3.0 to 1.0 ratio. The revolving loan agreement requires the Company s trailing twelve months earnings before interest and taxes (EBIT) to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of July 31, 2011, the Company was in compliance with the financial covenants of the revolving loan agreement, with the ratio of debt to EBITDA, as defined by the agreement, equal to 1.8 to 1.0 and the interest expense coverage ratio equal to 7.8 to 1.0.

Long-term obligations as a percentage of long-term obligations plus stockholders investment were 22.3% at July 31, 2011 and 27.6% at July 31, 2010. Long-term obligations decreased by $51.0 million from July 31, 2010 to July 31, 2011 due to debt repayments made during the year, offset by the $10.3 million increase in the USD value of the Euro denominated debt due to foreign exchange fluctuations. The fiscal 2011 debt repayments consisted of the scheduled installment of $26.1 million on the 2004 private placement, an installment of $18.8 million on the 2006 private placement, and an installment of $16.4 million on the 2007 private placement.

Stockholders investment increased $151.2 million during fiscal 2011 primarily due to net income of $108.7 million offset by the dividends paid on Class A and Class B Common Stock of $35.6 and $2.5 million, respectively. The increase in the accumulated other comprehensive income of $63.0 million was primarily due to positive effects of foreign currency translation.

The Company s cash balances are generated and held in numerous locations throughout the world. At July 31, 2011, approximately 69% of the Company s cash and cash equivalents was held outside the United States. The Company s growth has historically been funded by a combination of cash provided by operating activities and debt financing. The Company believes that its cash from operations, in addition to its borrowing capacity, are sufficient to fund its anticipated requirements for working capital, capital expenditures, restructuring activities, acquisitions, common stock repurchases, scheduled debt repayments, and dividend payments. The Company believes that its current credit arrangements are sound and that the strength of its balance sheet will allow financial flexibility to respond to both internal growth opportunities and those available through acquisition.

Subsequent Events Affecting Liquidity and Capital Resources

On September 9, 2011, the Company announced an increase in the annual dividend to shareholders of the Company s Class A Common Stock, from $0.72 to $0.74 per share. A quarterly dividend of $0.185 will be paid on October 31, 2011, to shareholders of record at the close of business on October 10, 2011. This dividend represents an increase of 2.8% and is the 26th consecutive annual increase in dividends.

On September 9, 2011, the Company s Board of Directors authorized a share buyback program for up to an additional 2 million shares of the Company s Class A Common Stock. The share repurchase plan may be implemented from time to time on the open market or in privately negotiated transactions, with repurchased shares available for use in connection with the Company s stock-based compensation plans and for other corporate purposes.

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Off-Balance Sheet Arrangements

The Company does not have material off-balance sheet arrangements or related party transactions. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risks discussed in this filing and 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 for investments in facilities such as manufacturing facilities, warehouses and office space, computer equipment and Company vehicles.

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

Other Contractual Obligations The Company does not have material financial guarantees or other contractual commitments that are reasonably likely to adversely affect liquidity other than those discussed below under Payments Due Under Contractual Obligations.

Related Party Transactions The Company evaluated its affiliated party transactions for the period ended July 31, 2011. Based on the evaluation the Company does not have material related party transactions that affect the results of operations, cash flow or financial condition.

Payments Due Under Contractual Obligations

The Company s future commitments at July 31, 2011, for long-term debt, operating lease obligations, purchase obligations, interest obligations and other obligations are as follows (dollars in thousands):

		Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 Years**	**Uncertain Timeframe**
Long-Term Debt Obligations	$ 393,178	$ 61,264	$ 122,528	$ 85,028	$ 124,358	$
Operating Lease Obligations	57,026	18,350	23,303	12,816	2,557	
Purchase Obligations (1)	76,558	61,771	8,072	6,715		
Interest Obligations	79,230	19,404	29,143	17,219	13,464	
Tax Obligations	22,343					22,343
Other Obligations (2)	15,011	1,054	2,232	2,538	9,187	
Total	$ 643,346	$ 161,843	$ 185,278	$ 124,316	$ 149,566	$ 22,343

(1) Purchase obligations include all open purchase orders as of July 31, 2011.

(2) Other obligations represent expected payments under the Company s postretirement medical, dental, and vision plans as disclosed in Note 3 to the consolidated financial statements, under Item 8 of this report.

Inflation and Changing Prices

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, timing differences in instituting price changes, and the large amount of part numbers make it impracticable to accurately define the impact of inflation on profit margins.

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Critical Accounting Estimates

Management s discussion and analysis of the Company s financial condition and results of operations are based upon the Company s Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. The Company bases these estimates and judgments on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and judgments.

The Company believes the following accounting estimates are most critical to an understanding of its financial statements. Estimates are considered to be critical if they meet both of the following criteria: (1) the estimate requires assumptions about material matters that are uncertain at the time the accounting estimates are made, and (2) material changes in the estimates are reasonably likely from period to period. For a detailed discussion on the application of these and other accounting estimates, refer to Note 1 to the Company s Consolidated Financial Statements.

Income Taxes

The Company s effective tax rate is based on pre-tax income and the tax rates applicable to that income in the various jurisdictions in which the Company operates. Significant judgment is required in determining the Company s effective income tax rate and in evaluating its tax positions. The Company establishes liabilities when it is more likely than not that the Company will not realize the full tax benefit of the position. The Company adjusts these liabilities in light of changing facts and circumstances.

Tax regulations may require items of income and expense to be included in a tax return in different periods than the items are reflected in the consolidated financial statements. As a result, the effective income tax rate reflected in the consolidated financial statements may be different than the tax rate reported in the income tax return. Some of these differences are permanent, such as expenses that are not deductible on the income tax return, and some are temporary differences, such as depreciation expense. Temporary differences create deferred tax assets and liabilities. Deferred tax assets generally represent items that can be used as tax deductions or credits in the tax return in future years for which the Company has already recorded the tax benefit in the consolidated financial statements. The Company establishes valuation allowances against its deferred tax assets when it is more likely than not that the amount of expected future taxable income will not support the use of the deduction or credit. The determination of the amount of valuation allowance to be provided on recorded deferred tax assets involves estimates regarding (1) the timing and amount of the reversal of taxable temporary differences, (2) expected future taxable income, and (3) the impact of tax planning strategies, and can also be impacted by changes to tax laws. Deferred tax liabilities generally represent tax expense recognized in the consolidated financial statements for which payment has been deferred or expense for which the Company has already taken a deduction on an income tax return, but has not yet recognized as expense in the consolidated financial statements.

The Company accounts for uncertain tax positions by recognizing the financial statement effects of a tax position only when, based upon the technical merits, it is more-likely-than-not that the position will be sustained upon examination. Judgment is required in evaluating tax positions and determining income tax provisions. The Company generally re-evaluates the technical merits of its tax positions and recognizes an uncertain tax benefit when (i) there is completion of a tax audit; (ii) there is a change in applicable tax law including a tax case ruling or legislative guidance; or (iii) there is an expiration of the statute of limitations.

Goodwill and Other Indefinite-lived Intangible Assets

The allocation of purchase price for business combinations requires management estimates and judgment as to expectations for future cash flows of the acquired business and the allocation of those cash flows to identifiable intangible assets in determining the estimated fair value for purchase price allocation purposes. If the actual results differ from the estimates and judgments used in these estimates, the amounts recorded in the financial statements could result in a possible impairment of the intangible assets and goodwill or require acceleration of the amortization expense of finite-lived intangible assets. In addition, accounting guidance requires that goodwill and other indefinite-lived intangible assets be tested at least annually for impairment. If circumstances or events prior to the date of the required annual assessment indicate that, in management s judgment, it is more likely than not that there has been diminution of fair value of a reporting unit below its carrying value, the Company performs an impairment analysis at the time of such circumstance or event. Changes in management s 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. To aid in establishing the value of goodwill and other intangible assets at the time of acquisition, Company policy requires that all acquisitions with a purchase price above $5 million require the use of external valuations.

The Company has identified seven reporting units within its three reportable segments. The Company s methodologies for valuing goodwill are applied consistently on a year-over-year basis; the assumptions used in performing the 2011 impairment calculations were evaluated in light of market and business conditions. Brady continues to believe that the discounted cash flow model and market multiples model provide a reasonable and meaningful fair value estimate based upon the reporting units projections of future operating results and cash flows and replicates how market participants would value the Company s reporting units. The projections of future operating results, which are based on both past performance and the projections and assumptions used in the Company s current and long range operating plans, are subject to change as a result of changing economic and competitive conditions. Significant estimates used by management in the discounted cash flows methodology include estimates of future cash flows based on expected growth rates, price increases, capital expenditures, working capital levels, income tax rates, the benefits of recent acquisitions and expected synergies, and a weighted-average cost of capital that reflects the specific risk profile of the reporting unit being tested. Significant negative industry or economic trends, disruptions to the Company s business, loss of significant customers, inability to effectively integrate acquired businesses, unexpected significant changes or planned changes in use of the assets or in entity structure, and divestitures may adversely impact the assumptions used in the valuations.

In the event the fair value of a reporting unit is less than the carrying value, including goodwill, the Company would then perform an additional assessment that would compare the implied fair value of goodwill with the carrying amount of goodwill. The determination of implied fair value of goodwill would require management to compare the fair value of the reporting unit to the estimated fair value of the assets and liabilities of the reporting unit; if necessary, the Company may consult valuation specialists to assist with the assessment of the estimated fair value of assets and liabilities for the reporting unit. If the implied fair value of the goodwill is less than the carrying value, an impairment would be recorded.

In performing the Company s annual goodwill impairment assessment the Company performed a sensitivity analysis on the material assumptions used in the discounted cash flow valuation models for each of its reporting units. Based on the Company s fiscal 2011 goodwill impairment testing and assuming a hypothetical 10% decrease in the estimated fair values of each of its reporting units, the hypothetical fair value of each of the Company s reporting units would have been greater than the carrying value. See Note 1 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data for further information about goodwill and intangible assets.

The Company also evaluates the recoverability of its indefinite-lived intangible assets by utilizing a relief from royalty valuation methodology that estimates the fair value of the future discounted cash flows of each indefinite-lived intangible asset. The future projections, which are based on both past performance and the projections and assumptions used in the Company s current and long range operating plans, are subject to change as a result of changing economic and competitive conditions. Significant estimates used by management in the relief from royalty valuation methodology include estimates of future revenue streams based on expected growth and royalty rates, income tax rates, expected synergies, and a weighted-average cost of equity that reflects the specific risk profile of the indefinite-lived intangible asset tested. The Company s methodologies for valuing indefinite-lived intangible assets are applied consistently on a year-over-year basis. The Company continues to believe that the relief from royalty valuation methodology provides the most reasonable and meaningful fair value estimate based upon the indefinite-lived intangible assets projected future revenue streams and replicates how market participants would value the Company s indefinite-lived intangible assets in an orderly transaction.

The Company completed its annual impairment testing of goodwill and other indefinite-lived intangibles assets in the fourth quarter of fiscal 2011. Although the Company consistently uses the same methods in developing the assumptions and estimates underlying the fair value calculations, such estimates are uncertain in nature and can vary from actual results.

Reserves and Allowances

The Company has recorded reserves or allowances for inventory obsolescence, uncollectible accounts receivable, and credit memos. These accounts require the use of estimates and judgment. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The Company believes that such estimates are made with consistent and appropriate methods. Actual results may differ from these estimates under different assumptions or conditions.

New Accounting Standards

The information required by this Item is provided in Note 1 of the Notes to Consolidated Financial Statements contained in Item 8 Financial Statements and Supplementary Data.

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Forward-Looking Statements

Brady believes that certain statements in this Form 10-K are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements related to future, not past, events included in this Form 10-K, including, without limitation, statements regarding Brady s future financial position, business strategy, targets, projected sales, costs, earnings, capital expenditures, debt levels and cash flows, and plans and objectives of management for future operations are forward-looking statements. When used in this Form 10-K, words such as may, will, expect, intend, estimate, anticipate, believe, should, project or plan or similar terminology are to identify forward-looking statements. These forward-looking statements by their nature address matters that are, to different degrees, uncertain and are subject to risks, assumptions and other factors, some of which are beyond Brady s control, that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. For Brady, uncertainties arise from the length or severity of the current worldwide economic downturn or timing or strength of a subsequent recovery; future financial performance of major markets Brady serves, which include, without limitation, telecommunications, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, transportation; difficulties in making and integrating acquisitions; risks associated with newly acquired businesses; Brady s ability to develop and successfully market new products; changes in the supply of, or price for, parts and components; increased price pressure from suppliers and customers; fluctuations in currency rates versus the US dollar; unforeseen tax consequences; potential write-offs of Brady s substantial intangible assets; Brady s ability to retain significant contracts and customers; risks associated with international operations; Brady s ability to maintain compliance with its debt covenants; technology changes; business interruptions due to implementing business systems; environmental, health and safety compliance costs and liabilities; future competition; interruptions to sources of supply; Brady s ability to realize cost savings from operating initiatives; difficulties associated with exports; risks associated with restructuring plans; risks associated with obtaining governmental approvals and maintaining regulatory compliance; and numerous other matters of national, regional and global scale, including those of a political, economic, business, competitive and regulatory nature contained from time to time in Brady s U.S. Securities and Exchange Commission filings, including, but not limited to, those factors listed in the Risk Factors section located in Item 1A of Part I of this Form 10-K. These uncertainties may cause Brady s actual future results to be materially different than those expressed in its forward-looking statements. Brady does not undertake to update its forward-looking statements except as required by law.

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Risk Factors

Please see the information contained in Item 1A Risk Factors.

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 objective of the Company s foreign currency exchange risk management is to minimize the impact of currency movements on non-functional currency transactions and minimize the foreign currency translation impact of the Company s foreign operations. To achieve this objective, the Company hedges a portion of known exposures using forward contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Japanese Yen and the Swiss Franc currency. As of July 31, 2011, the notional amount of outstanding forward contacts designated as cash flow hedges was $80.8 million. The Company also uses forward foreign exchange currency contracts of 38.7 million (approximately $50.0 million USD) and euro-denominated debt of 75.0 million designated as a hedge instrument to hedge portions of the Company s net investments in its European foreign operations.

The Company could be exposed to interest rate risk through its corporate borrowing activities. The objective of the Company s interest rate risk management activities is to manage the levels of the Company s fixed and floating interest rate exposure to be consistent with the Company s preferred mix. The interest rate risk management program allows the Company to enter into approved interest rate derivatives if there is a desire to modify the Company s exposure to interest rates. Such activities require approval of the Board of Directors. As of July 31, 2011, the Company had no interest rate derivatives.

The Company is subject to the risk of changes in foreign currency exchange rates due to its operations in foreign countries. The Company has manufacturing facilities and sells and distributes its products throughout the world. As a result, the Company s financial results could be significantly affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which the Company manufactures, distributes and sells its products. Changes in foreign currency exchange rates for the Company s foreign subsidiaries reporting in local currencies are generally reported as a component of stockholders investment. The Company s favorable and unfavorable currency translation adjustment recorded in fiscal 2011 and 2010 as a separate component of stockholders investment was $63.0 million and ($1.2) million, respectively. As of July 31, 2011 and 2010, the Company s foreign subsidiaries had net current assets (defined as current assets less current liabilities) subject to foreign currency translation risk of $427.7 million and $240.4 million, respectively. The potential decrease in the net current assets as of July 31, 2011 from a hypothetical 10 percent adverse change in quoted foreign currency exchange rates would be approximately $42.8 million. This sensitivity analysis assumes a parallel shift in all major foreign currency exchange rates versus the U.S. dollar. Exchange rates rarely move in the same direction relative to the U.S. dollar due to positive and negative correlations of the various global currencies. This assumption may overstate the impact of changing exchange rates on individual assets and liabilities denominated in a foreign currency.

Item 8. ***Financial Statements and Supplementary Data***

BRADY CORPORATION & SUBSIDIARIES
INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Brady Corporation
Milwaukee, WI

We have audited the accompanying consolidated balance sheets of Brady Corporation and subsidiaries (the Company) as of July 31, 2011 and 2010, and the related consolidated statements of income, stockholders investment, and cash flows for each of the three years in the period ended July 31, 2011. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 Brady Corporation and subsidiaries at July 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of July 31, 2011, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 27, 2011, expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Milwaukee, WI
September 27, 2011

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BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
July 31, 2011 and 2010

	2011	2010
	(Dollars in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 389,971	$ 314,840
Accounts receivable net	228,483	221,621
Inventories:		
Finished products	62,152	52,906
Work-in-process	14,550	13,146
Raw materials and supplies	27,484	28,620
Total inventories	104,186	94,672
Prepaid expenses and other current assets	35,647	37,839
Total current assets	758,287	668,972
Other assets:		
Goodwill	800,343	768,600
Other intangibles assets	89,961	103,546
Deferred income taxes	53,755	39,103
Other non-current assets	19,244	20,808
Property, plant and equipment:		
Cost:		
Land	6,406	6,265
Buildings and improvements	104,644	101,138
Machinery and equipment	305,557	289,727
Construction in progress	11,226	9,873
	427,833	407,003
Less accumulated depreciation	287,918	261,501
Property, plant and equipment net	139,915	145,502
Total	$ 1,861,505	$ 1,746,531
LIABILITIES AND STOCKHOLDERS INVESTMENT		
Current liabilities:		
Accounts payable	$ 98,847	$ 96,702
Wages and amounts withheld from employees	69,798	67,285
Taxes, other than income taxes	7,612	7,537
Accrued income taxes	9,954	10,138
Other current liabilities	54,406	50,862
Current maturities on long-term obligations	61,264	61,264
Total current liabilities	301,881	293,788

Long-term obligations, less current maturities	331,914	382,940
Other liabilities	71,518	64,776
Total liabilities	705,313	741,504
Commitments and contingencies (See Note 9)		
Stockholders investment:		
Common stock:		
Class A Nonvoting Issued 51,261,487 and 51,261,487 shares, respectively; (aggregate liquidation preference of $42,803 and $42,628 at July 31, 2011 and 2010, respectively)	513	513
Class B Voting Issued and outstanding 3,538,628 shares	35	35
Additional paid-in capital	307,527	304,205
Earnings retained in the business	789,100	718,512
Treasury stock 1,667,235 and 2,175,771 shares, respectively of Class A nonvoting common stock, at cost	(50,017)	(66,314)
Accumulated other comprehensive income	113,898	50,905
Other	(4,864)	(2,829)
Total stockholders investment	1,156,192	1,005,027
Total	$ 1,861,505	$ 1,746,531

See notes to consolidated financial statements.

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BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
Years Ended July 31, 2011, 2010 and 2009

	2011	2010	2009
	(In thousands, except per share amounts)		
Net sales	$ 1,339,597	$ 1,259,096	$ 1,208,702
Cost of products sold	683,401	635,799	631,119
Gross margin	656,196	623,297	577,583
Operating expenses:			
Research and development	43,001	42,621	34,181
Selling, general and administrative	441,815	435,906	397,180
Restructuring charges	9,188	15,314	25,849
Total operating expenses	494,004	493,841	457,210
Operating income	162,192	129,456	120,373
Other income (expense):			
Investment and other income net	3,990	1,168	1,800
Interest expense	(22,124)	(21,222)	(24,901)
Net other expense	(18,134)	(20,054)	(23,101)
Income before income taxes	144,058	109,402	97,272
Income taxes	35,406	27,446	27,150
Net income	$ 108,652	$ 81,956	$ 70,122
Net income per common share:			
Class A Nonvoting:			
Basic	$ 2.06	$ 1.56	$ 1.33
Diluted	$ 2.04	$ 1.55	$ 1.32
Dividends	$ 0.72	$ 0.70	$ 0.68
Class B Voting:			
Basic	$ 2.04	$ 1.55	$ 1.32
Diluted	$ 2.03	$ 1.53	$ 1.31
Dividends	$ 0.70	$ 0.68	$ 0.66
Weighted average Class A and Class B common shares outstanding			
Basic	52,639	52,402	52,559
Diluted	53,133	52,946	52,866

See notes to consolidated financial statements.

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BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS INVESTMENT
Years Ended July 31, 2011, 2010 and 2009

	Common Stock	Additional Paid-In Capital	Earnings Retained in the Business	Treasury Stock	Accumulated Other Comprehensive Income	Other	Total Comprehensive Income
	(In thousands, except per share amounts)						
Balances at July 31, 2008	$ 548	$ 292,769	$ 639,059	$ (33,234)	$ 128,161	$ (5,495)	
Net income			70,122				$ 70,122
Net currency translation adjustment and other (Note 1)					(75,110)		(75,110)
Total comprehensive income							$ (4,988)
Issuance of 138,934 shares of Class A Common Stock under stock option plan		(1,995)		3,678			
Other (Note 6)		(1,744)				1,003	
Tax benefit from exercise of stock options and deferred compensation distributions		1,336					
Stock-based compensation expense (Note 1)		8,099					
Purchase of 1,344,664 shares of Class A Common Stock				(40,267)			
Cash dividends on Common Stock							
Class A $0.68 per share			(33,492)				
Class B $0.66 per share			(2,347)				
Balances at July 31, 2009	$ 548	$ 298,466	$ 673,342	$ (69,823)	$ 53,051	$ (4,492)	
Net income			81,956				$ 81,956
Net currency translation adjustment and other (Note 1)					(2,146)		(2,146)
Total comprehensive income							$ 79,810
Issuance of 215,447 shares of Class A Common Stock		(2,788)		6,505			

under stock option plan							
Other (Note 6)		(2,512)		(459)		1,663	
Tax benefit from exercise of stock options and deferred compensation distributions		1,318					
Stock-based compensation expense (Note 1)		9,721					
Purchase of 102,067 shares of Class A Common Stock				(2,537)			
Cash dividends on Common Stock							
Class A $0.70 per share			(34,368)				
Class B $0.68 per share			(2,418)				
Balances at July 31, 2010	$ 548	$ 304,205	$ 718,512	$ (66,314)	$ 50,905	$ (2,829)	
Net income			108,652				$ 108,652
Net currency translation adjustment and other (Note 1)					62,993		62,993
Total comprehensive income							$ 171,645
Issuance of 524,144 shares of Class A Common Stock under stock option plan		(5,684)		13,877			
Other (Note 6)		(1,964)		2,420		(2,035)	
Tax benefit from exercise of stock options and deferred compensation distributions		1,140					
Stock-based compensation expense (Note 1)		9,830					
Cash dividends on Common Stock							
Class A $0.72 per share			(35,575)				
Class B $0.70 per share			(2,489)				
Balances at July 31, 2011	$ 548	$ 307,527	$ 789,100	$ (50,017)	$ 113,898	$ (4,864)	

See notes to consolidated financial statements.

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BRADY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended July 31, 2011, 2010 and 2009

	2011	2010	2009
		(Dollars in thousands)	
Operating activities:			
Net income	$ 108,652	$ 81,956	$ 70,122
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	48,827	53,022	54,851
Deferred income taxes	(8,161)	(6,834)	(8,640)
Gain on the sale of business (pre-tax)	(4,394)		
Non-cash portion of stock-based compensation expense	9,830	9,721	7,731
Non-cash portion of restructuring	2,155	2,260	2,469
Changes in operating assets and liabilities (net of effects of business acquisitions):			
Accounts receivable	7,680	(29,479)	53,389
Inventories	(2,886)	426	34,749
Prepaid expenses and other assets	5,624	(3,502)	(2,423)
Accounts payable and accrued liabilities	(3,365)	52,410	(75,930)
Income taxes	3,388	5,258	(9,673)
Net cash provided by operating activities	167,350	165,238	126,645
Investing activities:			
Acquisitions of businesses, net of cash acquired	(7,970)	(30,431)	