FEDERAL SIGNAL CORP /DE/
Form 10-Q
November 03, 2015
Table of Contents

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

FORM 10-Q
(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2015
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, Illinois	60523
(Address of principal executive offices)	(Zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ
As of October 31, 2015, the number of shares outstanding of the registrant’s common stock was 62,148,545.

Table of Contents

FEDERAL SIGNAL CORPORATION
TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q") is being filed by Federal Signal Corporation and its subsidiaries (referred to collectively as the "Company," "we," "our" or "us" herein, unless the context otherwise indicates) with the United States Securities and Exchange Commission (the "SEC"), and includes comments made by management that may contain words such as "may," "will," "believe," "expect," "anticipate," "intend," "plan," "project," "estimate" and "objective" terminology, or the negative thereof, concerning the Company's future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995.

Forward-looking statements include information concerning the Company'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 Company's actual results, performance or achievements to be materially different.

These risks and uncertainties, some of which are beyond the Company's control, include the cyclical nature of the Company's industrial, municipal, governmental and commercial markets; compliance with domestic and foreign laws and regulations; economic and political uncertainties and foreign currency rate fluctuations; restrictive debt covenants; availability of credit and third-party financing for customers; our ability to anticipate and meet customer demands for new products and product enhancements and the resulting products generating sufficient revenues to justify research and development expenses; our incurrence of restructuring and impairment charges as we continue to evaluate opportunities to restructure our business; highly competitive markets; increased product liability, warranty, recall claims, client service interruptions and other lawsuits and claims; technological advances by competitors; information technology security threats and cyber-attacks; infringement of, or an inability to protect, our intellectual property rights; disruptions in the supply of parts and components from suppliers and subcontractors; attraction and retention of key personnel; disruptions within our dealer network; work stoppages and other labor relations matters; increased pension funding requirements and expenses beyond our control; costs of compliance with environmental and safety regulations; our ability to use net operating loss and tax credit carryforwards to reduce future tax payments; charges related to goodwill; our ability to expand our business through successful future acquisitions; and unknown or unexpected contingencies in our business or in businesses acquired by us. These risks and uncertainties include, but are not limited to, the risk factors described under Item 1A, Risk Factors, of the Company's Annual Report on Form 10-K for the year ended December 31, 2014, which was filed with the SEC on March 2, 2015. These factors may not constitute all factors that could cause actual results to differ materially from those discussed in any forward-looking statement. The Company operates in a continually changing business environment and new factors emerge from time to time. The Company cannot predict such factors, nor can it assess the impact, if any, of such factors on its results of operations, financial condition or cash flow. Accordingly, forward-looking statements should not be relied upon as a predictor of actual results. The Company disclaims any responsibility to update any forward-looking statement provided in this Form 10-Q.

ADDITIONAL INFORMATION

The Company is subject to the reporting and information requirements of the Exchange Act and, as a result, is obligated to file Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports and information with the SEC, as well as amendments to those reports. The Company makes these filings available free of charge through our website at www.federalsignal.com as soon as reasonably practicable after such materials are filed with, or furnished to, the SEC. Information on our website does not constitute part of this Form 10-Q. In addition, the SEC maintains a website at www.sec.gov that contains reports, proxy and information statements and other information regarding issuers that file electronically. All materials that we file with, or furnish to, the SEC may also be read or copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the

SEC at 1-800-SEC-0330.

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share data)	2015	2014	2015	2014
Net sales	$205.8	$219.3	$658.2	$654.1
Cost of sales	146.2	160.9	473.7	490.0
Gross profit	59.6	58.4	184.5	164.1
Selling, engineering, general and administrative expenses	33.4	33.4	103.9	102.5
Restructuring	0.3	0.1	0.7	—
Operating income	25.9	24.9	79.9	61.6
Interest expense	0.5	0.9	1.7	2.8
Other expense, net	0.3	0.3	1.3	0.6
Income before income taxes	25.1	23.7	76.9	58.2
Income tax expense	(8.7)	(8.5)	(27.3)	(18.4)
Income from continuing operations	16.4	15.2	49.6	39.8
Gain from discontinued operations and disposal, net of income tax expense of $1.6, $0.0, $1.6, and $0.0, respectively	2.4	0.2	2.4	0.1
Net income	$18.8	$15.4	$52.0	$39.9
Basic earnings per share:				
Earnings from continuing operations	$0.26	$0.24	$0.79	$0.63
Gain from discontinued operations and disposal, net of tax	0.04	—	0.04	—
Net earnings per share	$0.30	$0.24	$0.83	$0.63
Diluted earnings per share:				
Earnings from continuing operations	$0.26	$0.24	$0.78	$0.62
Gain from discontinued operations and disposal, net of tax	0.04	—	0.04	—
Net earnings per share	$0.30	$0.24	$0.82	$0.62
Weighted average common shares outstanding:				
Basic	62.3	62.7	62.4	62.8
Diluted	63.3	63.8	63.4	63.8
Cash dividends declared per common share	$0.06	$0.03	$0.18	$0.06

See notes to condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014
Net income	$18.8	$15.4	$52.0	$39.9
Other comprehensive income (loss):				
Change in foreign currency translation adjustment	(2.0)	(9.7)	(9.3)	(9.3)
Change in unrecognized net actuarial losses related to pension benefit plans, net of income tax expense of $0.8, $0.7, $2.1 and $1.5, respectively	1.8	1.4	4.0	2.8
Unrealized net gain on derivatives, net of income tax	—	0.2	—	—
Total other comprehensive loss	(0.2)	(8.1)	(5.3)	(6.5)
Comprehensive income	$18.6	$7.3	$46.7	$33.4

See notes to condensed consolidated financial statements.

Table of Contents

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except per share data)	September 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 66.2	$ 30.4
Accounts receivable, net of allowances for doubtful accounts of $2.1 and $1.3, respectively	100.0	107.6
Inventories	124.7	121.0
Prepaid expenses	9.5	8.8
Deferred tax assets	7.5	18.8
Other current assets	4.3	2.8
Current assets of discontinued operations	0.6	1.1
Total current assets	312.8	290.5
Properties and equipment, net of accumulated depreciation of $131.8 and $124.6, respectively	68.1	69.5
Goodwill	261.6	266.3
Deferred tax assets	15.3	25.3
Deferred charges and other assets	3.6	4.0
Long-term assets of discontinued operations	1.4	3.1
Total assets	$ 662.8	$ 658.7
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term borrowings and capital lease obligations	$ 6.5	$ 6.2
Accounts payable	49.1	50.7
Customer deposits	11.9	12.1
Accrued liabilities:		
Compensation and withholding taxes	23.5	28.2
Other current liabilities	35.8	40.2
Current liabilities of discontinued operations	2.6	1.7
Total current liabilities	129.4	139.1
Long-term borrowings and capital lease obligations	40.5	44.0
Long-term pension and other postretirement benefit liabilities	55.1	63.5
Deferred gain	13.1	14.6
Other long-term liabilities	22.0	20.9
Long-term liabilities of discontinued operations	3.5	5.0
Total liabilities	263.6	287.1
Stockholders' equity:		
Common stock, $1 par value per share, 90.0 shares authorized, 64.8 and 64.2 shares issued, respectively	64.8	64.2
Capital in excess of par value	192.4	187.0
Retained earnings	267.7	227.0
Treasury stock, at cost, 2.6 and 1.7 shares, respectively	(40.9)	(27.1)
Accumulated other comprehensive loss	(84.8)	(79.5)
Total stockholders' equity	399.2	371.6
Total liabilities and stockholders' equity	$ 662.8	$ 658.7

See notes to condensed consolidated financial statements.

Table of Contents

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

	Nine Months Ended September 30,	
(in millions)	2015	2014
Operating activities:		
Net income	$52.0	$39.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from discontinued operations and disposal	(2.4)	(0.1)
Depreciation and amortization	11.4	11.1
Deferred financing costs	0.3	0.3
Deferred gain	(1.5)	(1.5)
Stock-based compensation expense	4.8	4.0
Excess tax benefit from stock-based compensation	(0.5)	—
Pension expense, net of funding	(3.3)	(5.5)
Provision for doubtful accounts	1.3	0.1
Deferred income taxes	20.3	14.7
Changes in operating assets and liabilities, net of effects of discontinued operations	(14.0)	(18.4)
Net cash provided by continuing operating activities	68.4	44.6
Net cash used for discontinued operating activities	(0.5)	(0.3)
Net cash provided by operating activities	67.9	44.3
Investing activities:		
Purchases of properties and equipment	(8.7)	(13.3)
Proceeds from sales of properties and equipment	0.1	0.3
Proceeds from sale of FSTech Group	4.0	7.0
Net cash used for continuing investing activities	(4.6)	(6.0)
Financing activities:		
Decrease in revolving lines of credit, net	—	(20.0)
Payments on long-term borrowings	(2.9)	(3.3)
Purchases of treasury stock	(10.6)	(6.7)
Redemptions of common stock to satisfy withholding taxes related to stock-based compensation	(3.2)	—
Cash dividends paid to stockholders	(11.3)	(3.8)
Proceeds from stock-based compensation activity	0.9	1.8
Excess tax benefit from stock-based compensation	0.5	—
Other, net	(0.4)	(0.6)
Net cash used for continuing financing activities	(27.0)	(32.6)
Effects of foreign exchange rate changes on cash and cash equivalents	(0.5)	(0.4)
Increase in cash and cash equivalents	35.8	5.3
Cash and cash equivalents at beginning of period	30.4	23.8
Cash and cash equivalents at end of period	$66.2	$29.1

See notes to condensed consolidated financial statements.

Table of Contents

FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Unaudited)

(in millions)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2015	$64.2	$187.0	$227.0	$(27.1)	$(79.5)	$371.6
Net income			52.0			52.0
Total other comprehensive loss					(5.3)	(5.3)
Cash dividends declared			(11.3)			(11.3)
Stock-based payments:						
Stock-based compensation		4.3				4.3
Stock option exercises and other	0.1	1.1		(0.5)		0.7
Performance share unit transactions	0.5	(0.5)		(2.7)		(2.7)
Excess tax benefit from stock-based compensation		0.5				0.5
Stock repurchase program				(10.6)		(10.6)
Balance at September 30, 2015	$64.8	$192.4	$267.7	$(40.9)	$(84.8)	$399.2

(in millions)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2014	$63.8	$177.0	$168.9	$(16.8)	$(41.9)	$351.0
Net income			39.9			39.9
Total other comprehensive loss					(6.5)	(6.5)
Cash dividends declared			(3.8)			(3.8)
Stock-based payments:						
Stock-based compensation		3.4				3.4
Stock option exercises and other	0.3	1.7				2.0
Stock repurchase program				$(6.7)		$(6.7)
Balance at September 30, 2014	$64.1	$182.1	$205.0	$(23.5)	$(48.4)	$379.3

See notes to condensed consolidated financial statements.

Table of Contents

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of the Business

Federal Signal Corporation was founded in 1901 and was reincorporated as a Delaware corporation in 1969. References herein to the "Company," "we," "our" or "us" refer collectively to Federal Signal Corporation and its subsidiaries. Products manufactured and services rendered by the Company are divided into three major operating segments: Environmental Solutions Group, Safety and Security Systems Group and Fire Rescue Group. The individual operating businesses are organized under each segment because they share certain characteristics, including technology, marketing, distribution and product application, which create long-term synergies. The Company's reportable segments are consistent with its operating segments. These segments are discussed in Note 10 – Segment Information.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements represent the consolidation of Federal Signal Corporation and its subsidiaries included herein and have been prepared by the Company pursuant to the rules and regulations of the United States ("U.S.") Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to ensure the information presented is not misleading. These condensed consolidated financial statements have been prepared in accordance with the Company's accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, and should be read in conjunction with those consolidated financial statements and the notes thereto.

These statements include all normal and recurring adjustments that we considered necessary to present a fair statement of our results of operations, financial condition and cash flow. Intercompany balances and transactions have been eliminated in consolidation. The results reported in these condensed consolidated financial statements should not be regarded as necessarily indicative of results that may be expected for the entire year. While we label our quarterly information using a calendar convention whereby our first, second and third quarters are labeled as ending on March 31, June 30 and September 30, respectively, it is our longstanding practice to establish interim quarterly closing dates based on a 13-week period ending on a Saturday, with our fiscal year ending on December 31. The effects of this practice are not material and exist only within a reporting year.

Recent Accounting Pronouncements and Accounting Changes

In April 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. This update revises the required criteria for reporting disposals as discontinued operations, whereby such disposals must represent strategic shifts that had (or will have) a major effect on an entity's operations and financial results. The guidance also requires additional disclosures about discontinued operations, including expanded disclosure of any significant ongoing involvement. The new requirements are effective prospectively for all disposals that occur within fiscal years beginning on or after December 15, 2014, and for interim periods within those fiscal years. The Company's adoption of the guidance on January 1, 2015 did not have an impact on its results of operations, financial condition or cash flow.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. The FASB decided to allow either a "full retrospective" adoption, in which the standard is applied to all periods presented in the financial statements, or a "modified retrospective" adoption, in which the guidance is applied retrospectively only to the most current period presented in the financial statements, with the cumulative effect of initially applying the new standard being recognized as an adjustment to the opening balance of retained earnings. As originally proposed, this guidance was effective for annual reporting periods beginning on or after December 15, 2016, including interim periods within that reporting period, and early adoption was not permitted. In July 2015, the FASB voted to approve a one-year deferral of the effective date, to annual reporting periods beginning on or after December 15, 2017, including interim periods within that reporting period. The final ASU 2015-14 also allows companies to adopt the guidance early, but no earlier than the original effective date. The Company is currently evaluating the impact of the adoption of this guidance on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, Interest – Imputation of Interest (Subtopic 835-30), Simplifying the Presentation of Debt Issuance Costs, which requires that debt issuance costs be presented in the balance sheets as a direct deduction from the carrying amount of the related debt liability. The new requirement is effective for fiscal years beginning on or after December 15, 2015, and for interim periods within those fiscal years. Retrospective presentation is required for all comparable periods presented. The Company does not believe that the adoption of this guidance will have a material impact on its consolidated financial statements.

In July 2015, the FASB issued ASU No. 2015-15, Interest – Imputation of Interest (Subtopic 855-30), Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which presents the SEC staff's opinion, in response to ASU No. 2015-03, that debt issuance costs associated with line-of-credit arrangements may be deferred, presented as an asset, and subsequently amortized ratably over the respective term, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. The effective date of this guidance, and the expected impact upon adoption, is consistent with that discussed above with respect to ASU No. 2015-03.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities, (ii) the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (iii) the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions are used for, but are not limited to, revenue recognition, workers' compensation and product liability reserves, asset impairment, pension and other post-retirement benefit obligations, income tax contingency accruals and valuation allowances, and litigation-related accruals. Actual results could differ from those estimates.

There have been no changes to the Company's significant accounting policies as disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

NOTE 2 – INVENTORIES

The following table summarizes the components of Inventories:

(in millions)	September 30, 2015	December 31, 2014
Raw materials	$ 46.8	$ 53.1
Work in progress	26.1	23.7
Finished goods	51.8	44.2
Total inventories	$ 124.7	$ 121.0

Table of Contents
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)
(Unaudited)

NOTE 3 – DEBT
The following table summarizes the components of Long-term borrowings and capital lease obligations:

(in millions)	September 30, 2015	December 31, 2014
Senior Secured Credit Facility:		
Revolving credit facility	$ —	$—
Term loan	46.3	49.2
Capital lease obligations	0.7	1.0
Total long-term borrowings and capital lease obligations, including current portion	47.0	50.2
Less: Current maturities	6.1	5.8
Less: Current capital lease obligations	0.4	0.4
Total long-term borrowings and capital lease obligations, net	$ 40.5	$44.0

As more fully described within Note 1 – Summary of Significant Accounting Policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2014, the Company uses a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The fair value of long-term debt is based on interest rates that we believe are currently available to us for issuance of debt with similar terms and remaining maturities (Level 2 input).
The following table summarizes the carrying amounts and fair values of the Company's financial instruments:

(in millions)	September 30, 2015		December 31, 2014	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Long-term borrowings [a]	$47.0	$47.0	$50.2	$50.2

(a) Long-term borrowings includes current portions of long-term debt and current portions of capital lease obligations of $6.5 million and $6.2 million as of September 30, 2015 and December 31, 2014, respectively.

In March 2013, the Company executed a $225.0 million senior secured credit facility (the "Senior Secured Credit Facility") comprised of a five-year fully funded term loan of $75.0 million and a five-year $150.0 million revolving credit facility. As of September 30, 2015, there was no cash drawn and $23.4 million of undrawn letters of credit under the $150.0 million revolving credit facility portion of the Senior Secured Credit Facility, with $126.6 million of net availability for borrowings.
For the nine months ended September 30, 2015, there were no gross borrowings or gross payments under the Company's domestic revolving credit facility. For the nine months ended September 30, 2014, gross borrowings and gross payments under the Company's domestic revolving credit facility were $6.5 million and $26.5 million, respectively.
As of September 30, 2015, there were no borrowings against the Company's non-U.S. lines of credit which provide for borrowings of up to $10.2 million.
The Senior Secured Credit Facility requires the Company to comply with financial covenants related to the maintenance of a minimum fixed charge coverage ratio and maximum leverage ratio. The financial covenants are measured at each fiscal quarter-end. Restricted payments, including dividends, are permitted only if the pro-forma leverage ratio after giving effect to such payment is less than 3.25x, pro-forma compliance after giving effect to such payment is maintained for all other financial covenants and there are no existing defaults under the Senior Secured Credit Facility. The Company was in compliance with all of its debt covenants as of September 30, 2015.
NOTE 4 – INCOME TAXES
The Company recognized income tax expense of $8.7 million and $8.5 million for the three months ended September 30, 2015 and 2014, respectively. The increase in tax expense in the current-year quarter is largely due to higher pre-tax income levels. The effective tax rate for the three months ended September 30, 2015 was 34.7%, compared to 35.9% in the prior-year quarter.

For the nine months ended September 30, 2015 and 2014, the Company recognized income tax expense of $27.3 million and $18.4 million, respectively. The effective tax rate was 35.5% and 31.6% for the nine months ended September 30, 2015 and 2014, respectively. The increase in tax expense and the effective tax rate in the nine months ended September 30, 2015 was primarily due to higher pre-tax income levels and the effects of a $1.5 million tax benefit recognized in the prior-year period

Table of Contents
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)
(Unaudited)

associated with a reduction in unrecognized tax benefits, primarily related to the completion of an Internal Revenue Service ("IRS") audit.

NOTE 5 – PENSIONS

The following table summarizes the components of net postretirement pension expense:

	U.S. Benefit Plan				Non-U.S. Benefit Plans			
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2015	2014	2015	2014	2015	2014	2015	2014
Service cost	$—	$—	—	—	$—	$0.1	$0.2	$0.3
Interest cost	1.9	2.0	5.7	5.9	0.6	0.7	1.6	2.0
Amortization of actuarial loss	1.7	1.3	5.1	3.8	0.2	0.1	0.6	0.3
Expected return on plan assets	(2.6)	(2.3)	(7.7)	(6.8)	(0.6)	(0.9)	(2.0)	(2.7)
Net postretirement pension expense (benefit)	$1.0	$1.0	3.1	2.9	$0.2	$—	$0.4	$(0.1)

During the nine months ended September 30, 2015 and 2014, the Company contributed $5.5 million and $7.3 million to its U.S. defined benefit plan, respectively, and $1.2 million and $1.0 million to its non-U.S. defined benefit plans, respectively.

For the year ended December 31, 2015, the Company expects to contribute up to $7.0 million to the U.S. benefit plan and up to $1.2 million to the non-U.S. benefit plans.

During the nine months ended September 30, 2015, the Company repurchased all of the remaining shares of its common stock from its U.S benefit plan for a total cost of $3.6 million. The repurchases were made under the stock repurchase program discussed further in Note 9 – Stockholders' Equity. At December 31, 2014, total assets of the U.S. benefit plan included 0.2 million of the Company's common stock shares that were valued at $3.6 million. The value of the shares was determined using quoted market prices (Level 1 input).

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Guarantees

The Company provides indemnifications and other guarantees in the ordinary course of business, the terms of which range in duration and often are not explicitly defined. Specifically, the Company is occasionally required to provide letters of credit and bid and performance bonds to various customers, principally to act as security for retention levels related to casualty insurance policies and to guarantee the performance of subsidiaries that engage in export and domestic transactions. At September 30, 2015, the Company had outstanding performance and financial standby letters of credit, as well as outstanding bid and performance bonds, in the aggregate amount of $34.7 million. If any such letters of credit or bonds are called, the Company would be obligated to reimburse the issuer of the letter of credit or bond. The Company believes the likelihood of any currently outstanding letter of credit or bond being called is remote.

The Company 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 Company does business, with warranty periods generally ranging from one to five years. The Company 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 Company's warranty liability include (i) the number of units under warranty, (ii) historical and anticipated rates of warranty claims and (iii) costs per claim. The Company periodically assesses the adequacy of its recorded warranty liabilities and adjusts the amounts as necessary.

Table of Contents

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

The following table summarizes the changes in the Company's warranty liabilities:

(in millions)	2015	2014
Balance at January 1	$9.1	$8.4
Provisions to expense	5.1	5.2
Payments	(5.6)	(5.5)
Balance at September 30	$8.6	$8.1

Environmental Liabilities

Reserves of $0.9 million and $1.3 million related to the environmental remediation of the Pearland, Texas facility are included in liabilities of discontinued operations on the Condensed Consolidated Balance Sheets at September 30, 2015 and December 31, 2014, respectively. The facility was previously used by the Company's discontinued Pauluhn business and manufactured marine, offshore and industrial lighting products. The Company sold the facility in May 2012 and while the Company has not finalized its plans, it is probable that the site will require remediation. The recorded reserves are based on an undiscounted estimate of the range of costs to remediate the site, depending upon the remediation approach and other factors. The Company's estimate may change in the near-term as more information becomes available; however, the costs are not expected to have a material adverse effect on the Company's results of operations, financial position or cash flow.

Legal Proceedings

The Company is subject to various claims, including pending and possible legal actions for product liability and other damages, and other matters arising in the ordinary course of the Company's business. On a quarterly basis, the Company reviews uninsured material legal claims against the Company and accrues for the costs of such claims as appropriate in the exercise of management's best judgment and experience. However, due to a lack of factual information available to the Company about a claim, or the procedural stage of a claim, it may not be possible for the Company to reasonably assess either the probability of a favorable or unfavorable outcome of the claim or to reasonably estimate the amount of loss should there be an unfavorable outcome. Therefore, for many claims, the Company cannot reasonably estimate a range of loss.

The Company 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 Company's results of operations or financial condition. 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 Company's results of operations, financial condition or cash flow.

Hearing Loss Litigation

The Company has been sued for monetary damages by firefighters who claim that exposure to the Company's sirens has impaired their hearing and that the sirens are therefore defective. There were 33 cases filed during the period of 1999 through 2004 involving a total of 2,443 plaintiffs in the Circuit Court of Cook County, Illinois. These cases involved more than 1,800 firefighter plaintiffs from locations outside of Chicago. In 2009, six additional cases were filed in Cook County involving 299 Pennsylvania firefighter plaintiffs. During 2013, another case was filed in Cook County involving 74 Pennsylvania firefighter plaintiffs.

The trial of the first 27 of these plaintiffs' claims occurred in 2008, whereby a Cook County jury returned a unanimous verdict in favor of the Company.

An additional 40 Chicago firefighter plaintiffs were selected for trial in 2009. Plaintiffs' counsel later moved to reduce the number of plaintiffs from 40 to nine. The trial for these nine plaintiffs concluded with a verdict against the Company and for the plaintiffs in varying amounts totaling $0.4 million. The Company appealed this verdict. On September 13, 2012, the Illinois Appellate Court rejected this appeal. The Company thereafter filed a petition for rehearing with the Illinois Appellate Court, which was denied on February 7, 2013. The Company sought further review by filing a petition for leave to appeal with the Illinois Supreme Court on March 14, 2013. On May 29, 2013, the Illinois Supreme Court issued a summary order declining to accept review of this case. On July 1, 2013, the

Company satisfied the judgments entered for these plaintiffs, which has resulted in final dismissal of these cases. A third consolidated trial involving eight Chicago firefighter plaintiffs occurred during November 2011. The jury returned a unanimous verdict in favor of the Company at the conclusion of this trial.

Following this trial, on March 12, 2012 the trial court entered an order certifying a class of the remaining Chicago Fire Department firefighter plaintiffs for trial on the sole issue of whether the Company's sirens were defective and unreasonably dangerous. The Company petitioned the Illinois Appellate Court for interlocutory appeal of this ruling. On May 17, 2012, the Illinois Appellate Court accepted the Company's petition. On June 8, 2012, plaintiffs moved to dismiss the appeal, agreeing with the Company that the trial court had erred in certifying a class action trial in this matter. Pursuant to plaintiffs' motion, the Illinois Appellate Court reversed the trial court's certification order. Thereafter, the trial court scheduled a fourth consolidated trial involving three firefighter plaintiffs, which began in December 2012. Prior to the start of this trial, the claims of two of the three firefighter plaintiffs were dismissed. On December 17, 2012, the jury entered a complete defense verdict for the Company.

Following this defense verdict, plaintiffs again moved to certify a class of Chicago Fire Department plaintiffs for trial on the sole issue of whether the Company's sirens were defective and unreasonably dangerous. Over the Company's objection, the trial court granted plaintiffs' motion for class certification on March 11, 2013 and scheduled a class action trial to begin on June 10, 2013. The Company filed a petition for review with the Illinois Appellate Court on March 29, 2013 seeking reversal of the class certification order.

On June 25, 2014, a unanimous three-judge panel of the First District Illinois Appellate Court issued its opinion reversing the class certification order of the trial court. Specifically, the Appellate Court determined that the trial court's ruling failed to satisfy the class-action requirements that the common issues of the firefighters' claims predominate over the individual issues and that there is an adequate representative for the class. During a status hearing on October 8, 2014, plaintiffs represented to the Court that they would again seek to certify a class of firefighters on the issue of whether the Company's sirens were defective and unreasonably dangerous. On January 12, 2015, plaintiffs filed motions to amend their complaints to add class action allegations with respect to Chicago firefighter plaintiffs as well as the approximately 1,800 firefighter plaintiffs from locations outside of Chicago. On March 11, 2015, the trial court granted plaintiffs' motions to amend their complaints. Plaintiffs have indicated that they will now file motions to certify classes in these cases. On April 24, 2015, the cases were transferred to Cook County chancery court, which will decide all class certification issues. The Company intends to continue its objections to any attempt at certification. The Company also has filed motions to dismiss cases involving firefighters located outside of Cook County based on improper venue. Plaintiffs have requested discovery from the Company related to these venue motions. The Court has scheduled a further status hearing regarding venue matters for December 2, 2015.

The Company has also been sued on this issue outside of the Cook County, Illinois venue. Many of these cases have involved lawsuits filed by a single attorney in the Court of Common Pleas, Philadelphia County, Pennsylvania. During 2007 and through 2009, this attorney filed a total of 71 lawsuits, involving 71 plaintiffs in this jurisdiction. Three of these cases were dismissed pursuant to pretrial motions filed by the Company. Another case was voluntarily dismissed. Prior to trial in four cases, the Company paid nominal sums to obtain dismissals.

Three trials occurred in Philadelphia involving these cases filed in 2007 through 2009. The first trial involving one of these plaintiffs occurred in 2010, when the jury returned a verdict for the plaintiff. In particular, the jury found that the Company's siren was not defectively designed, but that the Company negligently constructed the siren. The jury awarded damages in the amount of $0.1 million, which was subsequently reduced to $0.08 million. The Company appealed this verdict. Another trial, involving nine Philadelphia firefighter plaintiffs, also occurred in 2010 when the jury returned a defense verdict for the Company as to all claims and all plaintiffs involved in that trial. The third trial, also involving nine Philadelphia firefighter plaintiffs, was completed during 2010 when the jury returned a defense verdict for the Company as to all claims and all plaintiffs involved in that trial.

Following defense verdicts in the last two Philadelphia trials, the Company negotiated settlements with respect to all remaining filed cases in Philadelphia at that time, as well as other firefighter claimants represented by the attorney who filed the Philadelphia cases. On January 4, 2011, the Company entered into a Global Settlement Agreement (the "Settlement Agreement") with the law firm of the attorney representing the Philadelphia claimants, on behalf of 1,125 claimants the firm represented (the "Claimants") and who had asserted product claims against the Company (the

"Claims"). Three hundred eight of the Claimants had lawsuits pending against the Company in Cook County, Illinois. The Settlement Agreement, as amended, provided that the Company pay a total amount of $3.8 million (the "Settlement Payment") to settle the Claims (including the costs, fees and other expenses of the law firm in connection with its representation of the Claimants), subject to certain terms, conditions and procedures set forth in the Settlement Agreement. In order for the Company to be required to make the Settlement Payment: (i) each Claimant who agreed to settle his or her claims had to sign a release acceptable to the Company (a "Release"), (ii) each Claimant who agreed to the settlement and who was a plaintiff in a

Table of Contents
FEDERAL SIGNAL CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (CONTINUED)
(Unaudited)

lawsuit, had to dismiss his or her lawsuit with prejudice, (iii) by April 29, 2011, at least 93% of the Claimants identified in the Settlement Agreement must have agreed to settle their claims and provide a signed Release to the Company and (iv) the law firm had to withdraw from representing any Claimants who did not agree to the settlement, including those who filed lawsuits. If the conditions to the settlement were met, but less than 100% of the Claimants agreed to settle their Claims and sign a Release, the Settlement Payment would be reduced by the percentage of Claimants who did not agree to the settlement.

On April 22, 2011, the Company confirmed that the terms and conditions of the Settlement Agreement had been met and made a payment of $3.6 million to conclude the settlement. The amount was based upon the Company's receipt of 1,069 signed releases provided by Claimants, which was 95.02% of all Claimants identified in the Settlement Agreement.

The Company generally denies the allegations made in the claims and lawsuits by the Claimants and denies that its products caused any injuries to the Claimants. Nonetheless, the Company entered into the Settlement Agreement for the purpose of minimizing its expenses, including legal fees, and avoiding the inconvenience, uncertainty and distraction of the claims and lawsuits.

During April through October 2012, 20 new cases were filed in the Court of Common Pleas, Philadelphia County, Pennsylvania. These cases were filed on behalf of 20 Philadelphia firefighters and involve various defendants in addition to the Company. Five of these cases were subsequently dismissed. The first trial involving these new Philadelphia cases occurred during December 2014 and involved three firefighter plaintiffs. The jury returned a verdict in favor of the Company. Following this trial, all of the parties agreed to settle cases involving seven firefighter plaintiffs set for trial during January 2015 for nominal amounts per plaintiff. In January 2015, plaintiffs' attorneys filed two new complaints in the Court of Common Pleas, Philadelphia, Pennsylvania on behalf of approximately 70 additional firefighter plaintiffs. The vast majority of the firefighters identified in these complaints are located outside of Pennsylvania. One of the complaints in these cases, which involves 11 firefighter plaintiffs from the District of Columbia, has been removed to federal court in the Eastern District of Pennsylvania. During August 2015, two new cases were filed in the Court of Common Pleas, Philadelphia County, Pennsylvania. These cases involve a total of 42 firefighters; most of these firefighters worked at fire departments in New Jersey and New York. Plaintiffs have named various other defendants in addition to the Company.

During April through July 2013, additional cases were filed in Allegheny County, Pennsylvania. These cases involve 247 plaintiff firefighters from Pittsburgh and various defendants, including the Company. After the Company filed pretrial motions, the Court dismissed claims of 41 Pittsburgh firefighter plaintiffs. An initial trial involving eight Pittsburgh firefighters has been scheduled for January 2016. During March 2014, an action also was brought in the Court of Common Pleas of Erie County, Pennsylvania on behalf of 61 firefighters. This case likewise involves various defendants in addition to the Company. After the Company filed pretrial motions, 32 Erie County firefighter plaintiffs voluntarily dismissed their claims.

On September 17, 2014, 20 lawsuits, involving a total of 193 Buffalo Fire Department firefighters, were filed in the Supreme Court of the State of New York, Erie County. Several product manufacturers, including the Company, have been named as defendants in these cases. All of the cases filed in Erie County, New York have been removed to federal court in the Western District of New York. During February 2015, a lawsuit involving one New York City firefighter plaintiff was filed in the Supreme Court of the State of New York, New York County. Plaintiff named the Company as well as several other parties as defendants. That case has been transferred to federal court in the Northern District of New York. The Company also is aware that a lawsuit involving eight New York City firefighters was filed in New York County, New York, on April 24, 2015 and that a lawsuit involving 34 New Jersey firefighters was filed in Union County, New Jersey state court on May 4, 2015. The Company has not yet been served in those two cases.

From 2007 through 2009, firefighters also brought hearing loss claims against the Company in New Jersey, Missouri, Maryland and Kings County, New York. All of those cases, however, were dismissed prior to trial, including four cases in the Supreme Court of Kings County, New York that were dismissed upon the Company's motion in 2008. On appeal, the New York appellate court affirmed the trial court’s dismissal of these cases. Plaintiffs’ attorneys have threatened to file additional lawsuits. The Company intends to vigorously defend all of these lawsuits, if filed.

The Company’s ongoing negotiations with its insurer, CNA, over insurance coverage on these claims have resulted in reimbursements of a portion of the Company’s defense costs. These reimbursements are recorded as a reduction of corporate operating expenses. For the nine months ended September 30, 2015 and 2014, the Company recorded $0.2 million and $0.2 million of reimbursements from CNA related to legal costs, respectively.

Table of Contents

Latvian Commercial Dispute

On June 12, 2014, a Latvian trial court issued a summary ruling against the Company's Bronto Skylift Oy Ab ("Bronto") subsidiary in a lawsuit relating to a commercial dispute. The dispute involves a transaction for the 2008 sale of three Bronto units that were purchased by a financing company for lease to a Latvian fire department. The lessor and the Latvian fire department sought to rescind the contract after delivery, despite the fact that an independent third party, selected by the lessor, had certified that the vehicles satisfied the terms of the contract. The adverse judgment requires Bronto to refund the purchase price and pay interest and attorneys' fees. The trial court denied the lessor's claim against Bronto for alleged damages relating to lost lease income.

The Company continues to believe that the claims against Bronto are invalid and that Bronto fully satisfied the terms of the subject contract. Accordingly, on July 30, 2014, the Company filed an appeal with the Civil Chamber of the Supreme Court of Latvia seeking a reversal of the trial court's ruling. The appeal hearing with the Supreme Court is currently scheduled for April 2016.

As of September 30, 2015, the Company has not accrued any liability within its consolidated financial statements for this lawsuit. In evaluating whether a charge to record a reserve was necessary, the Company analyzed all of the available information, including the legal reasoning applied by the judge of the trial court in reaching its decision. Based on the Company's analysis, and consultations with external counsel, the Company has assessed the likelihood of a successful appeal to be more likely than not and therefore does not believe that a probable loss has been incurred. In the event that the Company's appeal of the initial judgment is unsuccessful or not fully successful, the Company would expect to record a charge that could range from zero to approximately $5 million. This range includes the amount of the adverse judgment, as well as estimated interest that will continue to accrue throughout the appeal process.

NOTE 7 – EARNINGS PER SHARE

The Company computes earnings per share ("EPS") in accordance with ASC 260, Earnings per Share, which requires that non-vested restricted stock containing non-forfeitable dividend rights should be treated as participating securities pursuant to the two-class method. Under the two-class method, net income is reduced by the amount of dividends declared in the period for common stock and participating securities. The remaining undistributed earnings are then allocated to common stock and participating securities as if all of the net income for the period had been distributed. The amounts of distributed and undistributed earnings allocated to participating securities for the three and nine months ended September 30, 2015 and 2014 were insignificant and did not materially impact the calculation of basic or diluted EPS.

Basic EPS is computed by dividing income or loss available to common stockholders by the weighted average number of shares of common stock and non-vested restricted stock awards outstanding for the period.

Diluted EPS is computed using the weighted average number of shares of common stock and non-vested restricted stock awards outstanding for the year plus the effect of dilutive potential common shares outstanding during the period. The dilutive effect of common stock equivalents is determined using the more dilutive of the two-class method or alternative methods. The Company uses the treasury stock method to determine the potentially dilutive impact of our employee stock options and restricted stock units, and the contingently issuable method for our performance-based restricted stock unit awards.

For the three and nine months ended September 30, 2015 and 2014, options to purchase 0.8 million and 0.5 million shares of the Company's common stock, respectively, had an anti-dilutive effect on EPS, and accordingly, are excluded from the calculation of diluted EPS.

Table of Contents

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

The following table reconciles Net income to basic and diluted EPS:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share data)	2015	2014	2015	2014
Income from continuing operations	$16.4	$15.2	$49.6	$39.8
Gain from discontinued operations and disposal, net of tax	2.4	0.2	2.4	0.1
Net income	$18.8	$15.4	$52.0	$39.9
Weighted average shares outstanding – Basic	62.3	62.7	62.4	62.8
Dilutive effect of common stock equivalents	1.0	1.1	1.0	1.0
Weighted average shares outstanding – Diluted	$63.3	$63.8	$63.4	$63.8
Basic earnings per share:				
Earnings from continuing operations	$0.26	$0.24	$0.79	$0.63
Gain from discontinued operations and disposal, net of tax	0.04	—	0.04	—
Net earnings per share	$0.30	$0.24	$0.83	$0.63
Diluted earnings per share:				
Earnings from continuing operations	$0.26	$0.24	$0.78	$0.62
Gain from discontinued operations and disposal, net of tax	0.04	—	0.04	—
Net earnings per share	$0.30	$0.24	$0.82	$0.62

NOTE 8 – STOCK-BASED COMPENSATION

On December 31, 2014, performance share units (“PSUs”) granted in 2012 became fully vested. The EPS threshold associated with these awards was achieved at the maximum level, and 200% of the target shares were earned. In addition, during the nine months ended September 30, 2015, various restricted stock awards granted in 2012 became fully vested. These vested performance share units and restricted stock awards were net share settled. In connection with the issuance of the shares underlying the PSUs during the nine months ended September 30, 2015, and with the vesting of restricted stock, the Company transferred 0.2 million shares into Treasury stock, based upon the Company’s closing stock price on the vesting date, to satisfy the employees’ minimum statutory withholding obligation for applicable income and other employment taxes. The Company then remitted the equivalent cash value to the appropriate taxing authorities.

Total payments for the employees’ tax obligations to the relevant taxing authorities were $3.2 million for the nine months ended September 30, 2015, and are reflected as a financing activity within the Condensed Consolidated Statements of Cash Flows.

NOTE 9 – STOCKHOLDERS’ EQUITY

Dividends

On February 20, 2015, the Company’s Board of Directors (the “Board”) declared a quarterly cash dividend of $0.06 per common share. The dividend totaled $3.8 million and was distributed on March 27, 2015 to holders of record at the close of business on March 9, 2015.

On April 28, 2015, the Board declared a quarterly cash dividend of $0.06 per common share. The dividend totaled $3.7 million and was distributed on June 9, 2015 to holders of record at the close of business on May 19, 2015.

On July 16, 2015, the Board declared a quarterly cash dividend of $0.06 per common share. The dividend totaled $3.8 million and was distributed on August 27, 2015 to holders of record at the close of business on August 6, 2015.

On October 27, 2015, the Board declared a quarterly cash dividend of $0.07 per common share payable on December 8, 2015 to holders of record at the close of business on November 17, 2015.

Stock Repurchase Program

In April 2014, the Board authorized a stock repurchase program (the “April 2014 program”) of up to $15.0 million of the Company’s common stock. The April 2014 program was intended primarily to facilitate a reduction in the investment in

15

Company stock within the Company's U.S. defined benefit pension plan portfolio and to reduce dilution resulting from issuances of stock under the Company's employee equity incentive programs.

In November 2014, the Board authorized an additional stock repurchase program (the "November 2014 program") of up to $75.0 million of the Company's common stock. The November 2014 program is intended primarily to facilitate opportunistic purchases of Company stock as a means to provide cash returns to stockholders, enhance stockholder returns and manage the Company's capital structure.

During the three and nine months ended September 30, 2015, the Company repurchased 394,430 and 724,792 shares for a total of $5.6 million and $10.6 million, respectively, under the authorized stock repurchase programs. During the second quarter of 2015, cumulative stock repurchases under the April 2014 program reached the maximum authorized level of $15.0 million. No additional stock repurchases will be made under that program.

Under its stock repurchase programs, the Company is authorized to repurchase, from time to time, shares of its outstanding common stock in the open market or through privately negotiated transactions. Stock repurchases by the Company are subject to market conditions and other factors and may be commenced, suspended or discontinued at any time.

Accumulated Other Comprehensive Loss

The following tables summarize the changes in each component of Accumulated other comprehensive loss, net of tax:

(in millions) [a]	Actuarial Losses [b]	Foreign Currency Translation	Unrealized Gain on Derivatives	Total
Balance at July 1, 2015	$(77.6)	$(7.1)	$0.1	$(84.6)
Other comprehensive income (loss) before reclassifications	0.6	(2.0)	—	(1.4)
Amounts reclassified from accumulated other comprehensive loss	1.2	—	—	1.2
Net current-period other comprehensive income (loss)	1.8	(2.0)	—	(0.2)
Balance at September 30, 2015	$(75.8)	$(9.1)	$0.1	$(84.8)
Balance at July 1, 2014	$(56.7)	$16.4	$—	$(40.3)
Other comprehensive income (loss) before reclassifications	0.6	(9.6)	0.2	(8.8)
Amounts reclassified from accumulated other comprehensive loss	0.8	(0.1)	—	0.7
Net current-period other comprehensive income (loss)	1.4	(9.7)	0.2	(8.1)
Balance at September 30, 2014	$(55.3)	$6.7	$0.2	$(48.4)

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

(in millions) [(a)]	Actuarial Losses [(b)]	Foreign Currency Translation	Unrealized Gain on Derivatives	Total
Balance at January 1, 2015	$(79.8)	$0.2	$0.1	$(79.5)
Other comprehensive income (loss) before reclassifications	0.4	(9.3)	—	(8.9)
Amounts reclassified from accumulated other comprehensive loss	3.6	—	—	3.6
Net current-period other comprehensive income (loss)	4.0	(9.3)	—	(5.3)
Balance at September 30, 2015	$(75.8)	$(9.1)	$0.1	$(84.8)
Balance at January 1, 2014	$(58.1)	$16.0	$0.2	$(41.9)
Other comprehensive income (loss) before reclassifications	0.3	(9.4)	—	(9.1)
Amounts reclassified from accumulated other comprehensive loss	2.5	0.1	—	2.6
Net current-period other comprehensive income (loss)	2.8	(9.3)	—	(6.5)
Balance at September 30, 2014	$(55.3)	$6.7	$0.2	$(48.4)

(a) Amounts in parenthesis indicate debits.

(b) Actuarial losses increased significantly during the fourth quarter of 2014 based on an updated actuarial valuation of the Company's defined-benefit pension obligations. Largely as a result of a lower discount rate and improved mortality assumptions, the Company's long-term pension liabilities increased, which contributed to a corresponding increase in actuarial losses.

The following table summarizes the amount of actuarial losses reclassified from Accumulated other comprehensive loss, net of tax, in the three months ended September 30, 2015 and 2014 and the affected line item in the Condensed Consolidated Statements of Operations:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in Condensed Consolidated Statements of Operations
	2015	2014	
	(in millions) [(a)]		
Amortization of actuarial losses of defined benefit pension plans	$(1.9)	$(1.4)	(b)
Total before tax	(1.9)	(1.4)	
Income tax benefit	0.7	0.6	Income tax expense
Total reclassifications for the period, net of tax	$(1.2)	$(0.8)	

The following table summarizes the amount of actuarial losses reclassified from Accumulated other comprehensive loss, net of tax, in the nine months ended September 30, 2015 and 2014 and the affected line item in the Condensed Consolidated Statements of Operations:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss		Affected Line Item in Condensed Consolidated Statements of Operations
	2015	2014	
	(in millions) [(a)]		