

AMYRIS, INC.
Form 424B3
November 30, 2015

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Registration No. 333-208018

PROSPECTUS

49,230,089 Shares

AMYRIS, INC.

Common Stock

This prospectus relates to the offer and sale of up to 49,230,089 shares of our common stock under this prospectus by the selling stockholders identified in the “Selling Stockholders” section of this prospectus (the “*Offering*”) or their transferees, pledges, donees or successors in interest. The shares of common stock registered hereunder are issuable to the selling stockholders upon conversion of our 9.50% convertible senior notes due 2019 (the “*Notes*”), upon our election to pay interest on the Notes in shares of our common stock and as early conversion payment of future interest upon conversion of the Notes. The Notes were issued to the selling stockholders pursuant to a Note Purchase Agreement, dated as of October 14, 2015 (the “*Note Purchase Agreement*”), by and between us and the selling stockholders.

The selling stockholders or their transferees, pledges, donees or other successors in interest may sell the shares of common stock described in this prospectus in a number of different ways and at varying prices. We provide more information about how the selling stockholders may sell shares of common stock in the section titled “Plan of Distribution” on page 12. We are not selling any securities under this prospectus and will not receive any of the proceeds from the sale of these shares by the selling stockholders. We will pay the expenses incurred in registering the shares, including legal and accounting fees.

Our common stock is traded on the NASDAQ Global Select Market under the symbol “AMRS.” On November 24, 2015, the closing price per share of our common stock was \$1.66.

Investing in our securities involves risks. See “Risk Factors” commencing on page 3. You should carefully read this prospectus, the documents incorporated herein, and, if applicable, any prospectus supplement subsequently filed with respect to this prospectus, before making any investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is November 30, 2015.

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INFORMATION CONTAINED IN THIS PROSPECTUS

We have not authorized any dealer, agent or other person to give any information or to make any representation other than those contained or incorporated by reference in this prospectus and, if applicable, any accompanying prospectus supplement or any free writing prospectus. You must not rely upon any information or representation not contained or incorporated by reference in this prospectus or, if applicable, any accompanying prospectus supplement or any free writing prospectus. This prospectus and, if applicable, any accompanying prospectus supplement or any free writing prospectus, do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the registered securities to which they relate, nor do this prospectus and, if applicable, any accompanying prospectus supplement or any free writing prospectus constitute an offer to sell or the solicitation of an offer to buy securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. You should not assume that the information contained in this prospectus and, if applicable, any accompanying prospectus supplement or any free writing prospectus, is accurate on any date subsequent to the date set forth on the front of the document or that any information we have incorporated by reference is correct on any date subsequent to the date of the document incorporated by reference, even though this prospectus and, if applicable, any accompanying prospectus supplement or any free writing prospectus, is delivered or securities are sold on a later date.

SUMMARY

The following summary provides an overview of selected information related to this offering and does not contain all the information that you should consider before investing in our securities. You should carefully read this entire prospectus, including the risks of investing discussed under “Risk Factors” on page 3, the financial statements and related notes and other information incorporated by reference in this prospectus, and, if applicable, any prospectus supplement or related free writing prospectus, and the additional information described under the captions “Where You Can Find More Information” and “Incorporation of Certain Information by Reference,” before buying securities in this offering. Unless the context otherwise requires, “AMRS,” the “Company,” “we,” “us,” “our” and similar names refer to Amyris, Inc. References to “selling stockholders” refer to the stockholders listed herein under the heading “Selling Stockholders” on page 4, who may sell shares from time to time as described in this prospectus.

About This Prospectus

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or the SEC, using a “shelf” registration process to register 49,230,089 shares of our common stock, or the Shares. The Shares are issuable to the selling stockholders at the election of each selling stockholder to convert the Notes into our common stock, upon our election to pay interest on the Notes in shares of our common stock and as early conversion payment of future interest upon conversion of the Notes, as further described under the heading “Selling Stockholders” below. . The Shares are being registered for resale or other disposition by the selling stockholders. We will not receive any proceeds from the sale or other disposition of the Shares registered hereunder, or interests therein.

About Amyris, Inc.

Amyris has industrialized synthetic biology and is delivering renewable products globally into various markets ranging from consumer care to fuels. We believe industrial synthetic biology represents a third industrial revolution bringing together biology and engineering to generate new, more sustainable materials to meet the growing global demand. We have built a powerful technology platform, robust manufacturing capability, and a strong pipeline of ongoing collaborations with world-leading companies in a variety of industries. We are working to build demand for our current portfolio of products through a network of distributors and through direct sales in the cosmetics, flavors and fragrances, performance materials, and transportation fuels and lubricants markets. We are also engaged in collaborations across a variety of markets, including our current product markets and new markets, to drive additional product sales and partnership opportunities.

We were founded in 2003 in the San Francisco Bay Area by a group of scientists from the University of California, Berkeley. Our first major milestone came in 2005 when, through a grant from the Bill & Melinda Gates Foundation, we developed technology capable of creating microbial strains to produce artemisinic acid - a precursor of artemisinin, an effective anti-malarial drug. In 2008, we granted royalty-free licenses to allow Sanofi-Aventis (or Sanofi) to

produce artemisinic acid using our technology. Since 2013, Sanofi has been distributing millions of artemisinin-based anti-malarial treatments incorporating this artemisinic acid. Building on our success with artemisinic acid, in 2007 we began applying our technology platform to develop, manufacture and sell sustainable alternatives to a broad range of materials.

We focused our initial development efforts primarily on the production of Biofene®, our brand of renewable farnesene, a long-chain, branched hydrocarbon molecule that we manufacture using engineered microbes in fermentation. Using farnesene as a first commercial building block molecule, we have developed a wide range of renewable products for our various target markets including cosmetics, pharmaceuticals, flavors and fragrances and fuels. Our technology platform allows us to rapidly develop microbial strains to produce other target molecules, and in 2014, we began manufacturing additional molecules for the flavors and fragrances industry.

Amyris' microbial engineering and screening technologies modify the way microorganisms process sugars in a fermentation process. We use our proprietary platform to design microbes, primarily yeast, to serve as living factories in established fermentation processes to convert plant-sourced sugars into high-value hydrocarbon molecules instead of low-value alcohol. The first two molecules we developed through this process were artemisinic acid and farnesene. In 2014, we began production of a third molecule at industrial scale and development of various other molecules in our labs. We and our partners develop products from these hydrocarbon ingredients for several target markets, including cosmetics, flavors and fragrances, performance materials, transportation fuels and lubricants. Further, in connection with our partners we have commercialized products for the cosmetics and flavors and fragrances markets.

We are able to use a wide variety of feedstocks for production, but have focused on accessing Brazilian sugarcane for our large-scale production because of its renewability, low cost and relative price stability. We have also successfully used other feedstocks such as sugar beets, corn dextrose, sweet sorghum and cellulosic sugars at our various manufacturing facilities.

Our mission is to apply inspired science to deliver sustainable solutions for a growing world. We seek to become the world's leading provider of renewable, high-performance alternatives to non-renewable chemicals and fuels. In the past, choosing a renewable product often required producers to compromise on performance or price. With our technology, leading consumer brands can develop products made from renewable sources that offer equivalent or better performance and stable supply with competitive pricing. We call this our No Compromise® value proposition. We aim to improve the world one molecule at a time by providing consumers with the best alternatives.

We have developed and are operating our company under an innovative business model that generates cash from both collaborations and from product sales margins. We believe this combination will enable us to realize our vision of becoming the world's leading renewable products company.

We were founded in 2003 and completed our initial public offering in 2010. As of September 30, 2015, we had 405 employees (including 240 in the United States and 165 in Brazil). Our corporate headquarters and pilot plant are located in Emeryville, California, and our Brazil headquarters and pilot plant are located in Campinas, Brazil. We have two operating subsidiaries, Amyris Brasil Ltda. (or Amyris Brasil) and Amyris Fuels LLC (or Amyris Fuels). Amyris Brasil oversees establishment and expansion of our production in Brazil. Amyris Fuels was originally established to help us develop fuel distribution capabilities in the United States by selling ethanol and reformulated ethanol-blended gasoline. In the third quarter of 2012, we transitioned out of the ethanol and ethanol-blended gasoline business, to focus our efforts on production and commercialization of renewable products.

Amyris, the Amyris logo, Biofene, Biossance, Dial-A-Blend, Diesel de Cana, Evoshield, µPharm, Myralene, Muck Daddy, Neossance, “Beauty is in our biology”, “No Compromise”, and “You Muck Up. We Clean Up.” are trademarks or registered trademarks of Amyris, Inc. This prospectus also contains trademarks and trade names of other business that are the property of their respective holders.

Our principal executive offices are located at 5885 Hollis Street, Suite 100, Emeryville, CA 94608 and our telephone number at that address is (510) 450-0761.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Prior to making a decision about investing in our securities, you should carefully consider the specific factors discussed in the “Risk Factors” section of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2015, as filed with the SEC on November 9, 2015, which risk factors may be amended, supplemented, or superseded from time to time by additional reports we file with the SEC in the future. These risk factors should be read together with the financial and other information contained or incorporated by reference in this prospectus before making a decision to buy our common stock. If any of the risks actually occur, our business, financial condition and results of operations could suffer. In these circumstances, the market price of our common stock could decline and you may lose all or part of your investment in our common stock.

Additional risks and uncertainties beyond those set forth in our reports and not presently known to us or that we currently deem immaterial may also affect our operations. Any risks and uncertainties, whether set forth in our reports or otherwise, could cause our business, financial condition, results of operations and future prospects to be materially and adversely harmed. The trading price of our common stock could decline due to any of these risks and uncertainties, and, as a result, you may lose all or part of your investment.

FORWARD-LOOKING STATEMENTS

This prospectus, any prospectus supplement and the other documents we have filed with the SEC that are incorporated herein by reference contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties, including those discussed under the heading “Risk Factors” above, include the possibilities of delays or failures in development, production or commercialization of products, and in our reliance on third parties to achieve our goals.

All statements other than statements of historical fact are statements that could be deemed forward-looking statements, including any projections of financing needs, revenue, expenses, earnings or losses from operations, or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning product research, development and commercialization plans and timelines; any statements regarding expected production capacities, volumes and costs; any statements regarding anticipated benefits of our products and expectations for commercial relationships; any other statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. In addition, the words “believe,” “anticipate,” “expect,” “estimate,” “intend,” “plan,” “project,” “will be,” “will continue,” “will result,” “seek,” “could,” “may,” “might,” or any variations of these words or other words with similar meanings generally identify forward-looking statements.

Given these uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus, any supplements to this prospectus and the documents that we reference in this prospectus with the understanding that our actual future results may be materially different from what we expect.

The forward-looking statements in this prospectus and in any prospectus supplement or other document we have filed with the SEC represent our views as of the date thereof. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future or to conform these statements to actual results or revised expectations, we have no current intention of doing so except to the extent required by applicable law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this prospectus.

USE OF PROCEEDS

The proceeds from the sale of the Shares offered pursuant to this prospectus are solely for the accounts of the selling stockholders. Accordingly, we will not receive any of the proceeds from the sale of the Shares offered by this prospectus. See “Selling Stockholders” and “Plan of Distribution” described below.

SELLING STOCKHOLDERS

The 49,230,089 shares of common stock covered by this prospectus, or the Shares, consist of shares issuable to the selling stockholders at their election upon conversion of the Notes, as Interest Shares (as described below) or in connection with an Early Conversion Payment (as described below). On behalf of the selling stockholders we have agreed to file a registration statement with the SEC covering the resale of the Shares, and this registration statement has been filed pursuant to that agreement.

The initial conversion rate of the Notes is 443.6557 shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$2.25 per share of our common stock), and is subject to adjustment as provided in the Indenture (the “Indenture”) governing the terms of the Notes among the Company and Wells Fargo Bank, National Association, as Trustee, dated as of October 20, 2015. The notes bear interest at a rate of 9.50% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning on April 15, 2016. We have the right to pay interest on the Notes in shares of our common stock. If we elect to pay an interest payment in common stock, then the stock will be valued at 92.5% of the simple average of the daily volume-weighted average price (“daily VWAP”) per share for the 10 trading days ending on and including the trading day immediately preceding the relevant interest payment date. We have assumed for the purpose of calculating the number of shares offered by the selling stockholders in this registration statement that we will pay the first two required interest payments entirely in common stock. In addition, for any conversion on or after the effective date of this registration statement, in addition to the shares deliverable upon conversion, holders will be entitled to receive a payment equal to the present value of the remaining scheduled payments of interest that would have been made on the Notes being converted from the date of conversion (or, in the case of conversion between a record date and the following interest payment date, from such interest payment date) until the earlier of the date that is three years after the date we receive such notice of conversion or maturity (the “Early Conversion Payment”). For the purpose of calculating the shares that we may issue to satisfy an Early Conversion Payment, the present value of the remaining interest payments will be computed using a discount rate of 0.75%, and the shares issuable in paying such remaining interest will be valued at 92.5% of the daily VWAP per share for the 10 trading days ending on and including the trading day immediately preceding the conversion date. The method of calculating the value of the shares issuable as Interest Shares or as an Early Conversion Payment is further delineated in the Indenture, a copy of which has been filed as an exhibit to our Current Report on Form 8-K filed with the SEC on October 20, 2015, which Form 8-K has been incorporated by reference into this registration statement.

The tables below present information regarding the selling stockholders and the number of Shares each selling stockholder is offering under this prospectus. We have prepared the tables based on information furnished to us by or on behalf of the selling stockholders. Under the rules of the SEC, beneficial ownership includes Shares over which the indicated beneficial owner exercises voting or investment power. Beneficial ownership is determined under Section 13(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and includes Shares which the holder has the right to acquire common stock within 60 days of October 30, 2015 (the “**60-Day Period**”). The maximum number of Shares that we may issue upon conversion of the Notes, or in connection with an Early Conversion Payment or as Interest Shares, may not exceed 38,415,626 shares (the “**Conversion Cap**”), unless and until we obtain stockholder approval in accordance with Rule 5635 promulgated by The NASDAQ Stock Market. We intend to obtain stockholder approval under Rule 5635 to the extent the aggregate number of such Shares required to be issued by us exceeds the Conversion Cap, and we have not limited the number of shares offered for sale in the tables below by the

Conversion Cap. The Notes may be converted into Shares within the 60-Day Period and accordingly the Shares issuable upon such conversion, plus the number of Shares issuable as the Early Conversion Payment (assuming a conversion date of November 15, 2015), are included in the first table presented below. However, because shares issuable as Interest Shares are not issuable at the election of the holder of the Notes, and will not be issued as Interest Shares in any event within the 60-Day Period, we have presented a second table below that sets the full number of Shares being registered for each selling stockholder. The second table includes the number of Shares issuable upon conversion of the Notes, the Shares issuable as Interest Shares on April 15, 2016 and October 15, 2016 and the number of Shares issuable as an Early Conversion Payment, assuming a conversion on October 16, 2016. For both tables, the applicable VWAP is assumed to be \$1.00 per share.

Unless otherwise indicated in the footnotes below, we believe that the selling stockholders have sole voting and investment power with respect to all shares beneficially owned. The percentage ownership data is based on 192,174,168 shares of our common stock issued and outstanding as of November 12, 2015. Since the date on which they provided us with the information below, the selling stockholders may have sold, transferred or otherwise disposed of some or all of their Shares in transactions exempt from the registration requirements of the Securities Act of 1933, as amended, or the Securities Act.

The Shares may be sold by the selling stockholders, by those persons or entities to whom they transfer, donate, devise, pledge or distribute their Shares or by other successors in interest. The information regarding shares beneficially owned after this offering assumes the sale of all Shares offered by each of the selling stockholders. The selling stockholders may sell less than all of the Shares listed in the table. In addition, the Shares listed below may be sold pursuant to this prospectus or in privately negotiated transactions. Accordingly, we cannot estimate the number of Shares the selling stockholders will sell under this prospectus.

The selling stockholders have not held any position or office or had any other material relationship with us or any of our predecessors or affiliates within the past three years, other than the beneficial ownership of the shares described in the table below.

Table I – Actual Beneficial Ownership

Name of Selling Stockholder	Shares Beneficially Owned before Offering		Shares Offered Hereby ⁽¹⁾	Shares Beneficially Owned After Offering ⁽¹⁾	
	Number	Percentage (%)		Number	Percentage (%)
Advanced Series Trust – AST Academic Strategies Asset Allocation Portfolio ⁽²⁾	707,925	*	707,925	—	—
AQR Absolute Return Master Account, L.P. ⁽²⁾	1,887,802	*	1,887,802	—	—
AQR Funds – AQR Diversified Arbitrage Fund ⁽²⁾	6,607,307	3.3	6,607,307	—	—
Blackwell Partners LLC – Series B ⁽³⁾	1,179,876	*	1,179,876	—	—
Blue Mountain Credit Alternatives Master Fund L.P. ⁽⁴⁾	2,200,076	1.1	2,200,076	—	—
BlueMountain Equity Alternatives Master Fund L.P. ⁽⁴⁾	229,682	*	229,682	—	—
BlueMountain Foinaven Master Fund L.P. ⁽⁴⁾	311,488	*	311,488	—	—
BlueMountain Logan Opportunities Master Fund L.P. ⁽⁴⁾	185,633	*	185,633	—	—
BlueMountain Monteners Master Fund SCA SICAV-SIF ⁽⁴⁾	219,457	*	219,457	—	—
Citadel Equity Fund Ltd. ⁽⁵⁾	6,292,672	3.2	6,292,672	—	—
CNH CA Master Account, L.P. ⁽¹¹⁾	1,022,559	*	1,022,559	—	—
CVI Investments, Inc. ⁽⁶⁾	1,179,876	*	1,179,876	—	—
Fidelity Advisor Series I: Fidelity Advisor Growth & Income Fund ⁽⁷⁾	548,249	*	548,249	—	—
Fidelity Advisor Series I: Fidelity Advisor Large Cap Fund ⁽⁷⁾	1,296,074	*	531,730	764,344	*
Fidelity Commonwealth Trust: Fidelity Large Cap Stock Fund ⁽⁷⁾	2,866,740	1.5	502,627	2,364,113	1.2
Fidelity Destiny Portfolios: Fidelity Advisor Capital Development Fund ⁽⁷⁾	2,697,592	1.4	1,081,553	1,616,039	*
	1,166,567	*	582,858	583,709	*

Fidelity Hastings Street Trust: Fidelity Advisor Series Growth & Income Fund(7)					
Fidelity Hastings Street Trust: Fidelity Series Growth & Income Fund(7)	5,825,593	2.9	3,996,634	1,828,959	*
Fidelity Securities Fund: Fidelity Growth & Income Portfolio(7)	6,171,099	3.1	3,991,914	2,179,185	1.1
Highmark Fixed Income 3(8)	971,431	*	971,431	—	—
Kamunting Street Master Fund, Ltd.(10)	1,573,168	*	1,573,168	—	—
Lazard Converts Absolute Return, LP(8)	3,885,725	1.9	3,885,725	—	—
Lazard Rathmore Master Fund, LP(8)	1,124,815	*	1,124,815	—	—
Pine River Convertibles Master Fund Ltd.(9)	1,966,460	1.0	1,966,460	—	—
Pine River Deerwood Fund Ltd.(9)	117,987	*	117,987	—	—
Pine River Fixed Income Master Fund Ltd.(9)	825,913	*	825,913	—	—
Pine River Master Fund Ltd.(9)	1,022,559	*	1,022,559	—	—
Variable Insurance Products Fund III: Growth & Income Portfolio(7)	928,984	*	563,194	365,790	*

* Represents beneficial ownership of less than one percent of the outstanding shares of our common stock.

We do not know when or in what amounts a selling stockholder may offer Shares for sale. The selling (1) stockholders may not sell any or all of the Shares offered by this prospectus. Because the selling stockholders may offer all or some of the Shares pursuant to this offering and because there are currently no agreements, arrangements or undertakings with respect to the sale of any of the Shares, we cannot estimate the number of Shares that will be held by the selling stockholders after completion of this offering. However, for illustrative purposes of this table, we have assumed that, after completion of this offering, none of the Shares covered by this prospectus will be held by the selling stockholders.

Includes (i) an aggregate of 399,290 shares issuable upon conversion of the Notes held by Advanced Series Trust – AST Academic Strategies Asset Allocation Portfolio and 308,636 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (ii) an aggregate of 1,064,774 shares issuable upon conversion of the Notes held by AQR Absolute Return Master Account, L.P. and 823,028 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, and (iii) an aggregate of 3,726,708 shares issuable upon conversion of the Notes held by AQR Funds – AQR (2) Diversified Arbitrage Fund and 2,880,599 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015. AQR Capital Management LLC (“AQR”) is the investment advisor of the selling stockholder and has delegated investment management authority to CNH Partners, LLC (“CNH”). AQR holds sole voting power over the securities. As sub-advisor, CNH has sole dispositive power over the securities held by the selling stockholder and exercises full discretionary control relating to all investment decisions made on behalf of the selling stockholder. Clifford S. Asness is the managing principal for AQR Capital Management, LLC. Mark Mitchell and Todd Pulvino are the managing principals for CNH. The address of the selling stockholder is 2 Greenwich Plaza, Greenwich, CT 06830.

Includes an aggregate of 665,484 shares issuable upon conversion of the Notes held by the selling stockholder and (3) 514,393 shares issuable as an Early Conversion Payment to the selling stockholder, assuming a conversion on November 15, 2015. The address of the selling stockholder is c/o Silverback Asset Management, 1414 Raleigh Road, Suite 250, Chapel Hill, NC 27517

Includes (i) an aggregate of 1,240,905 shares issuable upon conversion of the Notes held by Blue Mountain Credit Alternatives Master Fund L.P. and 959,171 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (ii) an aggregate of 129,547 shares issuable upon conversion of the Notes held by BlueMountain Equity Alternatives Master Fund L.P. and 100,135 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (iii) an aggregate of 175,688 shares issuable upon conversion of the Notes held by BlueMountain Foinaven Master Fund L.P. and 135,800 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (iv) an aggregate of 104,703 shares issuable upon conversion of the Notes held (4) by BlueMountain Logan Opportunities Master Fund L.P. and 80,931 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, and (v) an aggregate of 123,780 shares issuable upon conversion of the Notes held by BlueMountain Monteners Master Fund SCA SICAV-SIF and 95,677 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015. Voting and investment power over the registrable securities is held by BlueMountain Capital Management, LLC. The following individuals, who are members of the Investment Committee of the investment manager, have shared voting and investment power over the registrable securities: Derek Smith; Ethan Auerbach; Andrew Feldstein; Peter Greatrex; Bryce Markus; and David Zorub. The address of the selling stockholders is c/o BlueMountain Capital Management, LLC, 280 Park Avenue, 12th Floor, New York, NY 10017.

Includes an aggregate of 3,549,246 shares issuable upon conversion of the Notes held by the selling stockholder and 2,743,428 shares issuable as an Early Conversion Payment to the selling stockholder, assuming a conversion on November 15, 2015. Pursuant to a portfolio management agreement, Citadel Advisors LLC, an investment advisor registered under the Investment Advisor Act of 1940 (“CAL”), holds the voting and dispositive power with respect to the shares held by Citadel Equity Fund Ltd. Citadel Advisors Holdings III, LP (“CAH3”) is the sole member of CAL. Citadel GP LLC (formerly known as Citadel Investment Group II, LLC) (CIG2”) is the general partner of CAH3. Kenneth Griffin (“Griffin”) is the President and Chief Executive Officer of, and sole member of, CIG2. CIG2 and Griffin may be deemed to be the beneficial owners of the shares through their control of CAL and/or certain other affiliated entities. The address of the selling stockholder is 131 S. Dearborn Street., 34th Floor, Chicago, IL 60603. Attn: Corporate Actions

Includes an aggregate of 665,484 shares issuable upon conversion of the Notes held by the selling stockholder and 514,393 shares issuable as an Early Conversion Payment to the selling stockholder, assuming a conversion on November 15, 2015. Heights Capital Management, Inc., the authorized agent of CVI Investments, Inc. (“CVI”) has discretionary authority to vote and dispose of the shares held by CVI and may be deemed to be the beneficial owner of these shares. Martin Kobinger, in his capacity as Investment Manager of Heights Capital Management, Inc., may also be deemed to have investment discretion and voting power over the shares held by CVI. Mr. Kobinger disclaims any such beneficial ownership of the shares. CVI Investments, Inc. is affiliated with one or more FINRA members, none of whom are currently expected to participate in the sale pursuant to the prospectus contained in this Registration Statement. The address of the selling stockholder is c/o Capital Heights Management, 101 California Street, Suite 3250, San Francisco, CA 94111.

(7) Includes (A)(i) an aggregate of 309,228 shares issuable upon conversion of the Notes held by Fidelity Advisor Series I: Fidelity Advisor Growth & Income Fund and (ii) 423,517 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (B) (i) 764,344 shares of our Common Stock held by Fidelity Advisor Series I: Fidelity Advisor Large Cap Fund, (ii) an aggregate of 299,911 shares issuable upon conversion of the Notes held by such selling stockholder and (iii) 231,820 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (C)(i) 1,663,661 shares of our Common Stock (ii) 700,452 shares of our Common Stock issuable upon conversion of certain convertible promissory notes held by Fidelity Commonwealth Trust: Fidelity Large Cap Stock Fund, (iii) an aggregate of 283,496 shares issuable upon conversion of the Notes held by such selling stockholder and (iv) 219,131 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (D)(i) 1,616,039 shares of our Common Stock held by Fidelity Destiny Portfolios: Fidelity Advisor Capital Development Fund, (ii) an aggregate of 610,027 shares issuable upon conversion of the Notes held by such selling stockholder and (iii) 471,527 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (E)(i) 583,709 shares of our Common Stock issuable upon conversion of certain convertible promissory notes held by Fidelity Hastings Street Trust: Fidelity Advisor Series Growth & Income Fund, (ii) an aggregate of 328,749 shares issuable upon conversion of the Notes held by such selling stockholder and (iii) 254,110 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (F)(i) 1,828,959 shares of our Common Stock issuable upon conversion of certain convertible promissory notes held by Fidelity Hastings Street Trust, Fidelity Series Growth & Income Fund, (ii) an aggregate of 2,254,215 shares issuable upon conversion of the Notes held by such selling stockholder and (iii) 1,742,420 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (G)(i) 2,179,185 shares of our Common Stock issuable upon conversion of certain convertible promissory notes held by Fidelity Securities Fund: Fidelity Growth & Income Portfolio, (ii) an aggregate of 2,251,553 shares issuable upon conversion of the Notes held by such selling stockholder and (iii) 1,740,362 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, and (H) (i) 365,790 shares of our Common Stock

issuable upon conversion of certain convertible promissory notes held by Variable Insurance Products Fund III: Growth & Income Portfolio, (ii) an aggregate of 317,657 shares issuable upon conversion of the Notes held by such selling stockholder and (iii) 245,537 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015,. These funds are managed by direct or indirect subsidiaries of FMR LLC. Edward C. Johnson 3d is a Director and the Chairman of FMR LLC and Abigail P. Johnson is a Director, the Vice Chairman and the President of FMR LLC. Members of the family of Edward C. Johnson 3d, including Abigail P. Johnson, are the predominant owners, directly or through trusts, of Series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares. According, through their ownership of voting common shares and the execution of the shareholders' voting agreement, members of the Johnson family may be deemed, under the Investment Company Act of 1940, to form a controlling group with respect to FMR LLC. Neither FMR LLC nor Edward C. Johnson 3d nor Abigail P. Johnson has the sole power to vote or direct the voting of the shares owned directly by the various investment companies registered under the Investment Company Act ("Fidelity Funds") advised by Fidelity Management & Research Company ("FMR Co."), a wholly owned subsidiary of FMR LLC, which power resides with the Fidelity Funds' Boards of Trustees. Fidelity Management & Research Company carries out the voting of the shares under written guidelines established by the Fidelity Funds' Boards of Trustees. The address for the selling stockholder is 245 Summer Street, Boston, MA 02210.

Includes (i) an aggregate of 547,915 shares issuable upon conversion of the Notes held by Highmark Limited and 423,517 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (ii) an aggregate of 2,191,659 shares issuable upon conversion of the Notes held by Lazard Converts Absolute Return, LP and 1,694,067 shares issuable as an Early Conversion Payment to such selling
(8) stockholder, assuming a conversion on November 15, 2015, and (iii) an aggregate of 634,428 shares issuable upon conversion of the Notes held by Lazard Rathmore Master Fund, LP and 490,388 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015. The address of the selling stockholder is c/o Lazard Asset Management LLC, 30 Rockefeller Plaza, 55th Floor, New York, NY 10112.

Includes (i) an aggregate of 1,109,139 shares issuable upon conversion of the Notes held by Pine River Convertibles Master Fund Ltd. and 857,321 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (ii) an aggregate of 66,548 shares issuable upon conversion of the Notes held by Pine River Deerwood Fund Ltd. and 51,439 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, (iii) an aggregate of 465,838 shares issuable upon conversion of the Notes held by Pine River Fixed Income master Fund
(9) Ltd. and 360,075 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015, and (iv) an aggregate of 576,752 shares issuable upon conversion of the Notes held by Pine River Master Fund Ltd. and 445,807 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015. Voting and investment power over the registrable securities is held by Pine River Capital Management L.P., investment advisor to the selling stockholder. The address for the selling stockholder is c/o Pine River Capital Management, L.P., 601 Carlson Parkway, Suite 30, Minnetonka, MN 55305

Includes an aggregate of 887,311 shares issuable upon conversion of the Notes held by the selling stockholder and 685,857 shares issuable as an Early Conversion Payment to the selling stockholder, assuming a conversion
(10) on November 15, 2015. The address of the selling stockholder is 119 Washington Avenue, Suite 600, Miami Beach, FL 33139

Includes an aggregate of 576,752 shares issuable upon conversion of the Notes held by CNH CA Master Account L.P. and 445,807 shares issuable as an Early Conversion Payment to such selling stockholder, assuming a conversion on November 15, 2015. CNH Partners, LLC (“CNH”) is the investment advisor of the selling
(11) stockholder. CNH holds sole voting and dispositive power over the securities held by the selling stockholder and exercises full discretionary control relating to all investment decisions made on behalf of the selling stockholder. Mark Mitchell and Todd Pulvino are the managing principals for CNH. The address of the selling stockholder is 2 Greenwich Plaza, Greenwich, CT 06830.

Table II – Aggregate Number of Shares Registered for Each Selling Stockholder

Name of Selling Stockholder	Shares Beneficially Owned before Offering		Shares Offered Hereby ⁽¹⁾	Shares Beneficially Owned After Offering ⁽¹⁾	
	Number	Percentage (%)		Number	Percentage (%)
Advanced Series Trust – AST Academic Strategies Asset Allocation Portfolio(2)	769,153	*	769,153	—	—
AQR Absolute Return Master Account, L.P.(2)	2,051,076	1.1	2,051,076	—	—
AQR Funds – AQR Diversified Arbitrage Fund(2)	7,178,767	3.6	7,178,767	—	—
Blackwell Partners LLC – Series B(3)	1,281,922	*	1,281,922	—	—
Blue Mountain Credit Alternatives Master Fund L.P.(4)	2,390,358	1.2	2,390,358	—	—
BlueMountain Equity Alternatives Master Fund L.P.(4)	249,547	*	249,547	—	—
BlueMountain Foinaven Master Fund L.P.(4)	338,427	*	338,427	—	—
BlueMountain Logan Opportunities Master Fund L.P.(4)	201,689	*	201,689	—	—
BlueMountain Monteners Master Fund SCA SICAV-SIF(4)	238,437	*	238,437	—	—
Citadel Equity Fund Ltd. (5)	6,836,920	3.5	6,836,920	—	—
CNH CA Master Account, L.P.(11)	1,110,999	*	1,110,999	—	—
CVI Investments, Inc.(6)	1,281,922	*	1,281,922	—	—
Fidelity Advisor Series I: Fidelity Advisor Growth & Income Fund(7)	595,666	*	595,666	—	—
Fidelity Advisor Series I: Fidelity Advisor Large Cap Fund(7)	1,342,063	*	577,719	764,344	*
Fidelity Commonwealth Trust: Fidelity Large Cap Stock Fund(7)	2,910,212	1.5	546,099	2,364,113	1.2
Fidelity Destiny Portfolios: Fidelity Advisor Capital Development Fund(7)	2,791,134	1.4	1,175,095	1,616,039	*
Fidelity Hastings Street Trust: Fidelity Advisor Series Growth & Income Fund(7)	1,216,978	*	633,269	583,709	*
Fidelity Hastings Street Trust: Fidelity Series Growth & Income Fund(7)	6,171,258	3.1	4,342,299	1,828,959	*
Fidelity Securities Fund: Fidelity Growth & Income Portfolio(7)	6,516,357	3.3	4,337,172	2,179,185	1.1
Highmark Fixed Income 3(8)	1,055,449	*	1,055,449	—	—
Kamunting Street Master Fund, Ltd.(10)	1,709,230	*	1,709,230	—	—
Lazard Converts Absolute Return, LP(8)	4,221,798	2.1	4,221,798	—	—
Lazard Rathmore Master Fund, LP(8)	1,222,099	*	1,222,099	—	—
Pine River Convertibles Master Fund Ltd.(9)	2,136,537	1.1	2,136,537	—	—
Pine River Deerwood Fund Ltd.(9)	128,192	*	128,192	—	—
Pine River Fixed Income Master Fund Ltd.(9)	897,345	*	897,345	—	—
Pine River Master Fund Ltd.(9)	1,110,999	*	1,110,999	—	—
Variable Insurance Products Fund III: Growth & Income Portfolio(7)	977,694	*	611,904	365,790	*

* Represents beneficial ownership of less than one percent of the outstanding shares of our common stock.

We do not know when or in what amounts a selling stockholder may offer Shares for sale. The selling stockholders may not sell any or all of the Shares offered by this prospectus. Because the selling stockholders may offer all or some of the Shares pursuant to this offering

- (1) and because there are currently no agreements, arrangements or undertakings with respect to the sale of any of the Shares, we cannot estimate the number of Shares that will be held by the selling stockholders after completion of this offering. However, for illustrative purposes of this table, we have assumed that, after completion of this offering, none of the Shares covered by this prospectus will be held by the selling stockholders.

Represents the number of Shares offered hereby as Shares Issuable on conversion of Notes, Shares issuable as Interest Shares, and Shares issuable as an Early Conversion Payment, based on our election to pay interest on the Notes in Shares on April 15, 2016 and October 15, 2016, and a conversion on October 16, 2016. AQR Capital Management LLC ("AQR") is the investment advisor of the selling stockholder and has delegated investment management authority to CNH Partners, LLC

- (2) ("CNH"). AQR holds sole voting power over the securities. As sub-advisor, CNH has sole dispositive power over the securities held by the selling stockholder and exercises full discretionary control relating to all investment decisions made on behalf of the selling stockholder. Clifford S. Asness is the managing principal for AQR Capital Management, LLC. Mark Mitchell and Todd Pulvino are the managing principals for CNH. The address of the selling stockholder is 2 Greenwich Plaza, Greenwich, CT 06830.

Represents the number of Shares offered hereby as Shares Issuable on conversion of Notes, Shares issuable as Interest Shares, and Shares issuable as an Early Conversion Payment, based on our election to pay interest on the Notes in Shares on April 15, 2016 and October 15, 2016, and a conversion on October 16, 2016. The address of the selling stockholder is c/o Silverback Asset Management, 1414 Raleigh Road, Suite 250, Chapel Hill, NC 27517

(4)	53,691	43,783
Other (expense) income:		
(992	) 211	(1,751) 535

Investment and other (expense) income				
Interest expense	(2,130)	) (3,000)	(4,281)	(5,891)
Earnings from continuing operations before income taxes	20,467	14,022	47,659	38,427
Income tax expense	5,177	2,438	13,666	11,344
Earnings from continuing operations	\$ 15,290	\$11,584	\$33,993	\$27,083
Loss from discontinued operations, net of income taxes	—	—	—	(1,915)
Net earnings	\$ 15,290	\$11,584	\$33,993	\$25,168
Earnings from continuing operations per Class A Nonvoting Common Share:				
Basic	\$ 0.30	\$0.23	\$0.67	\$0.53
Diluted	\$ 0.30	\$0.23	\$0.67	\$0.53
Earnings from continuing operations per Class B Voting Common Share:				
Basic	\$ 0.30	\$0.23	\$0.65	\$0.51
Diluted	\$ 0.30	\$0.23	\$0.65	\$0.51
Loss from discontinued operations per Class A Nonvoting Common Share:				
Basic	\$ —	\$—	\$—	\$(0.04)
Diluted	\$ —	\$—	\$—	\$(0.04)
Loss from discontinued operations per Class B Voting Common Share:				
Basic	\$ —	\$—	\$—	\$(0.04)
Diluted	\$ —	\$—	\$—	\$(0.04)

Share:				
Basic	\$ —	\$—	\$—	\$(0.03)
Diluted	\$ —	\$—	\$—	\$(0.04)
Net earnings per Class A Nonvoting Common Share:				
Basic	\$ 0.30	\$0.23	\$0.67	\$0.49
Diluted	\$ 0.30	\$0.23	\$0.67	\$0.49
Dividends	\$ 0.20	\$0.20	\$0.41	\$0.40
Net earnings per Class B Voting Common Share:				
Basic	\$ 0.30	\$0.23	\$0.65	\$0.48
Diluted	\$ 0.30	\$0.23	\$0.65	\$0.47
Dividends	\$ 0.20	\$0.20	\$0.39	\$0.38
Weighted average common shares outstanding (in thousands):				
Basic	50,527	51,272	50,778	51,262
Diluted	50,647	51,348	50,868	51,330
See Notes to Condensed Consolidated Financial Statements.				

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BRADY CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Dollars in Thousands)

	Three months ended January 31, (Unaudited)		Six months ended January 31, (Unaudited)	
	2016	2015	2016	2015
Net earnings	\$15,290	\$11,584	\$33,993	\$25,168
Other comprehensive loss:				
Foreign currency translation adjustments:				
Net loss recognized in other comprehensive loss	(7,463	) (46,816	) (13,946	) (71,120
Reclassification adjustment for gains included in net earnings	—	—	—	(34,697
	(7,463	) (46,816	) (13,946	) (105,817
Net investment hedge translation adjustments	2,671	12,276	3,542	20,427
Long-term intercompany loan translation adjustments:				
Net (loss) gain recognized in other comprehensive loss	(2,396	) 2,232	(3,820	) 882
Reclassification adjustment for gains included in net earnings	—	—	—	(393
	(2,396	) 2,232	(3,820	) 489
Cash flow hedges:				
Net (loss) gain recognized in other comprehensive loss	(302	) 1,239	(562	) 1,841
Reclassification adjustment for losses (gains) included in net earnings	115	(116	) (342	) (95
	(187	) 1,123	(904	) 1,746
Pension and other post-retirement benefits:				
Actuarial gain amortization	(161	) (214	) (323	) (428
Prior service credit amortization	(414	) (81	) (1,035	) (162
	(575	) (295	) (1,358	) (590
Other comprehensive loss, before tax	(7,950	) (31,480	) (16,486	) (83,745
Income tax expense related to items of other comprehensive loss	(979	) (4,654	) (835	) (7,980
Other comprehensive loss, net of tax	(8,929	) (36,134	) (17,321	) (91,725
Comprehensive income (loss)	\$6,361	\$(24,550) \$16,672	\$(66,557
See Notes to Condensed Consolidated Financial Statements.				

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BRADY CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Dollars in Thousands)

	Six months ended January 31, (Unaudited)	
	2016	2015
Operating activities:		
Net earnings	\$33,993	\$25,168
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,502	20,066
Non-cash portion of stock-based compensation expense	4,569	2,471
Non-cash portion of restructuring charges	—	896
Loss on sale of business, net	—	426
Deferred income taxes	3,338	(781)
Changes in operating assets and liabilities (net of effects of business acquisitions/divestitures):		
Accounts receivable	3,204	10,918
Inventories	3,403	(10,840)
Prepaid expenses and other assets	(3,811)	(3,053)
Accounts payable and other liabilities	(1,618)	(15,423)
Income taxes	(2,326)	(5,918)
Net cash provided by operating activities	58,254	23,930
Investing activities:		
Purchases of property, plant and equipment	(3,928)	(17,808)
Sale of business, net of cash retained	—	6,111
Other	2,521	4,173
Net cash used in investing activities	(1,407)	(7,524)
Financing activities:		
Payment of dividends	(20,425)	(20,449)
Proceeds from issuance of common stock	53	847
Purchases of treasury stock	(23,397)	—
(Repayments) proceeds from borrowing on credit facilities	(437)	29,428
Debt issuance costs	(803)	—
Income tax on equity-based compensation, and other	(1,299)	(3,830)
Net cash (used in) provided by financing activities	(46,308)	5,996
Effect of exchange rate changes on cash	(4,833)	(10,937)
Net increase in cash and cash equivalents	5,706	11,465
Cash and cash equivalents, beginning of period	114,492	81,834
Cash and cash equivalents, end of period	\$120,198	\$93,299

See Notes to Condensed Consolidated Financial Statements

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BRADY CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six Months Ended January 31, 2016

(Unaudited)

(In thousands, except share and per share amounts)

NOTE A — Basis of Presentation

The condensed consolidated financial statements included herein have been prepared by Brady Corporation and subsidiaries (the "Company," "Brady," "we," or "our") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of the Company, the foregoing statements contain all adjustments, consisting only of normal recurring adjustments necessary to present fairly the financial position of the Company as of January 31, 2016 and July 31, 2015, its results of operations and comprehensive income (loss) for the three and six months ended January 31, 2016 and 2015, and cash flows for the six months ended January 31, 2016 and 2015. The consolidated balance sheet as of July 31, 2015 has been derived from the audited consolidated financial statements of that date. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts therein. Due to the inherent uncertainty involved in making estimates, actual results in future periods may differ from the estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted pursuant to rules and regulations of the Securities and Exchange Commission. Accordingly, the condensed consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statement presentation. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest annual report on Form 10-K for the year ended July 31, 2015.

The results of operations of the Company's Die-Cut business have been reported as discontinued operations within the condensed consolidated statements of earnings for the six months ended January 31, 2015. A portion of the Die-Cut business was divested in fiscal 2014 and the remainder was divested in the first quarter of fiscal 2015. In accordance with the authoritative literature, the Company has elected to not separately disclose the cash flows or other comprehensive income related to discontinued operations. Refer to Note I, "Discontinued Operations" for further discussion regarding the business.

NOTE B — Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the six months ended January 31, 2016, were as follows:

	IDS	WPS	Total
Balance as of July 31, 2015	\$382,786	\$50,413	\$433,199
Translation adjustments	(2,772	) (2,967	) \$(5,739
Balance as of January 31, 2016	\$380,014	\$47,446	\$427,460

Goodwill at January 31, 2016 and July 31, 2015 included \$118,637 and \$209,392 of accumulated impairment losses within the Identification Solutions ("IDS") and Workplace Safety ("WPS") segments, respectively, for a total of \$328,029. There were no impairment charges recorded during the six months ended January 31, 2016.

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Other intangible assets include patents, trademarks, customer relationships, non-compete agreements and other intangible assets with finite lives being amortized in accordance with the accounting guidance for other intangible assets. The Company also has unamortized indefinite-lived trademarks that are classified as other intangible assets. The net book value of these assets was as follows:

	January 31, 2016				July 31, 2015			
	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Weighted Average Amortization Period (Years)	Gross Carrying Amount	Accumulated Amortization	Net Book Value
Amortized other intangible assets:								
Patents	5	\$12,147	\$(10,851)	\$1,296	5	\$12,073	\$(10,641)	\$1,432
Trademarks and other	5	14,270	(13,668)	602	5	14,375	(12,471)	1,904
Customer relationships	7	135,283	(96,784)	38,499	7	136,693	(94,537)	42,156
Non-compete agreements and other	4	8,922	(8,903)	19	4	9,076	(9,032)	44
Unamortized other intangible assets:								
Trademarks	N/A	23,214	—	23,214	N/A	23,352	—	23,352
Total		\$193,836	\$(130,206)	\$63,630		\$195,569	\$(126,681)	\$68,888

The decrease in the gross carrying amount of other intangible assets as of January 31, 2016 compared to July 31, 2015 was due to the effect of currency fluctuations during the six month period.

The gross carrying amount of goodwill and other intangible assets in the condensed consolidated balance sheet at January 31, 2016 differs from the value assigned to them in the original allocation of purchase price due to impairments and the effect of currency fluctuations between the date of acquisition and January 31, 2016.

Amortization expense on intangible assets was \$2,595 and \$2,982 for the three months ended January 31, 2016 and 2015, respectively, and \$5,228 and \$6,351 for the six months ended January 31, 2016 and 2015, respectively. The amortization over each of the next five fiscal years is projected to be \$8,794, \$7,117, \$6,442, \$6,166 and \$5,640 for the fiscal years ending July 31, 2016, 2017, 2018, 2019 and 2020, respectively.

NOTE C — Other Comprehensive Loss

Other comprehensive loss consists of foreign currency translation adjustments, unrealized gains and losses from cash flow hedges and net investment hedges, and the unamortized gain on post-retirement plans, net of their related tax effects.

The following table illustrates the changes in the balances of each component of accumulated other comprehensive loss, net of tax, for the six months ended January 31, 2016:

	Unrealized (loss) gain on cash flow hedges	Unamortized gain on post-retirement plans	Foreign currency translation adjustments	Accumulated other comprehensive loss
Beginning balance, July 31, 2015	\$9	\$ 3,438	\$(48,481)	\$(45,034)
Other comprehensive loss before reclassification	(141)	—	(15,613)	(15,754)
Amounts reclassified from accumulated other comprehensive loss	(209)	(1,358)	—	(1,567)
Ending balance, January 31, 2016	\$(341)	\$ 2,080	\$(64,094)	\$(62,355)

The increase in accumulated other comprehensive loss as of January 31, 2016 compared to July 31, 2015 was primarily due to the appreciation of the U.S. dollar against other currencies during the six month period. The foreign currency translation adjustments column in the table above includes the impact of foreign currency translation, foreign currency translation on intercompany notes, and the settlements of net investment hedges, net of tax. Of the total \$1,567 in amounts reclassified from accumulated other comprehensive loss, the \$209 gain on cash flow hedges was reclassified into cost of products sold, and the \$1,358 gain on post-retirement plans was reclassified into selling, general and administrative expenses ("SG&A") on the condensed consolidated statement of earnings for the six months ended January 31, 2016.

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The changes in accumulated other comprehensive income (loss) by component, net of tax, for the six months ended January 31, 2015 were as follows:

	Unrealized gain (loss) on cash flow hedges	Unamortized gain on post-retirement plans	Foreign currency translation adjustments	Accumulated other comprehensive income (loss)
Beginning balance, July 31, 2014	\$(12)	\$ 4,854	\$59,314	\$ 64,156
Other comprehensive income (loss) before reclassification	1,218	—	(57,598)	(56,380)
Amounts reclassified from accumulated other comprehensive income (loss)	(58)	(590)	(34,697)	(35,345)
Ending balance, January 31, 2015	\$1,148	\$ 4,264	\$(32,981)	\$ (27,569)

The decrease in accumulated other comprehensive income (loss) as of January 31, 2015 compared to July 31, 2014 was primarily due the appreciation of the U.S. dollar against other currencies during the six month period. The decrease was also attributable to the accumulated foreign currency translation gains in the China Die-Cut businesses, which were reclassified into net earnings upon the completion of the second phase of the Die-Cut divestiture during the three months ended October 31, 2014. The foreign currency translation adjustments column in the table above includes the impact of foreign currency translation, foreign currency translation on intercompany notes, and the settlements of net investment hedges, net of tax. Of the total \$35,345 in amounts reclassified from accumulated other comprehensive income, the \$34,697 gain was reclassified to the net loss on the sale of the Die-Cut business, the \$58 gain on cash flow hedges was reclassified into cost of products sold, and the \$590 gain on post-retirement plans was reclassified into SG&A on the condensed consolidated statement of earnings for the six months ended January 31, 2015.

The following table illustrates the income tax expense on the components of other comprehensive loss for the three and six months ended January 31, 2016 and 2015:

	Three months ended January 31,		Six months ended January 31,	
	2016	2015	2016	2015
Income tax expense related to items of other comprehensive loss:				
Net investment hedge translation adjustments	\$(1,042)	\$(4,788)	\$(1,381)	\$(7,967)
Long-term intercompany loan settlements	—	501	—	550
Cash flow hedges	56	(394)	554	(597)
Other income tax adjustments and currency translation	7	27	(8)	34
Income tax expense related to items of other comprehensive loss	\$(979)	\$(4,654)	\$(835)	\$(7,980)

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NOTE D — Net Earnings per Common Share

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

	Three months ended January 31,		Six months ended January 31,	
	2016	2015	2016	2015
Numerator: (in thousands)				
Earnings from continuing operations	\$ 15,290	\$ 11,584	\$ 33,993	\$ 27,083
Less:				
Preferential dividends	—	—	(783	) (794
Preferential dividends on dilutive stock options	—	—	(1	) (1
Numerator for basic and diluted earnings from continuing operations per Class B Voting Common Share	\$ 15,290	\$ 11,584	\$ 33,209	\$ 26,288
Denominator: (in thousands)				
Denominator for basic earnings from continuing operations per share for both Class A and Class B	50,527	51,272	50,778	51,262
Plus: Effect of dilutive stock options	120	76	90	68
Denominator for diluted earnings from continuing operations per share for both Class A and Class B	50,647	51,348	50,868	51,330
Earnings from continuing operations per Class A Nonvoting Common Share:				
Basic	\$0.30	\$0.23	\$0.67	\$0.53
Diluted	\$0.30	\$0.23	\$0.67	\$0.53
Earnings from continuing operations per Class B Voting Common Share:				
Basic	\$0.30	\$0.23	\$0.65	\$0.51
Diluted	\$0.30	\$0.23	\$0.65	\$0.51
Loss from discontinued operations per Class A Nonvoting Common Share:				
Basic	\$—	\$—	\$—	\$(0.04)
Diluted	\$—	\$—	\$—	\$(0.04)
Loss from discontinued operations per Class B Voting Common Share:				
Basic	\$—	\$—	\$—	\$(0.03)
Diluted	\$—	\$—	\$—	\$(0.04)
Net earnings per Class A Nonvoting Common Share:				
Basic	\$0.30	\$0.23	\$0.67	\$0.49
Diluted	\$0.30	\$0.23	\$0.67	\$0.49
Net earnings per Class B Voting Common Share:				
Basic	\$0.30	\$0.23	\$0.65	\$0.48
Diluted	\$0.30	\$0.23	\$0.65	\$0.47

Options to purchase approximately 3,923,000 and 3,860,000 shares of Class A Nonvoting Common Stock for the three months ended January 31, 2016 and 2015, respectively, and 4,048,000 and 3,878,000 shares for the six months ended January 31, 2016 and 2015, respectively, were not included in the computation of diluted net earnings or loss per share because the option exercise price was greater than the average market price of the common shares and, therefore, the effect would have been anti-dilutive.

NOTE E — Segment Information

The Company is organized and managed on a global basis within three business platforms, ID Solutions, Workplace Safety, and People Identification ("PeopleID"), which aggregate into two reportable segments: IDS and WPS.

The Company evaluates short-term segment performance based on segment profit or loss and customer sales. Segment profit or loss does not include certain administrative costs, such as the cost of finance, information technology, human resources, legal, and executive leadership, which are managed as global functions. Restructuring charges, impairment charges, equity compensation costs, interest expense, investment and other income (expense) and income taxes are also excluded when evaluating segment performance.

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Each business platform has a President or Vice-President that reports directly to the Company's chief operating decision maker, its Chief Executive Officer. Each platform has its own distinct operations, which are managed locally by its own management team, maintains its own financial reports and is evaluated based on global segment profit. The Company has determined that these business platforms comprise its three operating segments, which aggregate into two reportable segments based on the information used by the Chief Executive Officer to allocate resources and assess performance.

The segment results have been adjusted to reflect continuing operations in all periods presented. The following is a summary of segment information for the three and six months ended January 31, 2016 and 2015:

	Three months ended January 31,		Six months ended January 31,	
	2016	2015	2016	2015
Sales to External Customers				
ID Solutions	\$ 184,880	\$ 192,065	\$ 381,207	\$ 404,162
Workplace Safety	83,750	90,563	170,496	188,706
Total Company	\$ 268,630	\$ 282,628	\$ 551,703	\$ 592,868
Segment Profit				
ID Solutions	\$ 37,004	\$ 35,719	\$ 77,008	\$ 79,186
Workplace Safety	13,395	12,776	30,059	28,315
Total Company	\$ 50,399	\$ 48,495	\$ 107,067	\$ 107,501

The following is a reconciliation of segment profit to earnings from continuing operations before income taxes for the three and six months ended January 31, 2016 and 2015:

	Three months ended January 31,		Six months ended January 31,	
	2016	2015	2016	2015
Total profit from reportable segments	\$ 50,399	\$ 48,495	\$ 107,067	\$ 107,501
Unallocated amounts:				
Administrative costs	(26,810)	) (26,805)	) (53,376	) (54,561)
Restructuring charges	—	(4,879)	) —	(9,157)
Investment and other (expense) income	(992)	) 211	(1,751)	) 535
Interest expense	(2,130)	) (3,000)	) (4,281)	) (5,891)
Earnings from continuing operations before income taxes	\$ 20,467	\$ 14,022	\$ 47,659	\$ 38,427

NOTE F – Stock-Based Compensation

The Company has an incentive stock plan under which the Board of Directors may grant nonqualified stock options to purchase shares of Class A Nonvoting Common Stock, restricted stock units ("RSUs"), or restricted and unrestricted shares of Class A Nonvoting Common Stock to employees and non-employee directors.

The options issued under the plan have an exercise price equal to the fair market value of the underlying stock at the date of grant and generally vest over a three-year service period, with one-third becoming exercisable one year after the grant date and one-third additional in each of the succeeding two years. Options issued under the plan, referred to herein as "service-based" stock options, generally expire 10 years from the date of grant.

RSUs issued under the plan have an issuance price equal to the fair market value of the underlying stock at the date of grant. The RSUs granted under the plan generally vest over a three-year service period, with one-third becoming exercisable one year after the grant date and one-third additional in each of the succeeding two years. Shares issued under the plan are referred to herein as "service-based" RSUs.

As of January 31, 2016, the Company has reserved 4,741,300 shares of Class A Nonvoting Common Stock for outstanding stock options, RSUs, and restricted shares and 2,295,113 shares of Class A Nonvoting Common Stock remain for future issuance of stock options, RSUs, and restricted and unrestricted shares under the active plan. The Company uses treasury stock or will issue new Class A Nonvoting Common Stock to deliver shares under the plan.

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The Company recognizes the compensation cost of all share-based awards at the time it is deemed probable the award will vest. This cost is recognized on a straight-line basis over the vesting period of the award. If it is determined that it is unlikely the award will vest, the expense recognized to date for the award is reversed in the period in which this is evident and the remaining expense is not recorded. Total stock-based compensation expense recognized by the Company during the three months ended January 31, 2016 and 2015, was \$1,973 (\$1,223 net of taxes) and \$1,152 (\$714 net of taxes), respectively. Expense recognized during the six months ended January 31, 2016 and 2015, was \$4,569 (\$2,833 net of taxes) and \$2,471 (\$1,532 net of taxes), respectively.

As of January 31, 2016, total unrecognized compensation cost related to stock-based compensation awards was \$19,136 pre-tax, net of estimated forfeitures, which the Company expects to recognize over a weighted-average period of 2.8 years.

The Company has estimated the fair value of its service-based stock option awards granted during the six months ended January 31, 2016 and 2015, using the Black-Scholes option valuation model. The weighted-average assumptions used in the Black-Scholes valuation model are reflected in the following table:

Black-Scholes Option Valuation Assumptions	Six months ended January 31,			
	2016	2015		
Expected term (in years)	6.11	6.05		
Expected volatility	29.95	% 34.03	%	
Expected dividend yield	2.59	% 2.48	%	
Risk-free interest rate	1.64	% 1.91	%	
Weighted-average market value of underlying stock at grant date	\$20.02	\$22.70		
Weighted-average exercise price	\$20.02	\$22.70		
Weighted-average fair value of options granted during the period	\$4.58	\$6.11		

The Company uses historical data regarding stock option exercise behaviors to estimate the expected term of options granted based on the period of time that options granted are expected to be outstanding. Expected volatilities are based on the historical volatility of the Company's stock. The expected dividend yield is based on the Company's historical dividend payments and historical yield. The risk-free interest rate is based on the U.S. Treasury yield curve in effect on the grant date for the length of time corresponding to the expected term of the option. The market value is calculated as the average of the high and the low stock price on the date of the grant.

A summary of stock option activity under the Company's share-based compensation plans for the six months ended January 31, 2016 is presented below:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at July 31, 2015	3,500,951	\$29.64		
New grants	881,744	20.02		
Exercised	(2,454)	21.73		
Forfeited or expired	(375,756)	32.20		
Outstanding at January 31, 2016	4,004,485	\$27.28	6.0	\$1,898,393
Exercisable at January 31, 2016	2,723,184	\$30.00	4.5	\$183,307

There were 2,723,184 and 3,131,418 options exercisable with a weighted average exercise price of \$30.00 and \$30.97 at January 31, 2016 and 2015, respectively. The cash received from the exercise of options during the three months ended January 31, 2016 and 2015 was \$53 and \$756, respectively. The cash received from the exercise of options

during the six months ended January 31, 2016 and 2015 was \$53 and \$847, respectively. The tax benefit on options exercised during the three months ended January 31, 2016 and 2015 was \$3 and \$41, respectively. The tax benefit on options exercised during the six months ended January 31, 2016 and 2015 was \$3 and \$44, respectively.

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The total intrinsic value of options exercised during the six months ended January 31, 2016 and 2015, based upon the average market price at the time of exercise during the period, was \$7 and \$115, respectively. The total fair value of stock options vested during the six months ended January 31, 2016 and 2015, was \$3,131 and \$3,841, respectively. The following table summarizes the RSU activity under the Company's share-based compensation plans for the six months ended January 31, 2016:

Service-Based RSUs	Shares	Weighted Average Grant Date Fair Value
Outstanding at July 31, 2015	677,454	\$24.72
New grants	173,394	20.07
Vested	(72,164	) 25.12
Forfeited	(41,869	) 24.12
Outstanding at January 31, 2016	736,815	\$23.62

The service-based RSUs granted during the six months ended January 31, 2015 had a weighted-average grant date fair value of \$23.57.

The aggregate intrinsic value of unvested RSUs expected to vest at January 31, 2016 was \$16,534. The total fair value of RSUs vested during the six months ended January 31, 2016 and 2015, was \$1,471 and \$805, respectively.

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NOTE G — Fair Value Measurements

In accordance with fair value accounting guidance, the Company's assets and liabilities measured at fair market value are classified in one of the following categories:

Level 1 — Assets or liabilities for which fair value is based on unadjusted quoted prices in active markets for identical instruments that are accessible as of the reporting date.

Level 2 — Assets or liabilities for which fair value is based on other significant pricing inputs that are either directly or indirectly observable.

Level 3 — Assets or liabilities for which fair value is based on significant unobservable pricing inputs to the extent little or no market data is available, which result in the use of management's own assumptions.

The following tables set forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis at January 31, 2016 and July 31, 2015, according to the valuation techniques the Company used to determine their fair values.

	Inputs Considered As Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Fair Values	Balance Sheet Classifications
January 31, 2016				
Trading securities	\$12,980	\$—	\$12,980	Other assets
Foreign exchange contracts	—	1,008	1,008	Prepaid expenses and other current assets
Total Assets	\$12,980	\$1,008	\$13,988	
Foreign exchange contracts	\$—	\$1,212	\$1,212	Other current liabilities
Total Liabilities	\$—	\$1,212	\$1,212	
July 31, 2015				
Trading securities	\$15,356	\$—	\$15,356	Other assets
Foreign exchange contracts	—	685	685	Prepaid expenses and other current assets
Total Assets	\$15,356	\$685	\$16,041	
Foreign exchange contracts	\$—	\$1,280	\$1,280	Other current liabilities
Total Liabilities	\$—	\$1,280	\$1,280	

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Trading securities: The Company's deferred compensation investments consist of investments in mutual funds. These investments were classified as Level 1 as the shares of these investments trade with sufficient frequency and volume to enable us to obtain pricing information on an ongoing basis.

Foreign exchange contracts: The Company's foreign exchange contracts were classified as Level 2 as the fair value was based on the present value of the future cash flows using external models that use observable inputs, such as interest rates, yield curves and foreign exchange rates. See Note H, "Derivatives and Hedging Activities," for additional information.

There have been no transfers of assets or liabilities between the fair value hierarchy levels outlined above during the six months ended January 31, 2016 and 2015. In addition, the Company had no significant measurements of assets or liabilities at fair value on a nonrecurring basis subsequent to their initial recognition during the six months ended January 31, 2016.

During fiscal 2015, goodwill with carrying amounts of \$26,246 and \$10,866 in the WPS APAC and WPS Americas reporting units, respectively, was written off entirely, resulting in impairment charges of \$37,112. In order to arrive at the implied fair value of goodwill, the Company calculated the fair value of all of the assets and liabilities of the

reporting unit as if it had been acquired in a business combination. After assigning fair value to the assets and liabilities of the reporting unit, it was determined there was no excess fair value of the reporting units over the implied fair value of goodwill and thus, the remaining goodwill balances were impaired in fiscal 2015. The goodwill balances represented a Level 3 asset measured at fair value on a nonrecurring basis subsequent to their original recognition.

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During fiscal 2015, management evaluated other indefinite-lived intangible assets for recoverability using the income approach. The valuation was based upon current sales projections and profitability for each asset group, and the relief from royalty method was applied. Management evaluated other finite-lived intangible assets for recoverability using an undiscounted cash flow analysis based upon current sales projections and profitability for each asset group. This analysis resulted in an amount that was less than the carrying value of certain finite-lived intangible assets.

Management measured the impairment loss of both indefinite and finite-lived intangible assets as the amount by which the carrying amount of the assets exceeded their fair value. As a result, other intangible assets with a carrying amount of \$26,194 were written down to their estimated fair value of \$19,543. These represented Level 3 assets measured at fair value on a nonrecurring basis subsequent to their original recognition. These items resulted in a total impairment charge of \$6,651 in fiscal 2015.

The Company's financial instruments, other than those presented in the disclosures above, include cash and cash equivalents, accounts receivable, notes payable, accounts payable, and other liabilities. The fair values of these financial instruments approximated carrying values because of their short-term nature.

The estimated fair value of the Company's short-term and long-term debt obligations, excluding notes payable, based on the quoted market prices for similar issues and on the current rates offered for debt of similar maturities was \$255,450 and \$252,254 at January 31, 2016 and July 31, 2015, respectively, as compared to the carrying value of \$247,689 and \$243,288 at January 31, 2016 and July 31, 2015, respectively.

NOTE H — Derivatives and Hedging Activities

The Company utilizes forward foreign exchange currency contracts to reduce the exchange rate risk of specific foreign currency denominated transactions. These contracts typically require the exchange of a foreign currency for U.S. dollars at a fixed rate at a future date, with maturities of less than 18 months, which qualify as cash flow hedges or net investment hedges under the accounting guidance for derivative instruments and hedging activities. The primary objective of the Company's foreign currency exchange risk management program is to minimize the impact of currency movements due to transactions in other than the respective subsidiaries' functional currency and to minimize the impact of currency movements on the Company's net investment denominated in a currency other than the U.S. Dollar. To achieve this objective, the Company hedges a portion of known exposures using forward foreign exchange currency contracts. As of January 31, 2016 and July 31, 2015, the notional amount of outstanding forward exchange contracts was \$104,759 and \$139,300, respectively.

The Company hedges a portion of known exposures using forward exchange contracts. Main exposures are related to transactions denominated in the British Pound, the Euro, Canadian Dollar, Australian Dollar, Mexican Peso, and Singapore Dollar. Generally, these risk management transactions will involve the use of foreign currency derivatives to minimize the impact of currency movements on non-functional currency transactions.

Hedge effectiveness is determined by how closely the changes in fair value of the hedging instrument offset the changes in the fair value or cash flows of the hedged item. Hedge accounting is permitted only if the hedging relationship is expected to be highly effective at the inception of the hedge and on an on-going basis. Gains or losses on the derivative related to hedge ineffectiveness are recognized in current earnings.

Cash Flow Hedges

The Company has designated a portion of its foreign exchange contracts as cash flow hedges and recorded these contracts at fair value on the condensed consolidated balance sheets. For these instruments, the effective portion of the gain or loss on the derivative is reported as a component of OCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. As of January 31, 2016 and 2015, unrealized losses of \$608 and unrealized gains of \$1,724 have been included in OCI, respectively. Balances are reclassified from OCI to earnings when the hedged transactions impact earnings. For the three months ended January 31, 2016 and 2015, the Company reclassified losses of \$115 and gains of \$116 from OCI into earnings, respectively. For the six months ended January 31, 2016 and 2015, the Company reclassified gains of \$342 and \$95 from OCI into earnings, respectively. At January 31, 2016, the U.S. dollar equivalent of these outstanding forward foreign exchange contracts totaled \$16,616, including contracts to sell Euros, Canadian Dollars, Australian Dollars, and U.S. Dollars.

Net Investment Hedges

The Company has also designated intercompany and third party foreign currency denominated debt instruments as net investment hedges. At January 31, 2016, the Company designated £25,036 of intercompany loans as net investment hedges to hedge portions of its net investment in British foreign operations. On May 13, 2010, the Company completed the private placement of €75 million aggregate principal amount of senior unsecured notes to accredited institutional investors. This Euro-denominated debt obligation was designated as a net investment hedge to selectively hedge portions of its net investment in European operations. The Company's foreign denominated debt obligations are valued under a market approach using publicized spot prices.

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Non-Designated Hedges

For the three and six months ended January 31, 2016, the Company recognized losses of \$100 and \$513 respectively, in "Investment and other income" on the condensed consolidated statements of earnings related to non-designated hedges. For the three and six months ended January 31, 2015, the Company recognized losses of \$1,173 and gains of \$2,050, respectively.

Fair values of derivative instruments in the condensed consolidated balance sheets were as follows:

	Asset Derivatives				Liability Derivatives			
	January 31, 2016		July 31, 2015		January 31, 2016		July 31, 2015	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments								
Cash flow hedges								
Foreign exchange contracts	Prepaid expenses and other current assets	\$525	Prepaid expenses and other current assets	\$518	Other current liabilities	\$1,108	Other current liabilities	\$737
Net investment hedges								
Foreign currency denominated debt	Prepaid expenses and other current assets	—	Prepaid expenses and other current assets	—	Long term obligations, less current maturities	117,972	Long term obligations, less current maturities	121,514
Total derivatives designated as hedging instruments		\$525		\$518		\$119,080		\$122,251
Derivatives not designated as hedging instruments								
Foreign exchange contracts	Prepaid expenses and other current assets	\$1,008	Prepaid expenses and other current assets	\$168	Other current liabilities	\$1,212	Other current liabilities	\$543
Total derivatives not designated as hedging instruments		\$1,008		\$168		\$1,212		\$543

NOTE I — Discontinued Operations

The Company entered into an agreement with LTI Flexible Products, Inc. (d/b/a Boyd Corporation) on February 24, 2014, for the sale of the Die-Cut business. The first phase of this divestiture closed on May 1, 2014 and included the Die-Cut businesses in Korea, Thailand and Malaysia, and the Balkhausen business in Europe. The remainder of the Die-Cut business was located in China and it was divested on August 1, 2014. The operating results have been reported as discontinued operations for the three and six month periods ended January 31, 2015.

The following table summarizes the operating results of discontinued operations for the six months ended January 31, 2015:

	Six months ended January 31, 2015
Net sales	\$—
Loss from operations of discontinued businesses	(1,201)
Income tax expense	(288)
Loss on sale of discontinued operations	(487)
Income tax benefit on sale of discontinued operations	61
Loss from discontinued operations, net of income tax	\$(1,915)

There were no assets or liabilities held for sale as of January 31, 2016 and July 31, 2015, respectively. In accordance with authoritative literature, accumulated other comprehensive income of \$34,697 was reclassified to the Condensed Consolidated Statements of Earnings upon the closing of the second phase of the Die-Cut divestiture during the three months ended October 31, 2014.

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NOTE J — New Accounting Pronouncements

In November 2015, the FASB issued ASU 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires companies to classify deferred tax assets and liabilities as non-current on the balance sheet. This guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The ASU may be applied either prospectively or retrospectively and early adoption is permitted. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Simplifying the Measurement of Inventory," which requires that inventory within the scope of the guidance be measured at the lower of cost and net realizable value. Inventory measured using last-in, first-out ("LIFO") is not impacted by the new standard. This guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption of the ASU is permitted and the prospective transition method should be applied. The Company is currently evaluating the impact of this update on its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which eliminates the transaction-and industry-specific revenue recognition guidance under current GAAP and replaces it with a principles-based approach for determining revenue recognition. The new guidance requires revenue recognition when control of the goods or services transfers to the customer, replacing the existing guidance which requires revenue recognition when the risks and rewards transfer to the customer. Under the new guidance, companies should recognize revenues in amounts that reflect the payment to which a company expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date," which defers the effective date of the new revenue recognition standard by one year. Under the ASU, the new revenue recognition standard is effective for the Company beginning in fiscal 2019. The Company is currently evaluating the impact of this update on its consolidated financial statements.

NOTE K — Subsequent Events

On February 16, 2016, the Board of Directors declared a quarterly cash dividend to shareholders of the Company's Class A and Class B Common Stock of \$0.2025 per share payable on April 29, 2016, to shareholders of record at the close of business on April 8, 2016.

On February 16, 2016, the Company's Board of Directors also authorized an increase in the Company's share repurchase program, authorizing the repurchase of up to two million shares of the Company's Class A Common Stock available for repurchase as of that date, inclusive of the shares in the existing share buyback program. The plan may be implemented by purchasing shares in 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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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

Brady Corporation is a global manufacturer and supplier of identification solutions and workplace safety products that identify and protect premises, products and people. The IDS segment is primarily involved in the design, manufacture, and distribution of high-performance and innovative identification and healthcare products. The WPS segment provides workplace safety and compliance products, half of which are internally manufactured and half are externally sourced. Approximately 45% of our total sales are derived outside of the United States. Foreign sales within the IDS and WPS segments are approximately 40% and 70%, respectively.

The ability to provide customers with a vast array of proprietary, customized and diverse products for use in various applications across multiple customers and geographies, along with a commitment to quality and service, have made Brady a leader in many of its markets. The long-term sales growth and profitability of our segments will depend not only on improved demand in end markets and the overall economic environment, but also on our ability to continuously improve operational excellence, focus on the customer, develop and market innovative new products, and to advance our digital capabilities. In our IDS business, our strategy for growth includes an increased focus on key customers, industries and products and improving the efficiency and effectiveness of the research and development ("R&D") function. In our WPS business, our strategy for growth includes a focus on workplace safety critical industries, innovative new product offerings, and increased investment in digital capabilities.

The Company is targeting the following key initiatives in fiscal 2016:

- Driving operational efficiency within our manufacturing facilities and throughout the organization to improve profitability.

- Focusing on operational excellence and providing the Company's customers with the highest level of customer service.

- Enhancing our innovation development process to deliver high-value, innovative products that align with the Company's target markets.

- Performing comprehensive product reviews to optimize the Company's product offerings.

- Expanding our digital presence with a heightened focus on mobile technologies.

- Growing through focused sales and marketing efforts in selected vertical markets and strategic accounts.

- Enhancing our global employee development process to attract and retain key talent.

Results of Operations

A comparison of results of Operating Income for the three and six months ended January 31, 2016, and 2015 is as follows:

(Dollars in thousands)	Three months ended January 31,				Six months ended January 31,			
	2016	% Sales	2015	% Sales	2016	% Sales	2015	% Sales
Net Sales	\$268,630		\$282,628		\$551,703		\$592,868	
Gross Margin	132,892	49.5 %	138,203	48.9 %	272,241	49.3 %	288,365	48.6 %
Operating Expenses:								
Research and Development	9,097	3.4 %	8,948	3.2 %	17,666	3.2 %	18,579	3.1 %
Selling, General and Administrative	100,206	37.3 %	107,565	38.1 %	200,884	36.4 %	216,846	36.6 %
Restructuring charges	—	— %	4,879	1.7 %	—	— %	9,157	1.5 %
Total operating expenses	109,303	40.7 %	121,392	43.0 %	218,550	39.6 %	244,582	41.3 %
Operating Income	\$23,589	8.8 %	\$16,811	5.9 %	\$53,691	9.7 %	\$43,783	7.4 %

Sales for the three months ended January 31, 2016, decreased 5.0% to \$268.6 million, compared to \$282.6 million in the same period of the prior year, which consisted of organic sales growth of 0.4% and a negative currency impact of

5.4% due to the strengthening of the U.S. Dollar against other major currencies. Organic sales grew 0.7% in the IDS segment and declined 0.1% in the WPS segment.

Sales for the six months ended January 31, 2016, decreased 6.9% to \$551.7 million, compared to \$592.9 million in the same period of the prior year, which consisted of an organic sales decline of 0.9% and a negative currency impact of 6.0%. Organic sales declined 0.9% in both the IDS and WPS segments.

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Gross margin for the three months ended January 31, 2016, decreased 3.8% to \$132.9 million, compared to \$138.2 million in the same period of the prior year, and decreased 5.6% to \$272.2 million for the six months ended January 31, 2016, compared to \$288.4 million in the same period of the prior year. The decline in gross margin for both the three and six month periods was primarily due to the decline in net sales.

Gross margin as a percentage of sales continued its trend from the preceding quarter and increased to 49.5% for the three months ended January 31, 2016, compared to 48.9% in the same period of the prior year, and increased to 49.3% for the six months ended January 31, 2016, from 48.6% in the same period of the prior year. The increase in gross profit margin was primarily due to an improvement in operational efficiencies in our recently consolidated facilities in the Americas and EMEA, as we incurred reduced freight, supplies and labor costs compared to the same periods in the prior year.

R&D expenses for the three months ended January 31, 2016, increased 1.7% to \$9.1 million, compared to \$8.9 million in the same period of the prior year. As a percentage of sales for the three months ended January 31, 2016, R&D expenses increased to 3.4% from 3.2% in the same period in the prior year. The increase was primarily due to timing of project-related expenditures, partially offset by the negative impact of currency fluctuations.

R&D expenses decreased 4.9% to \$17.7 million for the six months ended January 31, 2016, compared to \$18.6 million for the same period in the prior year. The decrease in R&D expenses was primarily due to efficiency gains within the R&D function and the strengthening of the U.S. dollar. As a percentage of sales for the six months ended January 31, 2016, R&D expenses increased slightly to 3.2% from 3.1% in the same period of the prior year. The increase in R&D expenses as a percentage of sales for the six month period was primarily due to the impact of currency fluctuations on sales and a higher concentration of R&D spending in the United States.

Selling, general and administrative expenses (“SG&A”) include selling costs directly attributed to the IDS and WPS segments, as well as administrative expenses including finance, information technology, human resources, legal, and executive leadership. SG&A decreased 6.8% to \$100.2 million for the three months ended January 31, 2016, and 7.4% to \$200.9 million for the six months ended January 31, 2016, compared to \$107.6 million and \$216.8 million in the same periods of the prior year, respectively. The declines in both the three and six month periods were primarily driven by the strengthening of the U.S. dollar, as well as efficiencies in selling costs and reduced amortization expense. General and administrative expenses remained flat for the three months and decreased during the six months ended January 31, 2016, compared to the same periods of the prior year due to our continued efforts to control costs.

In fiscal 2014, the Company announced a restructuring plan to consolidate facilities in the Americas, Europe and Asia. The Company implemented this restructuring plan to enhance customer service, improve efficiency of operations and reduce operating expenses. Restructuring activities related to the facility consolidation plan were complete at the end of fiscal 2015. The Company expects to realize operational savings from these actions over the longer-term.

No restructuring charges were incurred by the Company during the three and six months ended January 31, 2016. Restructuring charges were \$4.9 million and \$9.2 million during the three and six months ended January 31, 2015, respectively, which consisted primarily of employee separation costs, facility closure costs, and contract termination costs. Of the \$4.9 million of restructuring charges recognized during the three-month period ended January 31, 2015, \$3.9 million was incurred within the IDS segment and \$1.0 million was incurred within the WPS segment. Of the \$9.2 million of restructuring charges recognized during the six-month period ended January 31, 2015, \$6.3 million was incurred within IDS and \$2.9 million was incurred within WPS.

Operating income was \$23.6 million during the three months ended January 31, 2016, compared to \$16.8 million for the three months ended January 31, 2015. Excluding restructuring charges of \$4.9 million from the prior year, operating income was \$21.7 million during the three months ended January 31, 2015. The increase of \$1.9 million

was primarily due to the improvement in segment profit in both the IDS and WPS segments during the three months ended January 31, 2016, compared to the same period of the prior year. This increase was partially offset by the negative impact of currency fluctuations during the period.

Operating income was \$53.7 million during the six months ended January 31, 2016, compared to \$43.8 million for the six months ended January 31, 2015. Excluding restructuring charges of \$9.2 million, operating income was \$53.0 million for the six months ended January 31, 2015. The increase of \$0.7 million was primarily due to the improvement in WPS segment profit and a decline in administrative expenses during the six months ended January 31, 2016, compared to the same period of the prior year. This increase was partially offset by the negative impact of currency fluctuations and a decline in segment profit in the IDS segment during the period, which is discussed in further detail within the Business Segment Operating Results section.

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OPERATING INCOME TO NET EARNINGS

(Dollars in thousands)	Three months ended January 31,				Six months ended January 31,			
	2016	% Sales	2015	% Sales	2016	% Sales	2015	% Sales
Operating income	\$23,589	8.8 %	\$16,811	5.9 %	\$53,691	9.7 %	\$43,783	7.4 %
Other income and (expense):								
Investment and other (expense) income	(992)	(0.4)%	211	0.1 %	(1,751)	(0.3)%	535	0.1 %
Interest expense	(2,130)	(0.8)%	(3,000)	(1.1)%	(4,281)	(0.8)%	(5,891)	(1.0)%
Earnings from continuing operations before income tax	20,467	7.6 %	14,022	5.0 %	47,659	8.6 %	38,427	6.5 %
Income tax expense	5,177	1.9 %	2,438	0.9 %	13,666	2.5 %	11,344	1.9 %
Earnings from continuing operations	\$15,290	5.7 %	\$11,584	4.1 %	\$33,993	6.2 %	\$27,083	4.6 %
Loss from discontinued operations, net of income taxes	—	— %	—	— %	—	— %	(1,915)	(0.3)%
Net earnings	\$15,290	5.7 %	\$11,584	4.1 %	\$33,993	6.2 %	\$25,168	4.2 %

Investment and other expense was \$1.0 million for the three months ended January 31, 2016, and was \$1.8 million for the six months ended January 31, 2016, compared to other income of \$0.2 million and \$0.5 million in the same periods of the prior year, respectively. These changes during the three and six month periods were primarily due to foreign currency losses and a decline in market value of securities held in executive deferred compensation plans.

Interest expense decreased to \$2.1 million from \$3.0 million for the three months, and decreased to \$4.3 million from \$5.9 million for the six months ended January 31, 2016, compared to the same periods in the prior year. For both the three and six month periods, the decrease was due to the Company's declining total debt balance and a reduction in the weighted average interest rate on revolving debt.

The Company's income tax rate on continuing operations was 25.3% for the three months ended January 31, 2016, compared to 17.4% for the same period in the prior year. The extension of the U.S. R&D tax credit and other tax provisions passed by Congress in December 2015 and 2014 decreased the tax rate in both quarters; however, the impact was more significant to the prior period income tax rate as earnings before tax was lower for the three months ended January 31, 2015. The income tax rate on continuing operations was 28.7% for the six months ended January 31, 2016, compared to 29.5% for the same period of the prior year. The tax rate for the six month period is consistent with the Company's anticipated annual income tax rate, which is expected to be in the mid-to-upper 20% range for fiscal year 2016.

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Business Segment Operating Results

The Company is organized and managed on a global basis within two business platforms: ID Solutions and Workplace Safety. The segment results have been adjusted to reflect continuing operations in all periods presented. The sales and profit of discontinued operations for the six months ended January 31, 2015, are excluded from the following information.

The following is a summary of segment information for the three and six months ended January 31, 2016, and 2015:

(Dollars in thousands)	Three months ended January 31,		Six months ended January 31,	
	2016	2015	2016	2015
SALES TO EXTERNAL CUSTOMERS				
ID Solutions	\$184,880	\$192,065	\$381,207	\$404,162
Workplace Safety	83,750	90,563	170,496	188,706
Total	\$268,630	\$282,628	\$551,703	\$592,868
SALES GROWTH INFORMATION				
ID Solutions				
Organic	0.7	% 1.9	% (0.9	)% 2.1
Currency	(4.4	)% (3.3	)% (4.8	)% (2.1
Total	(3.7	)% (1.4	)% (5.7)% —
Workplace Safety				
Organic	(0.1	)% 0.6	% (0.9	)% 1.5
Currency	(7.4	)% (6.7	)% (8.7	)% (4.5
Total	(7.5	)% (6.1	)% (9.6	)% (3.0
Total Company				
Organic	0.4	% 1.4	% (0.9	)% 1.9
Currency	(5.4	)% (4.3	)% (6.0	)% (2.9
Total	(5.0	)% (2.9	)% (6.9	)% (1.0
SEGMENT PROFIT				
ID Solutions	\$37,004	\$35,719	\$77,008	\$79,186
Workplace Safety	13,395	12,776	30,059	28,315
Total	\$50,399	\$48,495	\$107,067	\$107,501
SEGMENT PROFIT AS A PERCENT OF SALES				
ID Solutions	20.0	% 18.6	% 20.2	% 19.6
Workplace Safety	16.0	% 14.1	% 17.6	% 15.0
Total	18.8	% 17.2	% 19.4	% 18.1

The following is a reconciliation of segment profit to earnings from continuing operations before income taxes for the three and six months ended January 31, 2016 and 2015:

	Three months ended January 31,		Six months ended January 31,	
	2016	2015	2016	2015
Total profit from reportable segments	\$50,399	\$48,495	\$107,067	\$107,501
Unallocated amounts:				
Administrative costs	(26,810	) (26,805	) (53,376	) (54,561
Restructuring charges	—	(4,879	) —	(9,157
Investment and other (expense) income	(992	) 211	(1,751	) 535
Interest expense	(2,130	) (3,000	) (4,281	) (5,891
Earnings from continuing operations before income taxes	\$20,467	\$14,022	\$47,659	\$38,427

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ID Solutions

Approximately 70% of net sales in the IDS segment were generated in the Americas region, 20% in Europe and 10% in Asia. IDS sales decreased 3.7% to \$184.9 million for the three months ended January 31, 2016, compared to \$192.1 million for the same period in the prior year, which consisted of organic sales growth of 0.7% and a negative currency impact of 4.4%. IDS sales decreased 5.7% to \$381.2 million for the six months ended January 31, 2016, compared to \$404.2 million for the same period in the prior year. Organic sales declined 0.9% and currency fluctuations decreased sales by 4.8% during the six month period ended January 31, 2016.

Organic sales in the Americas were consistent for the three months and declined in the low-single digits for the six months ended January 31, 2016, compared to the same periods in the prior year. The decline in the six month period was primarily due to a slow down in order patterns with certain of our end customers in the healthcare and industrial sectors in the United States and Canada. In addition, we realized double-digit declines in OEM sales in Brazil for both the three and six month periods due to weak economic conditions and increased competitive pressure. The decline was partially offset by strong organic sales growth in Mexico.

The IDS business in Europe realized mid-single digit organic sales growth for the three months ended January 31, 2016, compared to the same period in the prior year. Organic sales grew in the low-single digits for the six months ended January 31, 2016, compared to the same period in the prior year. The increase for both the three and six month periods was primarily driven by our core IDS businesses in Western and Central Europe where we have increased our salesforce and expanded in focused geographies and accounts.

Organic sales in Asia declined in the low-single digits for the three and six months ended January 31, 2016, as compared to the same periods in the prior year. The decline in sales for both the three and six month periods was primarily due to reduced demand in China as a result of the slowing economy, which also resulted in reduced sales in much of Asia, outside of China.

Segment profit increased to \$37.0 million for the three months ended January 31, 2016, compared to \$35.7 million in the same period of the prior year. As a percentage of sales, segment profit increased to 20.0% for the quarter, from 18.6% in the same period of the prior year. The increase in segment profit margin during the quarter was primarily driven by an improvement in operational efficiencies in our manufacturing processes in the Americas and Europe and the increase in organic sales.

Segment profit decreased to \$77.0 million from \$79.2 million for the six months ended January 31, 2016, compared to the same period in the prior year. This decrease was primarily due to the negative impact of currency fluctuations during the six months ended January 31, 2016. As a percentage of sales, segment profit increased to 20.2% for the six months ended January 31, 2016, compared to 19.6% for same period in the prior year. Consistent with the three month period, the increase in segment profit margin was primarily driven by an improvement in operational efficiencies, partially offset by the decline in organic sales during the six month period.

WPS

Approximately 50% of net sales in the WPS segment were generated in Europe, 35% in the Americas and 15% in Australia. WPS sales decreased 7.5% to \$83.8 million for the three months and 9.6% to \$170.5 million for the six months ended January 31, 2016, compared to \$90.6 million and \$188.7 million, respectively, for the same periods in the prior year. Currency fluctuations decreased sales by 7.4% and 8.7% for the three and six months ended January 31, 2016, respectively, compared to the same periods in the prior year. Since half of the WPS business is in Europe, the strengthening of the U.S. dollar against the Euro had a larger impact on the WPS segment than it did on the IDS segment.

Organic sales declined 0.1% and 0.9% in the three and six month periods ended January 31, 2016, respectively, compared to the same periods in the prior year. The organic sales decline in both periods was due to our North

American and Australian-based businesses. This decline was partially offset by growth in the European-based business.

The WPS business in Europe realized mid-single digit organic sales growth for the three months ended January 31, 2016, compared to the same period in the prior year. Organic sales grew in the low-single digits for the six months ended January 31, 2016, compared to the same period in the prior year. The increase for both the three and six month periods was primarily driven by Germany, France, and Belgium due to improvements in website functionality and key account management. Both traditional catalog and digital sales increased, with digital sales improving by double-digits in both the three and six months ended January 31, 2016, as compared to the same periods in the prior year.

Organic sales in the Americas declined in the mid-single digits for the three and six months ended January 31, 2016, compared to the same periods in the prior year. This decrease was primarily in North America due to reduced demand in the industrial end markets and a decrease in sales through traditional catalog channels.

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Organic sales in Australia realized a low double-digit decline for the three months and a high single-digit decline for the six months ended January 31, 2016, as compared to the same periods of the prior year. The decrease in the Australian business was due to its higher concentration in industries that are experiencing economic challenges which include manufacturing and mining production. We continue to focus on enhancing our expertise in these industries to further differentiate and create value for our customers.

Segment profit increased to \$13.4 million from \$12.8 million for the three months, and increased to \$30.1 million from \$28.3 million for the six months ended January 31, 2016, compared to the same periods in the prior year. As a percentage of sales, segment profit increased to 16.0% from 14.1% for the three months, and increased to 17.6% from 15.0% for the six months ended January 31, 2016, compared to the same periods in the prior year. The increase in segment profit margin in both the three and six month periods was mainly driven by a reduction in selling expenses and an improvement in operational efficiencies, partially offset by the decline in organic sales for both the three and six month periods.

Financial Condition

Cash and cash equivalents increased by \$5.7 million and \$11.5 million during the six months ended January 31, 2016 and 2015, respectively. The significant changes were as follows:

(Dollars in thousands)	Six months ended January 31,	
	2016	2015
Net cash flow provided by (used in):		
Operating activities	\$58,254	\$23,930
Investing activities	(1,407)	(7,524)
Financing activities	(46,308)	5,996
Effect of exchange rate changes on cash	(4,833)	(10,937)
Net increase in cash and cash equivalents	\$5,706	\$11,465

Net cash provided by operating activities increased to \$58.3 million for the six months ended January 31, 2016, compared to \$23.9 million in the same period of the prior year. The increase in cash provided by operating activities of \$34.4 million was primarily due to an improvement in working capital of \$23.2 million. Inventory was reduced from elevated levels in the prior year due to the facility consolidation, which generated \$14.2 million in cash from operations in the current six-month period. In addition, accounts payable increased by \$13.8 million in the current six-month period due to the timing of certain annual payments and the acceleration of corporate credit card payment terms impacting the prior six-month period, which was partially offset by a decrease in Days Payable Outstanding ("DPO") in the Americas and APAC regions compared to the prior six-month period. The remainder of the increase in net cash provided by operating activities was primarily due to an increase in net earnings of \$8.8 million.

Net cash used in investing activities was \$1.4 million for the six months ended January 31, 2016, compared to \$7.5 million in the same period of the prior year. The decrease in cash used in investing activities was due primarily to a decrease in capital expenditures of \$13.9 million due to the completion of facility consolidation activities, partially offset by \$6.1 million of cash received from the Die-Cut divestiture during the six months ended January 31, 2015.

Net cash used in financing activities was \$46.3 million during the six months ended January 31, 2016, compared to net cash provided by financing activities of \$6.0 million in the same period of the prior year. The increase in cash used in financing activities was primarily due to \$23.4 million in share repurchases and \$0.4 million in net repayments on the revolving loan agreements during the six months ended January 31, 2016, compared to \$29.4 million in net borrowings on the revolving loan agreements in the same period of the prior year. The Company paid dividends of \$20.4 million in both the six month periods ended January 31, 2016 and 2015.

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Currency had a negative impact on cash of \$4.8 million during the six months ended January 31, 2016, due to the strengthening of the U.S. Dollar against other major currencies.

During fiscal 2006 and 2007, the Company completed two private placement note issuances totaling \$350 million in ten-year fixed rate notes with varying maturity dates to institutional investors at interest rates varying from 5.30% to 5.33%. The notes must be repaid equally over seven years, with final payments due in 2016 and 2017, with interest payable on the notes due semiannually on various dates throughout the year. The notes have certain prepayment penalties for repaying them prior to the maturity date.

On May 13, 2010, the Company completed a private placement of €75 million aggregate principal amount of senior unsecured notes to accredited institutional investors. The €75 million of senior notes consists of €30 million aggregate principal amount of 3.71% Series 2010-A Senior Notes, due May 13, 2017 and €45 million aggregate principal amount of 4.24% Series 2010-A Senior Notes, due May 13, 2020, with interest payable on the notes semiannually. The notes have certain prepayment penalties for repaying them prior to maturity.

On September 25, 2015, the Company and certain of its subsidiaries entered into an unsecured \$300 million multi-currency revolving loan agreement with a group of six banks that replaced and terminated the Company's previous loan agreement that had been entered into on February 1, 2012. Under the new revolving loan agreement, which has a final maturity date of September 25, 2020, 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%, the prime rate of Bank of America plus a margin based on the Company's consolidated leverage ratio, or the one-month LIBOR rate plus 1%) or a Eurocurrency interest rate (at the LIBOR rate plus a margin based on the Company's consolidated leverage ratio). At the Company's option, and subject to certain conditions, the available amount under the revolving loan agreement may be increased from \$300 million to \$450 million. During the six months ended January 31, 2016, the Company drew down an additional \$5.0 million in order to fund general corporate needs. As of January 31, 2016, the outstanding balance on the credit facility was \$107.0 million, which was also the maximum amount outstanding during the six months ended January 31, 2016. The Company also had letters of credit outstanding under the loan agreement of \$3.3 million as of January 31, 2016, and there was \$189.7 million available for future borrowing, which can be increased to \$339.7 million at the Company's option, subject to certain conditions.

In fiscal 2015, the Company entered into two unsecured \$10.0 million multi-currency lines of credit in China. These lines of credit support USD-denominated or CNY-denominated borrowing to fund working capital and operations for the Company's Chinese entities and are due on demand. The borrowings under these facilities may be made for a period of up to one year from the date of borrowing with interest incurred equal to U.S. dollar LIBOR on the date of borrowing plus a margin based upon duration. The facilities are subject to periodic review and repricing. The Company is not required to comply with any financial covenants as part of this agreement. During the six months ended January 31, 2016, the Company repaid \$5.4 million of these borrowings. As of January 31, 2016, the aggregate outstanding balance of these lines was \$5.0 million and there was \$15.0 million available for future borrowing under these credit facilities. The maximum amount outstanding on these lines was \$10.4 million during the six months ended January 31, 2016.

The Company's debt agreements require it to maintain certain financial covenants, including a ratio of debt to the trailing twelve months EBITDA, as defined in the debt agreements, of not more than a 3.25 to 1.0 ratio (leverage ratio) and the trailing twelve months EBITDA to interest expense of not less than a 3.0 to 1.0 ratio (interest expense coverage). As of January 31, 2016, the Company was in compliance with these financial covenants, with the ratio of debt to EBITDA, as defined by the agreements, equal to 1.8 to 1.0 and the interest expense coverage ratio equal to 14.9 to 1.0.

The Company's cash balances are generated and held in numerous locations throughout the world. At January 31, 2016, approximately 94% of the Company's cash and cash equivalents were 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 flow from operating activities, in addition to its borrowing capacity, are

sufficient to fund its anticipated requirements for working capital, capital expenditures, common stock repurchases, scheduled debt repayments, and dividend payments for the next 12 months.

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Subsequent Events

On February 16, 2016, the Board of Directors declared a quarterly cash dividend to shareholders of the Company's Class A and Class B Common Stock of \$0.2025 per share payable on April 29, 2016, to shareholders of record at the close of business on April 8, 2016.

On February 16, 2016, the Company's Board of Directors also authorized an increase in the Company's share repurchase program, authorizing the repurchase of up to two million shares of the Company's Class A Common Stock available for repurchase as of that date, inclusive of the shares in the existing share buyback program. The plan may be implemented by purchasing shares in 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.

Off-Balance Sheet Arrangements

The Company does not have material off-balance sheet arrangements. The Company is not aware of factors that are reasonably likely to adversely affect liquidity trends, other than the risk factors described in this and other Company filings. However, the following additional information is provided to assist those reviewing the Company's financial statements.

Operating Leases - The 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.

Forward-Looking Statements

In this quarterly report on Form 10-Q, statements that are not reported financial results or other historic information may be "forward-looking statements." These forward-looking statements relate to, among other things, the Company'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.

The use of words such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "should," "project" or "plan" or terminology are generally intended 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:

• Implementation of the Workplace Safety strategy;

• Brady's ability to develop and successfully market technologically advanced new products;

• Technology changes and potential security violations to Brady's information technology systems;

• Future competition;

• Future financial performance of major markets Brady serves, which include, without limitation, telecommunications, hard disk drive, manufacturing, electrical, construction, laboratory, education, governmental, public utility, computer, healthcare and transportation;

• Fluctuations in currency rates versus the U.S. dollar;

- Risks associated with international operations;

Difficulties associated with exports;

Changes in the supply of, or price for, parts and components;

Increased price pressure from suppliers and customers;

Brady's ability to retain significant contracts and customers;

Risk associated with loss of key talent;

- Risks associated with obtaining governmental approvals and maintaining regulatory compliance;

Risk associated with product liability claims;

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Environmental, health and safety compliance costs and liabilities;

Potential write-offs of Brady's substantial intangible assets;

Unforeseen tax consequences;

Risks associated with restructuring plans and maintaining acceptable operational service metrics;

Risks associated with divestitures;

Risks associated with identifying, completing, and integrating acquisitions;

Risks associated with our ownership structure;

Brady's ability to maintain compliance with its debt covenants;

Increase in our level of debt; 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 within Item 1A of Part I of the Form 10-K filed with the SEC on September 21, 2015.

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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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Refer to the Company's annual report on Form 10-K for the year ended July 31, 2015. There has been no material change in this information since July 31, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Brady Corporation maintains a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by the Company in the reports filed by the Company under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports the Company files under the Exchange Act is accumulated and communicated to the Company's management, including the Company's principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company carried out an evaluation, under the supervision and with the participation of its management, including its President and Chief Executive Officer and its Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Company's President and Chief Executive Officer and Senior Vice President and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of the end of the period covered by this report.

There were no significant changes in the Company's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

As of October 31, 2015, the Company had a share repurchase program with 1,192,308 shares of the Company's Class A Nonvoting Common Stock remaining to be purchased. On November 18, 2015, the Company's Board of Directors authorized an increase in the share repurchase program of 807,692 additional shares. During the three months ended January 31, 2016, the Company purchased 338,579 shares of its Class A Nonvoting Common Stock under its share repurchase plan for \$7.2 million. As of January 31, 2016, there remained 1,661,421 shares to purchase in connection with this plan.

The following table provides information with respect to the purchase of Class A Nonvoting Common Stock during the three months ended January 31, 2016:

Period	Total Number of Shares Purchased	Average Price paid per share	Total Number of Shares Purchased As Part of Publicly Announced Plans	Maximum Number of Shares That May Yet Be Purchased Under the Plans
November 1, 2015 - November 30, 2015	—	\$—	—	2,000,000
December 1, 2015 - December 31, 2015	—	—	—	2,000,000
January 1, 2016 - January 31, 2016	338,579	21.37	338,579	1,661,421
Total	338,579	\$21.37	338,579	1,661,421

ITEM 6. EXHIBITS

(a) Exhibits

31.1 Rule 13a-14(a)/15d-14(a) Certification of J. Michael Nauman

31.2 Rule 13a-14(a)/15d-14(a) Certification of Aaron J. Pearce

32.1 Section 1350 Certification of J. Michael Nauman

32.1 Section 1350 Certification of Aaron J. Pearce

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNATURES

Date: February 19, 2016

BRADY CORPORATION

/s/ J. MICHAEL NAUMAN
J. Michael Nauman
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 19, 2016

/s/ AARON J. PEARCE
Aaron J. Pearce
Senior Vice President, Chief Financial
Officer and Chief Accounting Officer
(Principal Financial Officer)