FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2004-08-12** | Period of Report: **2004-07-03**
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FILER

FEDERAL SIGNAL CORP /DE/
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SIC: **3711** Motor vehicles & passenger car bodies

Mailing Address
1415 W 22ND ST STE 1100
OAK BROOK IL 60523

Business Address
1415 W 22ND ST STE 1100
OAK BROOK IL 60523
630-954-2000

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 3, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________ to ___________

Commission file number: 1-6003

FEDERAL SIGNAL CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	36-1063330
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1415 West 22nd Street
Oak Brook, IL 60523
(Address of principal executive offices) (Zip code)

(630) 954-2000
(Registrant's telephone number including area code)

Not applicable
(Former name, former address, and former fiscal year, if changed since last report)

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [x] No [ ]

Indicate the number of shares outstanding of each of the Registrant's classes of common stock, as of the latest practicable date.

Title	
Common Stock, $1.00 par value	48,130,635 shares outstanding at July 31, 2004

FEDERAL SIGNAL CORPORATION
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Forward-Looking Statements

This Form 10-Q, reports filed by the Registrant with the Securities and Exchange Commission ("SEC") and comments made by management contain the words such as "may," "will," "believe," "expect," "anticipate," "intend," "plan," "project," "estimate" and "objective" or the negative thereof or similar terminology concerning the Registrant's future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning the Registrant's possible or assumed future performance or results of operations and are not guarantees. While these statements are based on assumptions and judgments that management has made in light of industry experience as well as perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, they are subject to risks, uncertainties and other factors that may cause the Registrant's actual results, performance or achievements to be materially different.

Risks, uncertainties and other factors that may impact the achievement of forward-looking statements include the cyclical nature of the U.S. state and municipal markets, success of research and development projects, negotiation and maintenance of strong supplier strategic alliances, risks associated with international operations such as foreign currency fluctuations and economic and political conditions, identification and integration of acquisitions, pricing pressures, competition, operational efficiencies and cost reductions, cash and debt management including interest rate swaps, tax strategies, maintenance and growth of the dealer network and customer relationships.

ADDITIONAL INFORMATION

The Registrant makes its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports available, free of charge, through its Internet website (http://www.federalsignal.com) as soon as reasonably practical after it electronically files or furnishes such materials to the SEC. All of the Registrant's filings may be read or copied at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Information on the operation of the Public Filing Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Effective January 1, 2004, the Registrant began reporting its interim quarterly periods on a 13-week basis ending on a Saturday with the fiscal year ending on December 31. Prior to 2004, the Registrant's interim quarterly periods ended on March 31, June 30, September 30 and December 31 year end. For convenience purposes, the Registrant uses "June 30, 2004" to refer to its financial position as of July 3, 2004 and results of operations for the 13-week and 26-week periods ended July 3, 2004.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

<TABLE>
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	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003

<S>	<C>	<C>	<C>	<C>
Net sales	$ 304,141,000	$ 311,041,000	$ 580,659,000	$ 602,992,000
Costs and expenses:				
Cost of sales	(232,586,000)	(227,111,000)	(441,646,000)	(444,107,000)
Selling, general and administrative	(58,459,000)	(62,414,000)	(117,049,000)	(124,858,000)
Restructuring charges	(8,062,000)	(2,406,000)	(8,062,000)	(3,702,000)
Operating income	5,034,000	19,110,000	13,902,000	30,325,000
Interest expense	(5,162,000)	(5,140,000)	(10,027,000)	(10,035,000)
Other income (expense), net	(3,032,000)	62,000	(4,002,000)	192,000
Minority interest	19,000	36,000	(38,000)	209,000
Income (loss) from continuing operations before income taxes	(3,141,000)	14,068,000	(165,000)	20,691,000
Income tax benefit (expense)	871,000	(4,121,000)	94,000	(4,277,000)
Income (loss) from continuing operations	(2,270,000)	9,947,000	(71,000)	16,414,000
Loss on disposal of discontinued operations, net of tax benefit of $772,000 and $222,000, respectively	(4,357,000)	(369,000)	(4,357,000)	(369,000)
Net income (loss)	$ (6,627,000)	$ 9,578,000	$ (4,428,000)	$ 16,045,000
COMMON STOCK DATA:				
Basic and diluted net income per share:				
Income (loss) from continuing operations	$ (.05)	$ .21	$ --	$ .34
Loss on disposal of discontinued operations	(.09)	(.01)	(.09)	(.01)
Net income (loss)*	$ (.14)	$ .20	$ (.09)	$ .33
Weighted average common shares outstanding				
Basic	48,113,000	47,977,000	48,070,000	47,918,000
Diluted	48,197,000	48,016,000	48,157,000	47,940,000
Cash dividends per share of common stock	$ .10	$ .20	$ .20	$ .40

</TABLE>

* amounts above may not add due to rounding

See notes to condensed consolidated financial statements.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (Unaudited)

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$ (6,627,000)	$ 9,578,000	$ (4,428,000)	$ 16,045,000
Other comprehensive income (loss), net of tax -				
Foreign currency translation adjustments	27,000	3,491,000	(2,089,000)	6,530,000
Net derivative gain, cash flow hedges	1,441,000	843,000	580,000	2,286,000
Comprehensive income (loss)	$ (5,159,000)	$ 13,912,000	$ (5,937,000)	$ 24,861,000

</TABLE>

See notes to condensed consolidated financial statements.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	June 30, 2004 (Unaudited)	December 31, 2003 (a)
<S>	<C>	<C>
ASSETS		
Manufacturing activities -		
Current assets:		
Cash and cash equivalents	$ 6,614,000	$ 10,113,000
Trade accounts receivable, net of allowances for doubtful accounts	202,223,000	190,873,000
Inventories	203,848,000	176,687,000
Prepaid expenses	21,682,000	16,294,000
Net assets of discontinued operations	2,880,000	8,335,000
Total current assets	437,247,000	402,302,000
Properties and equipment, net	115,867,000	123,415,000
Goodwill	362,046,000	363,030,000
Other deferred charges and assets	55,813,000	60,759,000
Total manufacturing assets	970,973,000	949,506,000
Financial services activities - Lease financing receivables, net of allowances for doubtful accounts	215,373,000	230,111,000
Total assets	$1,186,346,000	$ 1,179,617,000
LIABILITIES		
Manufacturing activities -		
Current liabilities:		
Short-term borrowings	$ 114,959,000	$ 68,634,000
Trade accounts payable	80,138,000	78,320,000
Customer deposits	29,093,000	21,171,000
Accrued liabilities and income taxes	100,003,000	109,219,000
Total current liabilities	324,193,000	277,344,000
Long-term borrowings	177,288,000	194,130,000
Long-term pension and other liabilities	47,995,000	38,692,000
Deferred income taxes	40,232,000	45,595,000
Total manufacturing liabilities	589,708,000	555,761,000
Financial services activities - Borrowings	188,451,000	201,347,000
SHAREHOLDERS' EQUITY		
Common stock - par value	48,565,000	48,439,000
Capital in excess of par value	94,091,000	91,898,000
Retained earnings	303,312,000	317,404,000
Treasury stock	(14,563,000)	(14,850,000)
Deferred stock awards	(3,636,000)	(2,309,000)
Accumulated other comprehensive income (loss)	(19,582,000)	(18,073,000)
Total shareholders' equity	408,187,000	422,509,000
Total liabilities and shareholders' equity	$1,186,346,000	$ 1,179,617,000

</TABLE>

See notes to condensed consolidated financial statements.

(a) The balance sheet at December 31, 2003 has been derived from the audited financial statements at that date.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

<TABLE>
<CAPTION>

	Six months ended June 30,	
	2004	2003

<S> <C> <C>

Operating activities:		
Net income (loss)	$ (4,428,000)	$ 16,045,000
Loss on disposal of discontinued operations	4,357,000	369,000
Depreciation and amortization	12,016,000	12,952,000
Non-cash restructuring charges	7,495,000	1,881,000
Loss on minority interest divesture	2,932,000	
Pension contributions	(4,058,000)	
Working capital changes and other	(26,451,000)	16,001,000
Net cash provided by (used for) operating activities	(8,137,000)	47,248,000
Investing activities:		
Purchases of properties and equipment	(11,019,000)	(8,777,000)
Principal extensions under lease financing agreements	(67,994,000)	(80,015,000)
Principal collections under lease financing agreements	82,252,000	79,214,000
Proceeds from sale of discontinued operations		7,453,000
Other, net	1,665,000	(1,637,000)
Net cash provided by (used for) investing activities	4,904,000	(3,762,000)
Financing activities:		
Increase (decrease) in short-term borrowings, net	19,236,000	(70,981,000)
Proceeds from issuance of long-term borrowings		45,141,000
Repayment of long-term borrowings	(10,162,000)	
Purchases of treasury stock	37,000	(117,000)
Cash dividends paid to shareholders	(9,664,000)	(19,142,000)
Other, net	287,000	1,286,000
Net cash used for financing activities	(266,000)	(43,813,000)
Decrease in cash and cash equivalents	(3,499,000)	(327,000)
Cash and cash equivalents at beginning of period	10,113,000	9,782,000
Cash and cash equivalents at end of period	$ 6,614,000	$ 9,455,000
Supplemental disclosures:		
Cash paid for interest	$ 10,217,000	$ 10,668,000
Cash paid for income taxes	1,864,000	2,701,000

</TABLE>

See notes to condensed consolidated financial statements.

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BASIS OF PRESENTATION

The consolidated condensed financial statements of Federal Signal Corporation and subsidiaries included herein have been prepared by the Registrant, without an audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Registrant believes that the disclosures are adequate to make the information presented not misleading. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

In the opinion of the Registrant, the information contained herein reflects all adjustments necessary to present fairly the Registrant's financial position, results of operations and cash flows for the interim periods. Such adjustments are of a normal recurring nature. The operating results for the three and six month periods ended June 30, 2004 are not necessarily indicative of the results to be expected for the full year of 2004.

Effective January 1, 2004, the Registrant began reporting its interim quarterly periods on a 13-week basis ending on a Saturday with the fiscal year ending on December 31. Prior to 2004, the Registrant's interim quarterly periods ended on March 31, June 30, September 30 and December 31 year end. For convenience purposes, the Registrant uses "June 30, 2004" to refer to its financial position as of July 3, 2004 and results of operations for the 13-week and 26-week periods ended July 3, 2004.

2. STOCK-BASED COMPENSATION PLANS

The following table illustrates the effect on net income (loss) and, earnings (loss) per share for the three- and six-month periods ended June 30, 2004 and 2003 if the Registrant had applied the fair value recognition provisions of SFAS No. 123 to all stock-based employee compensation. For purposes of pro forma disclosure, the estimated fair value of the options using a Black-Scholes option pricing model is amortized to expense over the option's vesting period.

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Reported net income (loss)	$ (6,627,000)	$ 9,578,000	$ (4,428,000)	$ 16,045,000
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	173,000	200,000	318,000	481,000
Deduct: Total stock-based employee compensation expense determined under the fair-value method for all awards, net of related tax effects	(507,000)	(398,000)	(1,409,000)	(874,000)
Pro forma net income (loss)	$ (6,961,000)	$ 9,380,000	$ (5,519,000)	$ 15,652,000
Basic and diluted net income (loss) per common share:				
Reported net income (loss)	$ (.14)	$ .20	$ (.09)	$ .33
Pro forma net income (loss)	$ (.14)	$ .20	$ (.11)	$ .33

The stock-based employee compensation expense determined under the fair-value method for the six months ended June 30, 2004 was affected by the retirement and separation agreements relating to two executive officers.

The intent of the Black-Scholes option valuation model is to provide estimates of fair values of traded options that have no vesting restrictions and are fully transferable. Options valuation models require the use of highly subjective assumptions including expected stock price volatility. The Registrant has utilized the Black-Scholes method to calculate the pro forma disclosures required under SFAS No. 123 and 148. In management's opinion, existing valuation models do not necessarily provide a reliable single measure of the fair value of its employee stock options because the Registrant's employee stock options have significantly different characteristics from those of traded options and the assumptions used in applying option valuation methodologies, including the Black-Scholes model, are highly subjective.

3. POSTRETIREMENT BENEFITS

The components of the Registrant's net periodic pension expense for its U.S. benefit plans are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
Service cost	$ 1,175,000	$ 1,023,000	$ 2,350,000	$ 2,045,000
Interest cost	1,929,000	1,776,000	3,858,000	3,552,000
Expected return on plan assets	(1,990,000)	(1,960,000)	(3,980,000)	(3,921,000)
Amortization of transition amount	(58,000)	(57,000)	(116,000)	(115,000)
Other	410,000	229,000	820,000	458,000
Net periodic pension expense	$ 1,466,000	$ 1,011,000	$ 2,932,000	$ 2,019,000

The Registrant contributed $3,405,000 to its U.S. benefit plans and $653,000 to its non-U.S. benefit plans during the six months ended June 30, 2004. The Registrant does not anticipate any further funding in 2004.

In December 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") became law. The Act introduced a prescription drug benefit under Medicare and a federal subsidy to sponsors of certain retiree health care benefit plans. The Act did not and will not have a material impact on the Registrant's accumulated postretirement obligations, results of operations or cash flows.

4. INVENTORIES

Inventories are summarized as follows:

	June 30, 2004	December 31, 2003
Raw materials	$ 70,674,000	$ 64,329,000
Work in progress	83,587,000	61,798,000
Finished goods	49,587,000	50,560,000
Total inventories	$203,848,000	$ 176,687,000

5. PROPERTIES AND EQUIPMENT

Properties and equipment are summarized as follows:

	June 30, 2004	December 31, 2003
Land	$ 5,777,000	$ 5,809,000
Buildings and improvements	62,878,000	62,316,000
Machinery and equipment	243,462,000	241,883,000
Accumulated depreciation	(196,250,000)	(186,593,000)
Total properties and equipment	$ 115,867,000	$ 123,415,000

6. DEBT

Short-term borrowings are summarized as follows:

	June 30, 2004	December 31, 2003
Revolving credit facility	$100,000,000	$ 75,000,000
Notes payable	8,128,000	4,830,000
Current maturities of long-term debt	32,144,000	25,151,000
Total short-term borrowings	$140,272,000	$104,981,000

Of the above amounts, $25,313,000 and $36,347,000 were classified as financial services activities borrowings at June 30, 2004 and December 31, 2003, respectively.

In April 2003, Standard and Poor's downgraded the Registrant's debt rating from A-2 to A-3. As the short-term commercial paper market was no longer available, the Registrant entered into a $250,000,000 unsecured revolving credit facility maturing in 2006 with a syndicate of banks in June 2003. The facility replaced an existing $300,000,000 commercial paper backup credit facility. At December 31, 2003, $75,000,000 was outstanding under this agreement bearing interest at a variable rate of LIBOR plus .83%. The facility includes covenants relating to a maximum debt-to-capitalization ratio, minimum net worth and minimum interest coverage ratio.

In June 2004, the Registrant renegotiated its revolving credit facility covenants to exclude restructuring and other one-time charges and to reduce the minimum interest coverage ratio from 3.0 to 2.5. The Registrant was in compliance with all of these covenants as of June 30, 2004. At the same time, the Registrant reduced the size of the facility to $200,000,000. As of June 30, 2004, $100,000,000 was outstanding under this facility bearing interest at a variable rate of LIBOR plus .93%.

Weighted average interest rates on short-term borrowings were 2.23% and 2.17% at June 30, 2004 and December 31, 2003, respectively.

Long-term borrowings are summarized as follows:

	June 30, 2004	December 31, 2003
Private placement - fixed rate	$ 320,000,000	$330,000,000
Private placement - floating rate	50,000,000	50,000,000
Other	3,908,000	590,000
Total contractual debt obligations	373,908,000	380,590,000
Fair value of interest rate swaps	(11,205,000)	(7,904,000)
Unamortized balance of terminated fair value interest rate swaps	9,867,000	11,595,000
Total long-term borrowings, including current portion	372,570,000	384,281,000
Less current maturities	(32,144,000)	(25,151,000)
Total long-term borrowings	$ 340,426,000	$359,130,000

Of the above amounts, $163,138,000 and $165,000,000 were classified as financial services activities borrowings at June 30, 2004 and December 31, 2003, respectively.

The fixed rate private placement borrowings bear interest at rates ranging from 4.93% to 7.99% and mature between 2004 and 2012.

In June 2003, the Registrant entered into a $50,000,000 private placement agreement to reduce reliance on short-term debt. The agreement bears interest at a variable rate of LIBOR plus 1.04% (2.63% and 2.21% as of June 30, 2004 and December 31, 2003, respectively) with $20,000,000 maturing in 2008, $20,000,000 in 2010 and $10,000,000 in 2013.

For each of the above long-term notes, significant covenants consist of a maximum debt-to-capitalization ratio and minimum net worth. At June 30, 2004, all of the Registrant's retained earnings were free of any restrictions and the Registrant was in compliance with the financial covenants of its debt agreements.

7. GOODWILL

Changes in the carrying amount of goodwill for the six months ended June 30, 2004, by operating segment, were as follows:

	Environmental Products	Fire Rescue	Safety Products	Tool	Total
Goodwill balance January 1, 2004	$ 139,937,000	$ 37,821,000	$102,421,000	$82,851,000	$363,030,000
Translation	(106,000)	(1,113,000)	351,000	(116,000)	(984,000)
Goodwill balance June 30, 2004	$ 139,831,000	$ 36,708,000	$102,772,000	$82,735,000	$362,046,000

8. OTHER INTANGIBLE ASSETS

The components of the Registrant's other intangible assets as of June 30, 2004 were as follows:

<TABLE>
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	Weighted-average useful life	Gross carrying value	Accumulated amortization	Net carrying value
	(Years)			
<S>	<C>	<C>	<C>	<C>
Amortizable:				
Developed software	6	$ 12,589,000	$ (4,198,000)	$ 8,391,000
Customer relationships	20	1,850,000	(162,000)	1,688,000
Distribution network	40	1,300,000	(57,000)	1,243,000
Non-amortizable tradenames		1,000,000		1,000,000
Total		$ 16,739,000	$ (4,417,000)	$ 12,322,000

</TABLE>

Amortization of intangibles for the six months ended June 30, 2004 totaled $526,000. The estimated aggregate amortization of intangibles for the next five years is as follows: $605,000 in 2004 (remaining six months), $1,676,000 in 2005, $1,534,000 in 2006, $1,227,000 in 2007, $1,198,000 in 2008, $1,130,000 in 2009 and $3,952,000 thereafter.

During the three months ended June 30, 2004, the Registrant recorded a $1,510,000 impairment charge to write-off a tradename that will no longer be used after the consolidation of the refuse businesses in conjunction with the restructuring plan announced in June 2004.

Other intangible assets are included in the condensed consolidated balance sheets within "Other deferred charges and assets."

9. DERIVATIVE FINANCIAL INSTRUMENTS

To manage interest costs, the Registrant utilizes interest rate swaps in combination with its funded debt. Interest rate swaps executed in conjunction with long-term private placements maturing between 2004 and 2012 effectively converted fixed rate debt to variable rate debt (fair value hedges). The Registrant is also party to agreements with financial institutions to swap interest rates in which the Registrant pays interest at a fixed rate on debt maturing between 2004 and 2010 and receives interest at variable LIBOR rates (cash flow hedges).

The Registrant designates foreign currency forward exchange contracts as fair value hedges to protect against the variability in exchange rates on short-term intercompany borrowings and firm commitments denominated in foreign currencies maturing in 2004. The Registrant also manages the volatility of cash flows caused by fluctuations in currency rates by entering into foreign exchange forward and option contracts. These derivative instruments hedge portions of the Registrant's anticipated third party purchases and forecasted intercompany sales denominated in foreign currencies maturing between 2004 and 2006.

The following table summarizes the Registrant's derivative instruments:

<TABLE>
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	June 30, 2004		December 31, 2003	
	Notional amount	Fair value	Notional amount	Fair value
<S>	<C>	<C>	<C>	<C>
Interest rate contracts:				
Fair value swaps	$ 220,000,000	$ (11,205,000)	$285,000,000	$ (7,904,000)
Cash flow swaps	95,000,000	225,000	115,000,000	(1,542,000)
Total interest rate contracts	$ 315,000,000	$ (10,980,000)	$400,000,000	$ (9,446,000)
Foreign currency contracts:				
Fair value forwards	$ 14,055,000	$ 224,000	$ 22,033,000	$ 337,000
Cash flow forwards	31,397,000	953,000	37,435,000	2,206,000

Options	7,564,000	(125,000)		
Total foreign currency contracts	$ 53,016,000	$ 1,052,000	$ 59,468,000	$ 2,543,000

</TABLE>

The Registrant expects $400,000 of pre-tax net gains that are reported in accumulated other comprehensive income as of June 30, 2004 to be reclassified into earnings during the next 12 months.

The Registrant terminated various interest rate swaps associated with its debt portfolio in response to movements in the interest rate market. These transactions resulted in cash payments of $506,000 during the six months ended June 30, 2004 and cash receipts of $7,174,000 during the six months ended June 30, 2003. The cash impact is included in the condensed consolidated statements of cash flows within "Working capital changes and other."

10. RESTRUCTURING CHARGES

In June 2004, the Registrant announced the implementation of a restructuring initiative focused on plant consolidations and product rationalization in order to streamline its operations. The restructuring plan is aimed at improving the profitability of the fire rescue, refuse truck body and European tooling businesses as well as improving the Registrant's overhead cost structure.

The Registrant will close its production facilities located in Preble, New York and consolidate U.S. production of fire rescue vehicles into its Ocala, Florida operations. The consolidation is expected to be complete by the end of 2004. This closure resulted in $2,576,000 of restructuring charges in the Fire Rescue Group for the three months ended June 30, 2004. The Registrant expects the closure to result in total restructuring charges of approximately $6,600,000.

The Registrant has tentatively decided to close its refuse truck production facility in Oshkosh, Wisconsin, and consolidate production into its facility in Medicine Hat, Alberta. The Registrant expects to complete the plant closure and transfer production by early 2005. This proposed closure resulted in $4,256,000 of restructuring charges in the Environmental Products Group for the three months ended June 30, 2004. The Registrant expects to incur total restructuring charges of approximately $11,300,000.

The Registrant will cease manufacturing tooling products in France and consolidate this production into its Portugal facility by the second quarter of 2005. Restructuring charges amounted to $895,000 for the three months ended June 30, 2004. This consolidation is expected to result in total restructuring charges of approximately $1,400,000 in the Tool Group.

The Registrant's corporate operations incurred an additional $335,000 during the three months ended June 30, 2004. These incremental costs related to outside services that were directly attributable to the restructuring activities.

The following table represents a rollforward of the restructuring reserves during the three months ended June 30, 2004:

<TABLE>
<CAPTION>

<S>	Severance <C>	Asset impairment <C>	Other <C>	Total <C>
Charges to expense	$ 138,000	$ 7,495,000	$ 429,000	$ 8,062,000
Cash payments	(138,000)		(335,000)	(473,000)
Non-cash activity		(7,495,000)		(7,495,000)
Balance as of June 30, 2004	$ -	$ -	$ 94,000	$ 94,000

</TABLE>

The severance charges consist of termination and benefit costs for direct manufacturing employees involuntarily terminated prior to June 30, 2004. The costs of retention bonuses for employees not severed as of June 30, 2004 will be recognized ratably over the future service period. The asset impairment charges include $5,985,000 of net realizable value adjustments on real property and manufacturing equipment and the write-off of an intangible asset valued at $1,510,000 relating to a tradename that will no longer be used after the consolidation of the refuse businesses.

In early 2003, the Registrant approved a restructuring plan that principally included the closure of two manufacturing facilities to improve operating efficiencies and reduce costs. Safety Products Group closed a facility in the United Kingdom and reduced its workforce at other plants in 2003 at a total cost of $3,289,000, of which $2,835,000 was incurred during the six months ended June 30, 2003. The Tool Group incurred $719,000 of restructuring costs to shut down a production facility in New York in 2003; $567,000 was incurred during the six months ended June 30, 2003. The Environmental Products Group incurred $300,000 of restructuring costs for the six months ended June 30, 2003.

The following table presents a rollforward of the restructuring reserves during the three and six months ended June 30, 2003:

<TABLE>
<CAPTION>

	Severance	Asset impairment	Other	Total
<S>	<C>	<C>	<C>	<C>
Charges to expense	$ 556,000	$ 481,000	$ 259,000	$ 1,296,000
Cash payments	(556,000)		(259,000)	(815,000)
Non-cash activity		(481,000)		(481,000)
Balance as of March 31, 2003	-	-	-	-
Charges to expense	828,000	1,400,000	178,000	2,406,000
Cash payments	(748,000)		(78,000)	(826,000)
Non-cash activity		(1,400,000)		(1,400,000)
Balance as of June 30, 2003	$ 80,000	$ -	$ 100,000	$ 180,000

</TABLE>

The severance charges consist of costs to terminate employees and the ratable recognition of retention bonuses for employees providing service until their termination date. The asset impairment charges consist of net realizable value adjustments to manufacturing equipment located in the United Kingdom.

11. DISCONTINUED OPERATIONS

In conjunction with the strategic restructuring initiatives announced in June 2004, the Registrant determined that its 54% majority ownership interest in Plastisol Holdings B.V. ("Plastisol") was a non-strategic investment and signed a definitive agreement to sell its interest to the minority partner. The Registrant acquired the ownership interest in 2001. Plastisol manufactures glassfiber reinforced polyester fire truck cabs and bodies mainly for the European and Asian markets. The Registrant closed the transaction in July 2004 for $2,450,000 in cash and a $490,000 note receivable. The Registrant recorded a $4,357,000 loss on sale of discontinued operations for the three and six months ended June 30, 2004, representing the write-down of Plastisol's carrying amount to fair value. Plastisol's revenues totaled $7,716,000 and $6,096,000 for the six months ended June 30, 2004 and 2003, respectively. The Registrant completed the sale of Plastisol in July 2004 and used the cash proceeds to repay debt.

In April 2003, the Registrant completed the sale of the Sign Group to a third party for cash of $7,453,000 and a $4,250,000 note receivable resulting in a $369,000 loss on disposal of discontinued operations for the three and six months ended June 30, 2003. The Sign Group manufactured illuminated, nonilluminated and electronic advertising sign displays primarily for commercial and industrial markets and contracted to provide maintenance services for the signs it manufactured as well as signs manufactured by others. Sign Group revenues for the six months ended June 30, 2003 were $12,844,000. The Registrant retained certain assets and liabilities in conjunction with the sale. Proceeds were used to pay down debt.

12. LEGAL PROCEEDINGS

The Registrant has been sued by firefighters in Chicago seeking damages and claiming that exposure to the Registrant's sirens has impaired their hearing and that the sirens are therefore defective. There were 33 cases filed during the period 1999-2004, involving a total of 2,396 plaintiffs pending in the Circuit Court of Cook County, Illinois. Also during 2003, an additional lawsuit was filed in Williamson County, Illinois against the Registrant and 15 other unrelated co-defendants seeking class certification for plaintiffs claiming damages to their hearing allegedly as a result of exposure to the Registrant's sirens and design defects in the unrelated co-defendant's fire trucks; this class certification lawsuit has been dismissed for failure to prosecute. The plaintiffs' attorneys have threatened to bring more suits if the Registrant does not settle these cases. The Registrant believes that these product liability suits have no merit and that sirens are necessary in emergency situations and save lives. The discovery phase of the litigation began in 2004; the Registrant intends to aggressively defend these matters. The Registrant successfully defended approximately 41 similar cases in Philadelphia in 1999 after a series of unanimous jury verdicts in favor of the Registrant.

During the first quarter of 2004, a judge in Orange County, California entered a $10,185,000 judgment against Safety Storage, Inc. ("SSI") on grounds that SSI defrauded a third party creditor. At that time, the Registrant held a 30% minority interest investment in SSI, a manufacturer of buildings for the off-site storage of hazardous waste material, and recorded a $300,000 charge to earnings for the three months ended March 31, 2004 due to the potential loss exposure. The Registrant subsequently sold its share in SSI to the majority shareholder in June 2004 for a nominal amount and, in connection therewith, recorded a $2,932,000 loss for the three months ended June 30, 2004. Under the terms of the transaction, the Registrant was released from any future liability. The non-operating loss is included in other expense.

The Registrant is subject to various other claims, pending and possible legal actions for product liability and other damages and matters arising out of the conduct of the Registrant's business. The Registrant believes, based on current knowledge and after consultation with counsel, that the outcome of such claims and actions will not have a material adverse effect on the Registrant's consolidated financial position or the results of operations. However, in the event of unexpected future developments, it is possible that the ultimate resolution of such matters, if unfavorable, could have a material adverse effect on the Registrant's results of operations.

13. NET INCOME PER SHARE

The following table summarizes the information used in computing basic and diluted income per share:

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Numerators for both basic and diluted income per share computations:				
Income (loss) from continuing operations	$ (2,270,000)	$ 9,947,000	$ (71,000)	$ 16,414,000
Loss on disposal of discontinued operations, net of tax	(4,357,000)	(369,000)	(4,357,000)	(369,000)
Net income (loss)	$ (6,627,000)	$ 9,578,000	$ (4,428,000)	$ 16,045,000
Denominator for basic income per share - weighted average shares outstanding	48,113,000	47,977,000	48,070,000	47,918,000
Effect of employee stock options (dilutive potential common shares)	84,000	39,000	87,000	22,000
Denominator for diluted income per share - adjusted shares	48,197,000	48,016,000	48,157,000	47,940,000

</TABLE>

14. SEGMENT INFORMATION

The following table summarizes the Registrant's operations by segment for the three-month and six-month periods ended June 30, 2004 and 2003:

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net sales				
Environmental Products	$ 95,402,000	$ 88,226,000	$ 186,503,000	$172,938,000
Fire Rescue	96,763,000	112,619,000	168,316,000	211,281,000
Safety Products	69,402,000	71,054,000	138,657,000	138,242,000
Tool	42,574,000	39,142,000	87,183,000	80,531,000
Total net sales	$ 304,141,000	$ 311,041,000	$ 580,659,000	$602,992,000
Operating income (loss)				
Environmental Products	$ (595,000)	$ 5,270,000	$ 2,014,000	$ 6,875,000
Fire Rescue	(2,092,000)	5,393,000	(4,933,000)	7,516,000
Safety Products	8,081,000	7,904,000	15,799,000	14,434,000
Tool	4,633,000	4,214,000	10,367,000	8,686,000
Corporate expense	(4,993,000)	(3,671,000)	(9,345,000)	(7,186,000)
Total operating income	5,034,000	19,110,000	13,902,000	30,325,000
Interest expense	(5,162,000)	(5,140,000)	(10,027,000)	(10,035,000)
Minority interest	19,000	36,000	(38,000)	209,000
Other income (expense)	(3,032,000)	62,000	(4,002,000)	192,000
Income (loss) before income taxes	$ (3,141,000)	$ 14,068,000	$ (165,000)	$ 20,691,000

</TABLE>

There have been no material changes in total assets from the amount disclosed in the Registrant's last annual report.

15. COMMITMENTS AND GUARANTEES

The Registrant issues product performance warranties to customers with the sale of its products. The specific terms and conditions of these warranties vary depending upon the product sold and country in which the Registrant conducts business with warranty periods generally ranging from 6 months to 5 years. The Registrant estimates the costs that may be incurred under its basic limited warranty and records a liability in the amount of such costs at the time the sale of the related product is recognized. Factors that affect the Registrant's warranty liability include the number of units under warranty from time to time, historical and anticipated rates of warranty claims and costs per claim. The Registrant periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Changes in the Registrant's warranty liabilities for the six-month periods ended June 30, 2004 and 2003 were as follows:

<TABLE>
<CAPTION>

	Six months ended June 30,	
	2004	2003
<S>	<C>	<C>
Balance at January 1	$ 12,769,000	$ 13,609,000
Provisions to expense	7,425,000	6,672,000
Actual costs incurred	(8,003,000)	(9,808,000)
Balance at June 30	$ 12,191,000	$ 10,473,000

</TABLE>

The Registrant guarantees the debt of a third-party dealer that sells the Registrant's vehicles. The notional amounts of the guaranteed debt as of June 30, 2004 totaled $720,000. No losses have been incurred as of June 30, 2004. The guarantees expire between 2004 and 2006.

The Registrant also provides residual value guarantees on vehicles sold to certain customers. Proceeds received in excess of the fair value of the guarantee are deferred and amortized into income ratably over the life of the guarantee. The Registrant recorded these transactions as operating leases and recognized liabilities equal to the fair value of the guarantees. The notional amounts of the residual value guarantees totaled $3,400,000 as of June 30, 2004. No losses have been incurred as of June 30, 2004. The guarantees expire between 2004 and 2010.

16. SUBSEQUENT EVENT

The Registrant completed the sale of a portion of its taxable leasing portfolio for $9,600,000 in July 2004 as part of the broad restructuring plan announced in June 2004. The proceeds, which approximated the net book value of the assets, were used to reduce the Registrant's debt position.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Federal Signal Corporation (the "Registrant") manufactures a broad range of municipal and industrial cleaning vehicles and equipment; fire rescue vehicles; safety, signaling and communication equipment and tooling products. Due to technology, marketing, distribution and product application synergies, the Registrant's business units are organized and managed in four operating segments: Environmental Products, Fire Rescue, Safety Products and Tool. The Registrant also provides customer and dealer financing to support the sale of vehicles.

Effective January 1, 2004, the Registrant began reporting its interim quarterly periods on a 13-week basis ending on a Saturday with the fiscal year ending on December 31. Prior to 2004, the Registrant's interim quarterly periods ended on March 31, June 30, September 30 and December 31 year end. For convenience purposes, the Registrant uses "June 30, 2004" to refer to its financial position as of July 3, 2004 and results of operations for the 13-week and 26-week periods ended July 3, 2004.

Consolidated Results of Operations

The following table presents the Registrant's results of operations for the three- and six-month periods ended June 30, 2004 and 2003, respectively (in millions):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net sales	$ 304.1	$ 311.0	$ 580.7	$ 603.0
Cost of sales	232.6	227.1	441.6	444.1
Gross profit	71.5	83.9	139.1	158.9
Operating expenses	58.4	62.4	117.1	124.9
Restructuring charges	8.1	2.4	8.1	3.7
Operating income	5.0	19.1	13.9	30.3
Interest expense	5.2	5.2	10.0	10.0
Other expense (income) and minority interest	3.0	(.1)	4.1	(.4)
Income tax expense (benefit)	(.9)	4.1	(.1)	4.3
Income (loss) from continuing operations	(2.3)	9.9	(.1)	16.4
Loss on disposal of discontinued operations	(4.3)	(.3)	(4.3)	(.3)
Net income (loss)	$ (6.6)	$ 9.6	$ (4.4)	$ 16.1

</TABLE>

Net sales declined 2% to $304.1 million in the second quarter of 2004 compared to the second quarter of 2003 and 4% to $580.7 million for the six months ended June 30, 2004 compared to the same period in the prior year, largely associated with lower production and shipments from North American fire rescue plants, lower refuse truck volumes and lower parking systems sales. Partly offsetting were increased sales in the Environmental Products and Tool groups.

Operating income declined to $5.0 million in the second quarter of 2004 from $19.1 million in the second quarter of 2003 and to $13.9 million for the six months ended June 30, 2004 compared to $30.3 million for the six months ended June 30, 2003. The reduction was due to poor fire rescue operating performance in Ocala, higher raw material costs, lower refuse production cost absorption and planned increases in Corporate expenses coupled with restructuring charges associated with the Registrant's North American fire rescue business, its refuse truck body business and a European tool business.

Interest expense in the second quarter of 2004 and for the six months ended June 30, 2004 was flat compared to the same periods in the prior year. Other expense in 2004 includes a $2.9 million loss on sale of the Registrant's minority interest in Safety Storage, Inc. ("SSI"), a California-based manufacturer of buildings for off-site storage of hazardous waste materials. The sale of SSI was completed in June 2004. Other expense also includes $1.0 million in charges for the six months ended June 30, 2004 relating to the settlement of three different dealer and distributor relationships or disagreements.

The $4.3 million loss on disposal of discontinued operations for the second quarter of 2004 resulted from the sale of the Registrant's 54% interest in Plastisol Holdings B.V. ("Plastisol"), a manufacturer of glassfiber reinforced polyester fire truck cabs located in the Netherlands. The Registrant closed the transaction in July 2004. The $.3 million loss in the second quarter of 2003 resulted from the sale of the Sign Group. Proceeds from the sale of Plastisol and the Sign Group were used to repay debt.

Orders and Backlog

Orders rose 10% in the second quarter of 2004 to $317.8 million from $287.6 million in the prior year period. US municipal and governmental orders rose 7% in the second quarter of 2004 due to increased demand for sweepers, sewer cleaners, warning systems and fire apparatus. For the six months ended June 30, 2004, municipal and governmental orders were essentially flat with the prior year period. For the second quarter of 2004, US industrial and commercial orders were up slightly from the prior year period, as increased orders for hazardous area lighting and industrial tooling more than offset lower refuse truck body orders, due in part to a smaller contract with one large industrial customer.

Orders in international markets were $107.9 million for the second quarter of 2004, 24% above the prior year period due to strong export demand, including the impact of a $13.0 million contract to supply fire rescue equipment to Iraq.

Quarter end backlog rose to $404.0 million, up approximately $11.0 million in the quarter and from the prior year. The increase from the first quarter of 2004 was mainly for Fire Rescue and Safety Products.

Restructuring Charges

The following table summarizes the Registrant's restructuring charges by segment for the three- and six-month periods ended June 30, 2004 and 2003, respectively (in millions):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Environmental Products	$ 4.3		$ 4.3	$ .3
Fire Rescue	2.6		2.6	
Safety Products		$ 2.1		2.8
Tool	.9	.3	.9	.6
Corporate	.3		.3	
Total	$ 8.1	$ 2.4	$ 8.1	$ 3.7

</TABLE>

In June 2004, the Registrant announced the implementation of the first steps of a broad restructuring initiative. The plan is aimed at enhancing the

Registrant's competitive profile and creating a solid foundation for annual revenue growth in the high single digits. The measures include improving the profitability of the refuse truck body, fire rescue and European tooling operations, divesting non-strategic business activities and improving the Registrant's overhead cost structure.

The Registrant has made a tentative decision to close its Leach production facility in Oshkosh, Wisconsin, and consolidate production of rear-loading refuse truck bodies into its facility in Medicine Hat, Alberta. The Registrant is currently in discussions with the United Auto Workers, which represent the Leach employees, and with provincial and local Canadian leadership regarding the terms of the expansion of the Medicine Hat activities. Assuming successful resolution of these negotiations, the Registrant expects to complete the plant closure and transfer production by early 2005. Environmental Products incurred $4.3 million in restructuring charges for the three- and six-month periods ended June 30, 2004, consisting of a $2.8 million impairment charge to adjust the value of certain manufacturing equipment to its net realizable value and a $1.5 million write-off of a tradename valued as an intangible asset. The Registrant expects to incur a total of approximately $11.3 million in restructuring charges to complete the consolidation.

The Registrant will close its 120,000 square foot production facilities in Preble, New York and consolidate US production of fire rescue vehicles into its Ocala, Florida operations. The consolidation is possible because successful lean manufacturing initiatives have reduced manufacturing space requirements through the Fire Rescue Group, and because of progress being made to rationalize and structure the broad array of vehicle offerings. The Registrant expects the consolidation to be completed by the end of 2004; total restructuring costs are estimated at $6.6 million. Fire Rescue incurred $2.6 million in restructuring charges for the three- and six-month periods ended June 30, 2004, comprised of real property and manufacturing equipment impairment.

The Registrant will cease manufacturing tooling products in France and consolidate production into its facility in Portugal, which began operations in 2003. The transfer is part of a broader plan to reduce fixed overhead and shift the manufacturing footprint to lower-cost locations. The consolidation is expected to be completed by the second quarter of 2005 at a total

estimated cost of $1.4 million. The Tool Group incurred $.9 million in restructuring costs for the three- and six-month periods ended June 30, 2004, primarily consisting of manufacturing equipment impairment and severance for terminated employees as of June 30, 2004.

The Registrant's Corporate operations incurred $.3 million in restructuring charges for the three and six months ended June 30, 2004, relating to outside services directly attributable to the restructuring plan and incremental to other costs.

In the first quarter of 2003, the Registrant approved a restructuring plan that principally consisted of the closure of two manufacturing facilities to improve operating efficiencies and reduce costs. The Registrant closed a facility in the United Kingdom and reduced headcount at other Safety Products Group operating divisions resulting in restructuring costs of $2.1 million and $2.8 million for the three- and six-month periods ended June 30, 2003, respectively, comprised of equipment impairments and employee termination and benefit costs. The Tool Group incurred $.3 million and $.6 million of restructuring charges for the three- and six-month periods ended June 30, 2003, respectively, principally consisting of severance costs relating to the closure of a manufacturing facility in New York. Environmental Products incurred $.3 million of restructuring charges for the six months ended June 30, 2003.

Environmental Products

The following table summarizes the Environmental Products Group's operating results for the three- and six-month periods ended June 30, 2004 and 2003, respectively (dollars in millions):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>

Net sales	$ 95.4	$ 88.2	$ 186.5	$ 172.9
Operating income (loss)	(.6)	5.3	2.0	6.9
Operating margin	(.6)%	6.0%	1.1%	4.0%

</TABLE>

Environmental Products sales increased 8% to $95.4 million in the second quarter of 2004 compared to the second quarter of 2003 and 8% to $186.5 million for the six months ended June 30, 2004 compared to the same period in the prior year. The revenue increase reflects higher sales of sweepers and industrial vacuum trucks, while refuse truck body sales were lower due in part to a smaller contract with one large customer.

Operating margin declined to -.6% in the second quarter of 2004 from 6.0% in the second quarter of 2003 and to 1.1% from 4.0% for the six-month periods ended June 30, 2004 and 2003, respectively. The reduction in operating margin includes restructuring charges incurred to consolidate the refuse business amounting to $4.3 million, $4.3 million and $.3 million for the three months ended June 30, 2004 and the six months ended June 30, 2004 and 2003, respectively. The reduction in operating margin also includes the adverse impact of higher raw material costs incurred before a pricing action went into effect, plus higher refuse production costs in part attributable to the stronger Canadian dollar; partly offsetting was the beneficial impact of the higher sales volume and reductions in overhead expenses.

Fire Rescue

The following table summarizes the Fire Rescue Group's operating results for the three- and six-month periods ended June 30, 2004 and 2003, respectively (dollars in millions):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net sales	$ 96.7	$ 112.6	$ 168.3	$ 211.3
Operating income (loss)	(2.1)	5.4	(4.9)	7.5
Operating margin	(2.1)%	4.8%	(2.9)%	3.6%

</TABLE>

Fire Rescue sales declined 14% to $96.7 million in the second quarter of 2004 compared to the second quarter of 2003 and 20% to $168.3 million for the six months ended June 30, 2004 compared to the same period in the prior year. The decline in

sales occurred despite a 17% increase in orders, and was due largely to lower production and shipments from the Ocala operations.

Operating margin declined to -2.1% in the second quarter of 2004 from 4.8% in the second quarter of 2003 and to -2.9% from 3.6% for the six-month periods ended June 30, 2004 and 2003, respectively. The operating margin included restructuring costs incurred to consolidate US production of fire rescue vehicles totaling $2.6 million for the three- and six-month periods ended June 30, 2004. The significant reduction in margins was also due to weak production and higher costs at Ocala, where the plant struggled to complete trucks and incurred significant additional expenses. The plant has experienced temporary line stoppages due primarily to parts shortages and incomplete bills of material, which contributed to an increase in inventories during the quarter.

Safety Products

The following table summarizes the Safety Products Group's operating results for the three- and six-month periods ended June 30, 2004 and 2003, respectively (dollars in millions):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003

<S>	<C>	<C>	<C>	<C>
Net sales	$ 69.4	$ 71.1	$ 138.7	$ 138.3
Operating income (loss)	8.1	7.9	15.8	14.3
Operating margin	11.6%	11.1%	11.4%	10.4%

</TABLE>

Safety Products sales declined 2% to $69.4 million in the second quarter of 2004 compared to the second quarter of 2003 and remained flat for the six months ended June 30, 2004 compared to the same period in the prior year. Despite an overall sales decline in the second quarter, the Safety Products Group experienced an increase in sales across all product lines except parking systems. The decline in parking systems sales reflected weak orders during the first half of the year coupled with the wind-down of the Dallas/Ft. Worth International Airport project.

Group operating margin increased to 11.6% from 11.1% in the second quarter of 2004 and 2003, respectively, and to 11.4% for the six months ended June 30, 2004 from 10.4% for the same period in the prior year. During 2003, the operating margin included restructuring costs to close a facility in the United Kingdom and reduce the group's workforce amounting to $2.1 million and $2.8 million for the three- and six-month periods ended June 30, 2003, respectively. The 2004 operating margins reflect weak parking systems performance. In addition to the adverse impact of low volumes, the business experienced higher warranty-related charges and reserves for bad debt expense in a foreign branch location.

Tool

The following table summarizes the Tool Group's operating results for the three- and six-month periods ended June 30, 2004 and 2003, respectively (dollars in millions):

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net sales	$ 42.6	$ 39.1	$ 87.2	$ 80.5
Operating income (loss)	4.6	4.2	10.3	8.7
Operating margin	10.9%	10.8%	11.9%	10.8%

</TABLE>

Tool sales rose 9% to $42.6 million in the second quarter of 2004 compared to the second quarter of 2003 and 8% to $87.2 million for the six months ended June 30, 2004 compared to the same period in the prior year. Sales rose for all major product lines, in particular for metal cutting tooling. US sales were particularly strong, while sales in Europe declined from the prior year.

Operating margin increased to 10.9% in the second quarter of 2004 from 10.8% in the second quarter of 2003 and to 11.9% from 10.8% for the six months ended June 30, 2004 and 2003, respectively. The operating margin included restructuring costs relating to the consolidation of the French production facility into the Portuguese operations in 2004 and the closure of

production facility in New York in 2003. Restructuring costs totaled $.9 million, $.3 million, $.9 million and $.6 million for the three months ended June 30, 2004 and 2003 and the six months ended June 30, 2004 and 2003, respectively. Notwithstanding, margins improved broadly across all major product lines reflecting the higher sales volumes and improved cost structure.

Corporate

Corporate expenses rose, as expected, to $5.0 million for the second quarter of 2004 compared to $3.7 million for the second quarter of 2003 and to $9.3 million from $7.2 million for the six months ended June 30, 2004 and 2003, respectively. The increase reflects higher legal expenses associated with the hearing loss litigation, and the Registrant's decision to aggressively defend against those claims, and higher independent audit and audit staff expense to meet the requirements of Sarbanes-Oxley Section 404.

Seasonality of Registrant's Business

Certain of the Registrant's businesses are susceptible to the influences of seasonal buying or delivery patterns. The Registrant's businesses which tend to have lower sales in the first calendar quarter compared to other quarters as a result of these influences are street sweeping, outdoor warning, municipal emergency signal products, parking systems and fire rescue products.

Financial Position, Liquidity and Capital Resources

The Registrant utilizes its operating cash flow and available borrowings under its revolving credit facility for working capital needs of its operations, capital expenditures, strategic acquisitions of companies operating in markets related to those already served, debt repayments, share repurchases and dividends. The Registrant anticipates that its financial resources and major sources of liquidity, including cash flow from operations and borrowing capacity, will continue to be adequate to meet its operating and capital needs in addition to its financial commitments.

The following table summarizes the Registrant's cash flows for the six months ended June 30, 2004 and 2003, respectively (in millions):

<TABLE>
<CAPTION>

	Six months ended June 30,	
	2004	2003
Operating cash flow	$ (8.1)	$ 47.2
Capital expenditures	(11.0)	(8.8)
Financial services activities, net	14.3	(.8)
Borrowing activity, net	9.1	(25.8)
Sale of business		7.5
Dividends	(9.7)	(19.1)
Other	1.9	(.5)
Decrease in cash and cash equivalents	$ (3.5)	$ (.3)

</TABLE>

Operating cash flow totaled -$8.1 million for the quarter, significantly below the prior year largely because of poor operations with the fire rescue and refuse truck businesses and a $27.2 million, or 15%, build-up of inventories, reflecting sluggish truck completions in Ocala and slower deliveries against a large European multi-truck project. Cash flow is expected to rise sharply in the second half of 2004 as production improves and deliveries are completed. Also contributing to the reduction in operating cash flow was $4.1 million in pension contributions in 2004 and cash payments of $.5 million on the settlement and termination of certain derivative instruments in 2004 versus $7.2 million in cash proceeds on terminations in the prior year.

Financial services activities generated $14.3 million in cash flow for the six months ended June 30, 2004 due to the planned wind-down of the taxable portfolio and early loan payoffs.

In April 2003, Standard and Poor's lowered the Registrant's debt rating from A-2 to A-3 making the short-term borrowing in the commercial paper market no longer viable. After drawing on the $300.0 million back-up credit facility to pay off the commercial paper holders, the Registrant replaced it with a new $250.0 million unsecured revolving credit facility maturing in 2006. The facility includes covenants relating to a maximum debt-to-capitalization ratio, minimum net worth and minimum

interest coverage ratio. In June 2004, the Registrant renegotiated its revolving credit facility covenants to exclude restructuring and other one-time charges and to reduce the minimum interest coverage ratio from 3.0 to 2.5. At the same time, the size of the facility was reduced to $200.0 million. As of June 30, 2004, the Registrant was in compliance with the financial covenants of its debt agreements.

As of June 30, 2004, the Registrant had $100.0 million of availability under its $200.0 million unsecured revolving credit facility maturing in 2006. Borrowings under this facility bear interest at a variable rate of LIBOR plus a spread of ..93%. The spread is subject to adjustment based on the level of outstanding borrowings.

At June 30, 2004, the Registrant's manufacturing debt was $292.2 million as compared to $262.8 million as of December 31, 2003, primarily a function of the Registrant's negative operating cash flow. Likewise, the debt-to-capitalization ratio increased to 43% as of June 30, 2004 from 40% as of December 31, 2003.

In October 2003, the Registrant announced a 50% reduction in the quarterly dividend from $.20 per share to $.10 per share in order to improve its long-term financial position in view of the further weakening of the U.S. state and municipal markets and the lack of a conclusive rebound in the industrial economy. This decision resulted in the $9.4 million decrease in dividends paid for the first six months of 2004 versus the same period in 2003.

The Registrant's primary working capital as a percent of net sales was 25.0% and 23.3% as of June 30, 2004 and December 31, 2003, respectively. The increase in the ratio was primarily due to the build-up of inventories within the US Fire Rescue production facilities from the aforementioned operational issues.

Contractual Obligations and Commercial Commitments

The following table presents a summary of the Registrant's contractual obligations (in millions):

	June 30, 2004	December 31, 2003
Long-term debt obligations	$ 373.9	$ 380.6
Operating lease obligations	23.8	27.6
Fair value of interest rate swaps	11.0	9.4
Fair value of foreign currency contracts	(1.1)	(2.5)
	$ 407.6	$ 415.1

The $6.7 million reduction in long-term debt obligations was the result of a $10.0 million payment on a 6.37% fixed-rate private placement obligation in June 2004, partly offset by $3.3 in other borrowings. The funds for the scheduled payment were drawn from the Registrant's revolving credit facility. The $1.6 million increase in the fair value liability of the Registrant's interest rate swaps occurred as a result of market expectations that interest rates will increase in the future. This shift in the implied yield curve unfavorably impacted the Registrant's fixed-to-floating interest rate swaps (fair value contracts). The strengthening of the US dollar against the Euro and Canadian dollar contributed to the $1.4 million decline in the fair value of the foreign currency contracts as well as contract settlements.

Refer to Footnote 15 of the financial statements included in Part I of this Form 10-Q for a discussion of the Registrant's commercial commitments (guarantees).

Critical Accounting Policies and Estimates

As of June 30, 2004, there were no material changes to the Registrant's critical accounting policies and estimates disclosed in its Form 10-K for the year ended December 31, 2003.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Registrant is subject to market risk associated with changes in interest rates and foreign exchange rates. To mitigate this risk, the Registrant utilizes interest rate swaps and foreign currency forward and option contracts. The Registrant does not hold or issue derivative financial instruments for trading or speculative purposes and is not party to leverage derivatives.

The Registrant manages its exposure to interest rate movements by maintaining a proportionate relationship between fixed-rate debt to total debt within established percentages. The Registrant uses funded fixed-rate borrowings as well as interest rate swap agreements to balance its overall fixed-to-floating interest rate mix. Of the Registrant's debt at June 30, 2004, 39% was used to support financial services assets.

The Registrant also has foreign currency exposures related to buying and selling in currencies other than the local currency in which it operates. The Registrant utilizes foreign currency forward and option contracts to manage risks associated with sales and purchase commitments as well as forecasted transactions denominated in foreign currencies.

The information contained under the caption "Contractual Obligations and Commercial Commitments" included in Item 2 of this Form 10-Q discusses the changes in the Registrant's exposure to market risk during the six months ended June 30, 2004. For additional information, refer to the discussion contained under the caption "Market Risk Management" included in Item 7 of the Registrant's Form 10-K for the year ended December 31, 2003.

ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934, the Registrant's management, with the participation of the Registrant's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Registrant's disclosure controls and procedures as of June 30, 2004. Based on that evaluation, the Registrant's Chief Executive Officer and Chief Financial Officer concluded that the Registrant's disclosure controls and procedures were effective as of June 30, 2004. As a matter of practice, the Registrant's management continues to review and document disclosure controls and procedures, including internal controls and procedures for financial reporting. From time to time, the Registrant may make changes aimed at enhancing the effectiveness of the controls and to ensure that the systems evolve with the business. During the quarter ended June 30, 2004, there were no changes in the Registrant's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Footnote 12 of the financial statements included in Part I of this Form 10-Q is incorporated herein by reference.

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

At its Annual Meeting of Shareholders held on April 30, 2004, the stockholders of the Registrant voted on the election of three director nominees to continue in office until 2007. The voting results are set forth below:

<TABLE>
<CAPTION>

Nominees	Votes for	Votes withheld
Robert M. Gerrity	41,586,703	1,181,706
Robert S. Hamada	41,742,193	1,026,216
Walden W. O'Dell	41,297,305	1,471,103

</TABLE>

Because the Registrant has a staggered board of directors, the term of office of the following directors, who were not up for election at the 2004 annual meeting, continued after the meeting:

<TABLE>
<CAPTION>

To continue in office until 2005:	To continue in office until 2006:
Charles R. Campbell	James C. Janning
Paul W. Jones	Robert D. Welding
	Joan E. Ryan

</TABLE>

The stockholders also voted on the appointment of Ernst & Young LLP as the registered public accounting firm for 2004 as follows:

<TABLE>
<CAPTION>

Votes for	Votes against	Votes abstained

41,703,179	903,318	161,912

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

Exhibit 31.1 -- CEO Certification under Section 302 of the Sarbanes-Oxley Act
Exhibit 31.2 -- CFO Certification under Section 302 of the Sarbanes-Oxley Act
Exhibit 32.1 -- CEO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act
Exhibit 32.2 -- CFO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act

(b) Reports on Form 8-K filed during the quarter ended June 30, 2004:

A Current Report on Form 8-K was filed on April 20, 2004, under Items 7 and 9, reporting the Registrant's press release dated April 20, 2004 that disclosed its financial results for the quarter ended March 31, 2004.

A Current Report on Form 8-K was filed on July 1, 2004, under Items 5 and 7, reporting the Registrant's press release dated June 30, 2004 that announced the implementation of the first steps of a broad restructuring initiative. The measures included improving the profitability of the fire rescue, refuse truck body and European tooling businesses, divesting non-strategic business activities, and improving the Registrant's overhead structure.

SIGNATURE

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.

Federal Signal Corporation

08/11/04 By: /s/ Stephanie K. Kushner
Date
Stephanie K. Kushner, Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
31.1	CEO Certification under Section 302 of the Sarbanes-Oxley Act, is filed herewith.
31.2	CFO Certification under Section 302 of the Sarbanes-Oxley Act, is filed herewith.
32.1	CEO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act, is filed herewith.
32.2	CFO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act, is filed herewith.

Exhibit 31.1

CEO Certification Under Section 302 of the Sarbanes-Oxley Act

I, Robert D. Welding, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Federal Signal Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 11, 2004

/s/ Robert D. Welding

Robert D. Welding
President and Chief Executive Officer

Exhibit 31.2

CFO Certification under Section 302 of the Sarbanes-Oxley Act

I, Stephanie K. Kushner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Federal Signal Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this quarterly report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 11, 2004

/s/ Stephanie K. Kushner

Stephanie K. Kushner
Vice President and Chief Financial Officer

Exhibit 32.1

CEO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act

I, Robert D. Welding, President and Chief Executive Officer of Federal Signal Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Dated: August 11, 2004

/s/ Robert D. Welding

Robert D. Welding
President and Chief Executive Officer

Exhibit 32.2

CFO Certification of Periodic Report under Section 906 of the Sarbanes-Oxley Act

I, Stephanie Kushner, Vice President and Chief Financial Officer of Federal Signal Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that, to the best of my knowledge:

(1) the Quarterly Report on Form 10-Q of the Company for the quarterly period ended June 30, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

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

Dated: August 11, 2004

/s/ Stephanie K. Kushner

Stephanie K. Kushner
Vice President and Chief Financial Officer