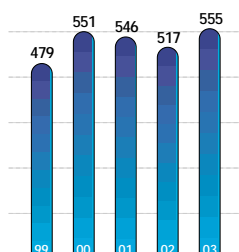




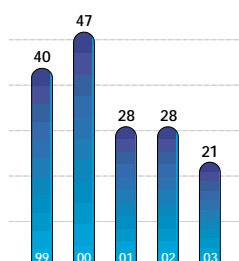
A Year of Transformation

Brady Corporation ♦ 2003 Annual Report

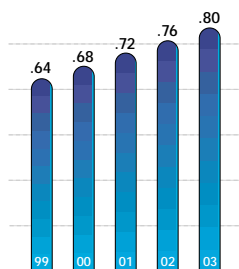
NET SALES
in \$ millions



NET INCOME
in \$ millions



DIVIDEND HISTORY
annually per share



Effective October 10, 2003, Brady increased its annual dividend to \$0.84/share.

Brady Corporation is an international manufacturer and marketer of identification solutions and specialty materials that help customers increase safety, security, productivity and performance. Its products include high-performance labels and signs, printing systems and software, label-application and data-collection systems, safety devices and precision die-cut materials. Founded in 1914, the company is the provider of choice to more than 300,000 customers in electronics, telecommunications, manufacturing, electrical, construction, education and a variety of other industries. Brady's reputation for innovation, commitment to quality and service, and dedicated employees have made it a world leader in its markets.

2003 FINANCIAL HIGHLIGHTS

[Dollars in thousands except per share amounts]

Years Ended July 31

	2003	2002	% Change
Results of Operations			
Net sales	\$554,866	\$516,962	7.3
Earnings before income taxes	\$32,455	\$43,135	-24.8
Net income	\$21,420	\$28,253	-24.2
Return on invested capital	9.6%	13.2%	
Net income per diluted Common Share			
Class A Nonvoting	\$0.91	\$1.20	-24.2
Class B Voting	\$0.88	\$1.17	-24.8
Pre-tax profit margin	5.9%	8.3%	
After-tax profit margin	3.9%	5.5%	
Restructuring charge			
After tax	\$6,329	\$1,782	
Per Diluted Share	\$0.27	\$0.07	
Other Information			
Working capital	\$123,878	\$135,764	-8.8
Stockholders' investment	\$338,961	\$324,242	4.5
Research and development	\$18,873	\$17,271	9.3
Capital expenditures	\$14,438	\$13,095	10.3
Depreciation and amortization	\$17,771	\$16,630	6.9
Dividend yield	2.3%	2.8%	-17.9
Trailing 12 months P/E ratio	37.8	22.9	65.1
Current ratio	2.4	2.8	-14.3
Weighted average shares outstanding (diluted)	23,376,928	23,339,708	.2



To our shareholders:

A Year of Transformation

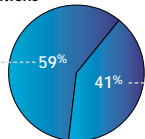
In fiscal 2003, Brady Corporation faced a difficult economic environment and a shifting global marketplace. Despite these challenges, we had modest sales gains. However, our reported net income dropped due primarily to charges we took for restructuring our organization in response to a prolonged weak economy and changes in our global markets. With no sign of a material economic rebound in the manufacturing sector, getting our cost structure back in line became a top priority. Staying the course with our long-term strategic initiatives, we also accelerated our efforts to transform the way we do business in order to return to higher levels of profitability and growth. With a renewed focus on our customers, we took action to simplify and streamline our operations. We believe this transformation is essential to ensure our future competitiveness and build shareholder value.

FINANCIAL RESULTS

Our sales for the year were \$554.9 million, up 7.3 percent from fiscal 2002 sales of \$517.0 million. The impact of foreign-currency translations was a positive 5.1 percent. Sales from core businesses were down 0.7 percent, while acquisitions contributed 2.9 percent to annual sales. Sales in the Graphics & Workplace Solutions Group increased 10.2 percent, while the Identification Solutions & Specialty Tapes Group sales increased 3.6 percent. Regionally, sales in the U.S. declined slightly, while Europe showed modest improvement in local currencies. Asian and Latin American sales experienced more significant growth despite economic weakness in those regions.

SALES BY BUSINESS UNIT

Graphics & Workplace Solutions

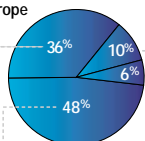


Identification Solutions & Specialty Tapes

As our net income remained weak throughout the year, we initiated a major restructuring of our global operations that includes the consolidation of certain facilities in the U.S. and abroad, and a workforce reduction of approximately 10 percent. This was not a downsizing in the traditional sense due solely to a slowdown in work activities, but rather part of a comprehensive redesign of our operations intended to increase efficiency and productivity in both the short and long term. After-tax net charges of \$6.3 million were recorded in the fourth quarter, bringing our reported net income for fiscal 2003 to \$21.4 million or \$0.91 per diluted Class A Common Share, compared with reported net income of \$28.3 million or \$1.20 per share in fiscal 2002. As our reorganization continues into fiscal 2004, we expect to incur an additional \$2 to \$3 million pre-tax in restructuring charges, and realize total after-tax savings of \$7 to \$9 million annually.

SALES BY REGION

Europe



United States

Canada & Latin America

Despite the challenges of fiscal 2003, Brady remains a strong and vital company. We finished the year with more than \$76 million in cash and little debt on our balance sheet, and increased our dividend payments to shareholders for the 18th straight year.

STRATEGIC ACCOMPLISHMENTS

In fiscal 2003, we continued to make progress on our long-term strategic initiatives of developing new products and new markets, expanding our operations geographically, making strategic acquisitions and improving our processes.

New Products

We believe the health care market, in particular the need for fast, accurate and durable identification for laboratory samples, holds significant opportunity for Brady. In fiscal 2003, we responded to this need by launching a number of proprietary products for laboratory applications. Building upon the same platform as Brady's ID Pal™ Labeling Tool, we also introduced the Lab Pal™ Label Printer, featuring built-in date/time stamping to provide important timing documentation right on the label, serialization options, preprogrammed settings for vial and slide labels, and laboratory-specific symbols. And for labs desiring a benchtop printer

for their identification needs, our new



The Lab Pal™ printer is just one of the new products Brady launched in 2003.

2003 MILESTONES

September 2002 - Brady launches Asian Web sites for customers in Singapore, Malaysia, Indonesia and the Philippines



November 2002 - Brady increases dividends to shareholders for the 18th consecutive year

December 2002 - Brady completes SAP installation for its North American direct marketing business units

December 2002 - Brady begins manufacturing in Malaysia and expands operations in China



Bradyprinter™ Model 1344 printer with a compact design, high print resolution and bar-coding capability fits the bill. In addition, Brady offered two new software solutions for laboratory identification: LabelMark™ labeling software and CODESOFT™6 labeling design software.

Expanding the offering of last year's new products, we added a new line of colored label materials for the ID Pal™ Labeling Tool, and launched the GlobalMark™ Industrial Label Maker in Asia with new applications and templates in Korean, Japanese and Chinese.

Other new products introduced in fiscal 2003 include Varitronics' ProFinish™ XL Cold Laminating System for the education market, which provides heavy duty protection to school posters, banners and other visuals up to 42" wide.

Geographic Expansion

The exodus of electronic manufacturing to Asia continued to drive our investment strategy in the region. In December 2002, we further positioned ourselves to quickly and effectively respond to multinational and local customers in Asia by opening a new manufacturing operation in Penang, Malaysia. Production there includes high-performance labels used to identify printed circuit boards, wires, cables, patch panels and outlets in telecommunication closets. In March 2003, we opened a second manufacturing facility in China by expanding our Beijing operation to include production of die-cut components for use in cellular phones, pagers and other telecommunication devices. The Beijing location will also serve as Brady's prototype center for the region. A third manufacturing facility in China, located in Shenzhen, will be operational soon. These expansions are part of an ongoing initiative to further grow our business in the robust telecommunications and electronics markets in Asia.



Brady's product offerings are meeting the needs of a growing Asian market.

Acquisitions

This year we made four acquisitions to strengthen our product offering and enhance our position in the marketplace. In January 2003, we acquired TISCOR, Inc., located in San Diego, California. TISCOR is an industry leader in designing handheld-computer software that automates the documentation process

January 2003 - Brady acquires TISCOR, Inc., a San Diego-based software developer



February 2003 - Frank Jaehnert elected President and CEO, and Katherine Hudson elected Chairman of the Board, effective April 1, 2003

February 2003 - Brady acquires British distributor Cleere Advantage Ltd.

March 2003 - Brady's Manaus, Brazil facility earns ISO 9001:2000 certification



April 2003 - Brady announces reorganization of its global businesses to a region-based structure

for site and equipment inspections, and helps customers comply with strict occupational and physical safety regulations. TISCOR products closely align with our core businesses in safety, facility maintenance, security and asset management.



TISCOR's software helps customers track strict occupational and safety regulations on handheld computer devices.

In April 2003, we acquired Etimark GmbH, located in Bad Nauheim, Germany. Etimark offers complete bar-code solutions including high-performance labels, printers, applicators and software. As one of the largest label manufacturers in Germany, the company further enhances Brady's position as a leading provider of identification solutions in Europe.

In February 2003, we also acquired Cleere Advantage Ltd., the largest independent dealer of Brady's Signmark® products in the United Kingdom. This was followed in July 2003 by the acquisition of Aztech Systems, another dealer of Brady products in the U.K. Both acquisitions signal a renewed commitment to a stronger direct sales relationship with our end-user customer base in the U.K.

Process Improvement

The investments we made in our process improvement initiatives over the past three years set the stage for important changes to our organizational structure. With common processes and systems now established in 70 percent of our business, we have the underlying global platform needed to facilitate the combining of our Identification Solutions & Specialty Tapes Group with our Graphics & Workplace Solutions Group. The new organizational structure shifts from a group structure based on product lines, to a regional structure focusing on the Americas, Europe and Asia. This new structure optimizes our efforts to create value for our customers by bringing them a more complete offering of Brady products and simplifying their purchasing experiences. As we work to increase value for our shareholders and maximize our profitability, the new structure also affords us the opportunity to eliminate redundancies in our operations, particularly in the sales and marketing organization, and establish a more streamlined global footprint by consolidating certain manufacturing operations. We will begin reporting financial results by regional operations in fiscal 2004.

April 2003 - Brady again named to *Business Ethics* magazine's "100 Best Corporate Citizens" list



April 2003 - Brady acquires German bar-code manufacturer Etimark



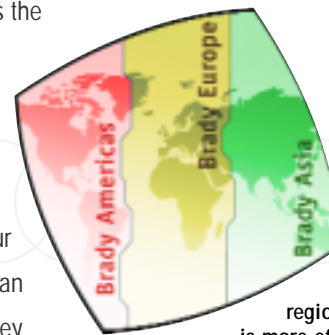
May 2003 - Brady announces restructuring including a 10-percent workforce reduction and facility consolidations

July 2003 - Brady acquires British distributor Aztech Systems

LEADERSHIP TRANSITION

As part of a planned succession process, the Board of Directors implemented a change in leadership effective April 1, 2003. Frank M. Jaehnert was elected president and chief executive officer, succeeding Katherine M. Hudson, who assumed the role of chairman of the board after nine years of leadership hallmarked by impressive global expansion, an aggressive acquisition strategy and the building of a solid platform for Brady's future growth. Frank joined Brady in 1995 and most recently served as president of its Identification Solutions & Specialty Tapes Group after five years as the company's chief financial officer.

The Board also appointed the following executives officers of the company: Matt Williamson and Tracey Carpentier, who will share responsibility for Brady Americas, with Matt focusing on the Brady brands and Tracey concentrating on our direct marketing operations; Peter Sephton, responsible for Brady Europe; and Allan Klotsche, responsible for Brady Asia/Pacific and our global die-cut operations. They join David Hawke, responsible for global processes and strategic initiatives; Michael Oliver, responsible for human resources; and Chief Financial Officer David Schroeder as Frank's leadership team.



Brady's new regional structure is more efficient while simplifying customers' purchasing experiences.

MOVING FORWARD

As we look ahead, we will be working to leverage our new organizational structure to further reduce our complexity and costs, to rebalance our resources for increased efficiency and productivity, and to transform our business for higher levels of sales and profits.

There are many factors working in our favor. We are in a strong financial position. We have invested well in building a solid infrastructure which can support our future growth. We are geographically positioned to respond to and capitalize on changes in the global business landscape. We have excellent brands, like Brady, Seton, Teklynx, Varitronics and others that enjoy a solid reputation in the marketplace. And we have great people focused on meeting the needs of our customers with superior service and exciting products. There is much opportunity ahead, and we are excited by the prospects before us.

Thank you for your continued support,

Katherine M. Hudson
Chairman of the Board

Frank M. Jaehnert
President and Chief Executive Officer

2003 FINANCIAL REVIEW

(Dollars in Thousands,
Except Per Share Amounts)
Years Ended July 31, 1993 through 2003

	2003	2002	2001	2000	1999	1998
OPERATING DATA						
Net sales	\$554,866	\$516,962	\$545,944	\$550,664	\$479,025	\$463,235
Operating expenses:						
Cost of products sold	274,593	256,186	257,313	245,587	216,060	212,980
Research and development	18,873	17,271	20,329	20,555	17,116	20,287
Selling, general and administrative . . .	219,662	199,282	214,220	215,231	182,688	178,648
Restructuring charge - net	9,589	2,720	9,560	—	(611)	5,390
Total operating expenses	522,717	475,459	501,422	481,373	415,253	417,305
Operating income	32,149	41,503	44,522	69,291	63,772	45,930
Other income and (expense):						
Investment and other income – net . . .	427	1,714	686	7,418	1,455	638
Interest expense	(121)	(82)	(418)	(578)	(445)	(403)
Net other income	306	1,632	268	6,840	1,010	235
Income before income taxes and cumulative effect of changes in accounting principles	32,455	43,135	44,790	76,131	64,782	46,165
Income taxes	11,035	14,882	17,244	28,930	25,198	18,129
Net income	\$21,420	\$ 28,253	\$ 27,546	\$ 47,201	\$ 39,584	\$ 28,036
Net income per Common Share (Diluted):						
Class A Nonvoting	\$0.91	\$ 1.20	\$ 1.18	\$ 2.05	\$ 1.73	\$ 1.23
Class B Voting	\$0.88	\$ 1.17	\$ 1.15	\$ 2.02	\$ 1.70	\$ 1.20
Cash dividends on:						
Class A Common Stock	\$0.80	\$.76	\$.72	\$.68	\$.64	\$.60
Class B Common Stock	\$0.77	\$.73	\$.69	\$.65	\$.61	\$.57
BALANCE SHEET (at year end)						
Working capital	123,878	\$135,764	\$123,830	\$116,084	\$129,884	\$125,386
Total assets	449,519	420,525	393,592	398,134	351,120	311,824
Long-term obligations, less						
current maturities	568	3,751	4,144	4,157	1,402	3,716
Stockholders' investment	338,961	324,242	302,579	291,224	260,564	233,373

REVIEW

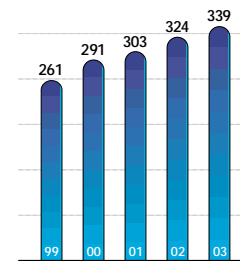
	1997	1996	1995	1994	1993
	\$433,649	\$365,929	\$319,946	\$260,386	\$247,286
	201,664	172,813	149,218	122,661	118,617
	16,300	11,309	10,426	10,318	12,132
	165,317	140,642	119,717	97,932	92,449
	—	—	—	—	(1,236)
	383,281	324,764	279,361	230,911	221,962
	50,368	41,165	40,585	29,475	25,324
	1,159	4,570	4,609	837	559
	(256)	(302)	(555)	(410)	(54)
	903	4,268	4,054	427	505
	51,271	45,433	44,639	29,902	25,829
	19,564	17,406	16,728	11,362	8,973
	\$ 31,707	\$ 28,027	\$ 27,911	\$ 18,540	\$ 16,856

\$ 1.43	\$ 1.26	\$ 1.26	\$.84	\$.77
\$ 1.40	\$ 1.23	\$ 1.23	\$.81	\$.74
\$.52	\$.40	\$.27	\$.23	\$.20
\$.49	\$.37	\$.23	\$.19	\$.17

\$130,724	\$109,688	\$129,938	\$100,023	\$ 77,943
291,662	261,835	230,005	202,509	179,901
3,890	1,809	1,903	1,855	1,978
206,547	189,263	170,823	145,129	128,068

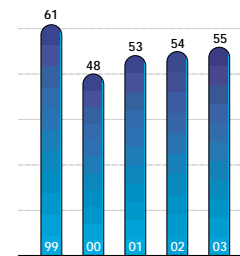
SHAREHOLDERS' EQUITY

in \$ millions



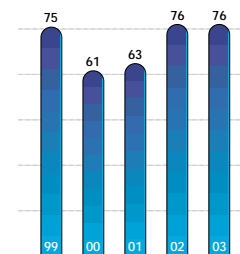
CASH FLOW FROM OPERATIONS

in \$ millions



CASH BALANCES

in \$ millions



SHAREHOLDER SERVICES

COMMON SHARES

Brady Corporation Class A Common Stock trades on the New York Stock Exchange under the symbol BRC. As of September 5, 2003, there were 332 Class A Common Stock shareholders of record and about 4,000 beneficial shareholders. There are three Class B Common Stock shareholders. Brady Corporation stock is also listed on the Berlin Stock Exchange.

QUARTERLY STOCK DATA

	2003		2002		2001	
	High	Low	High	Low	High	Low
4th Quarter	\$35.00	\$30.67	\$36.69	\$26.70	\$35.94	\$28.67
3rd Quarter	\$33.88	\$25.85	\$40.47	\$32.04	\$38.83	\$30.48
2nd Quarter	\$35.58	\$25.05	\$37.47	\$29.03	\$38.35	\$27.08
1st Quarter	\$35.35	\$27.50	\$36.41	\$27.47	\$32.67	\$26.92

DIVIDENDS

Brady has paid dividends on its Common Stock every quarter since going public in June 1984, and the Company has increased the dividend every year for each of the past 18 years. At its September 2003 meeting, the Board of Directors increased the quarterly dividend on Class A Common Stock to \$0.21 per share per quarter, or \$0.84 per year. Dividends are normally paid on the last day of October, January, April and July.

DIVIDEND REINVESTMENT

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

STOCK TRANSFER AGENT

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

BRADY INFORMATION

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

INFORMATION REQUESTS AND INVESTOR NEWS LINE

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

ANALYST AND INVESTOR CONTACT

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

ANNUAL MEETING

The Brady Corporation Annual Meeting will be at 9 a.m., Thursday, November 20, 2003, at Brady Corporation, 6555 W. Good Hope Road, Milwaukee, Wisconsin. Highlights will be posted on the Internet at www.investor.bradycorp.com.

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TISCOR
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Brady Australia Pty. Ltd.
Safety Sign Service
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visit us at www.bradycorp.com



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