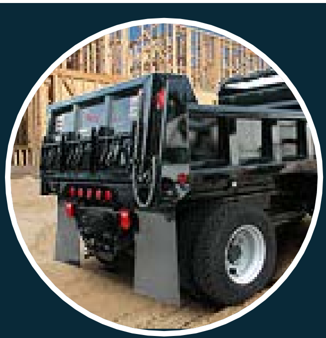
FEDERAL SIGNAL

Moves. Cleans. Protects.





Disciplined Growth

Investor Presentation August 2020

Safe Harbor Statement

This presentation contains unaudited financial information and forward-looking statements. Statements that are not historical are forward-looking statements and may contain words such as “may”, “will” ,“believe”, “expect”, “anticipate”, “intend”, “plan”, “project”, “estimate”, and “objective” or similar terminology, 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 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. Such risks and uncertainties include, but are not limited to: direct and indirect impacts of the coronavirus pandemic and the associated government response, economic conditions in various regions, product and price competition, supply chain disruptions, work stoppages, availability and pricing of raw materials, risks associated with acquisitions such as integration of operations and achieving anticipated revenue and cost benefits, foreign currency exchange rate changes, interest rate changes, increased legal expenses and litigation results, legal and regulatory developments and other risks and uncertainties described in filings with the Securities and Exchange Commission. Such forward-looking statements are made as of the date hereof and we undertake no obligation to update these forward-looking statements regardless of new developments or otherwise.

This presentation also contains certain measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”). The non-GAAP financial information presented herein should be considered supplemental to, and not a substitute for, or superior to, financial measures calculated in accordance with GAAP. The Company has provided this supplemental information to investors, analysts, and other interested parties to enable them to perform additional analyses of operating results, to illustrate the results of operations giving effect to the non-GAAP adjustments shown in the reconciliations, and to provide an additional measure of performance which management considers in operating the business. A reconciliation of these items to the most comparable GAAP measures is provided in our filings with the SEC and/or in the Appendix to this presentation.

Federal Signal at a Glance

- Founded in 1901, joined NYSE in 1969 (“FSS”)
- Diversified industrial manufacturer of specialized vehicles for maintenance and infrastructure markets such as street sweepers, sewer cleaners, vacuum/hydro-excavators (“safe-digging trucks”), industrial vacuum loaders, waterblasting equipment, dump bodies and trailers and road-marking and line-removal equipment; as well as safety and security products including audible and visual warning devices
- Leading brands of premium, value-adding products and systems, with supporting aftermarket business
- Headquartered in Oak Brook, Illinois with 15 manufacturing facilities worldwide
- Despite significant COVID-related challenges, Q2 operational performance was impressive, with margins exceeding target ranges

CRAIN'S CHICAGO BUSINESS 2020 NOTABLE WOMEN IN MANUFACTURING

WORLD SWEEPING ASSOCIATION 2020 Award of Excellence in Power Sweeping ELGIN

CRAIN'S LARGEST PUBLICLY TRADED COMPANIES 2019

CHICAGO INNOVATION AWARDS 2016 WINNER

NASCAR GREEN OFFICIAL SWEEPER

EcoInfused Technology

An Experienced Leadership Team

Jennifer Sherman

President and Chief Executive Officer

- Appointed January, 2016
- Previously Chief Operating Officer, Chief Administrative Officer, Secretary and General Counsel, with operating responsibilities for the Company's Safety and Security Systems Group
- Joined Federal Signal in 1994 as Corporate Counsel

Mark D. Weber

Senior Vice President and Chief Operating Officer

- Appointed January, 2018
- Previously served as President and Chief Executive Officer of Supreme Industries, Inc.
- Prior to joining Supreme, Mr. Weber spent 17 years at Federal Signal, initially as Vice President of Operations, Elgin Sweeper, before progressing through multiple roles of increasing responsibility, serving as President of the Environmental Solutions Group for over a decade

Ian Hudson

Senior Vice President and Chief Financial Officer

- Appointed October, 2017
- Joined Federal Signal in August 2013 as Vice President and Corporate Controller
- Previously served as Director of Accounting – Latin America and Asia Pacific at Groupon, Inc.
- 13+ years public accounting experience with Ernst & Young, LLP

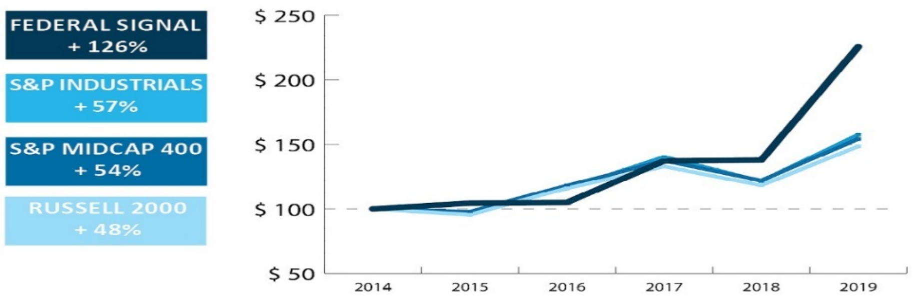
Svetlana Vinokur

Vice President, Treasurer and Corporate Development

- Appointed April, 2015
- Previously served as Assistant Treasurer for Illinois Tool Works Inc., Finance Head of M&A Strategy at Mead Johnson Nutrition Company, and Senior Associate for Robert W. Baird & Company's Consumer and Industrial Investment Banking group

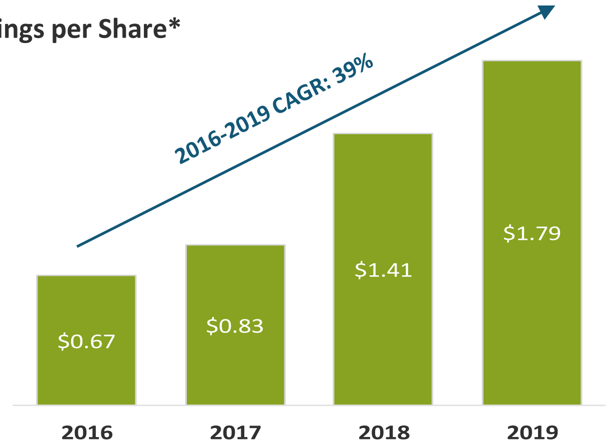
Positioned for Long-Term Growth

With continued focus on organic growth and M&A, and margin performance above that of many of our peers, our financial framework aims to create long-term shareholder value



This graph assumes that the value of the investment in the Company's common stock, and in each index, was $100 on December 31, 2014 and assumes reinvestment of all dividends through December 31, 2019.

Adjusted Earnings per Share*
(US$ / share)



*Adjusted earnings per share is a non-GAAP measure. See Appendix V for additional information, including reconciliation to GAAP measures.

Long-Term Organic Revenue Growth
(Couple of % points > GDP)

+

Value-Added Acquisitions

High Single Digit Revenue Growth

EBITDA Margin Targets:

ESG: 15-18%
SSG: 15-18%
Consolidated: 12-16%

Cash Conversion: ~100% of net income

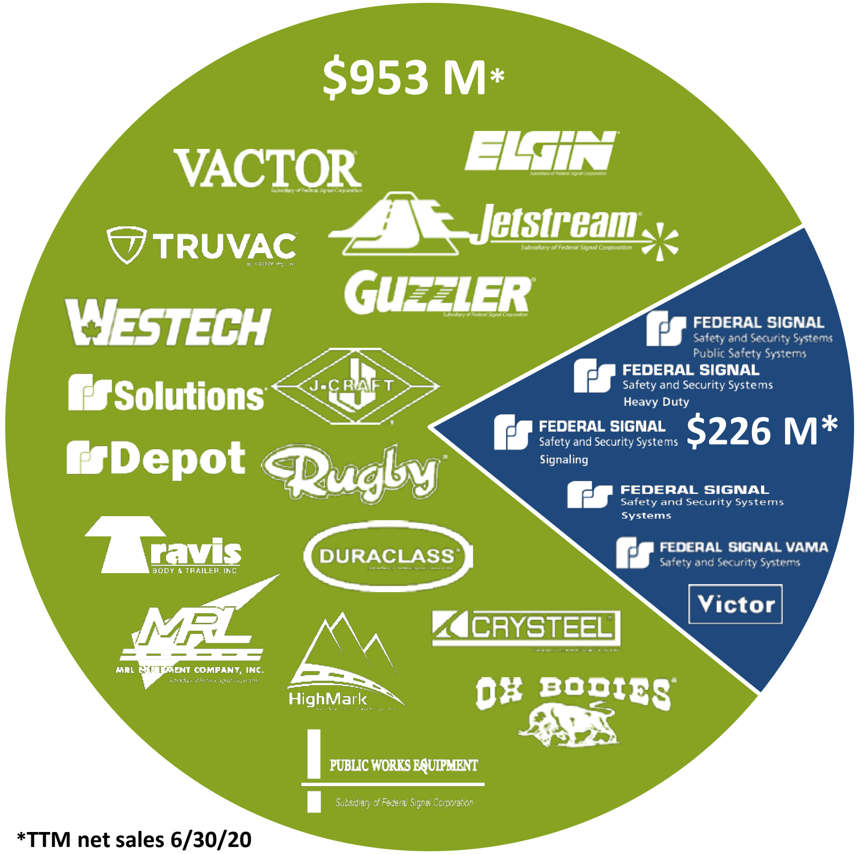
ROIC > Cost of Capital

Two Attractive Platforms

Segment

Environmental Solutions Group (ESG)

Safety and Security Systems Group (SSG)



*TTM net sales 6/30/20

Markets

ESG: Serves publicly-funded, industrial, and utility markets for surface and sub-surface cleaning, safe-digging, road marking, infrastructure maintenance and material hauling

SSG: Serves the needs of municipalities and industrial verticals for audible and visual safety and security notification devices and systems

Products

ESG:
- Street Sweeping
- Sewer Cleaning
- Safe Digging
- Industrial Cleaning
- Dump Bodies and Trailers
- Road-Marking and Line-Removal

SSG:
- Lights and Sirens
- Signaling Devices
- Warning Systems

Environmental Solutions Group (ESG)

Have established a platform serving maintenance and infrastructure markets to provide customers with a comprehensive suite of products and services

	Street sweeping	Sewer cleaning	Safe digging	Industrial cleaning	Materials Hauling	Road Marking
Application	Street sweeping	Sewer cleaning	Safe digging	Industrial cleaning	Materials Hauling	Road Marking
Brands	ELGIN	VACTOR	TRUVAC, WESTECH	Jetstream, ELGIN, GUZZLER, VACTOR	Travis, DURACLASS, J-CRAFT, OX BODIES, Rugby, CRYSTEEL	MRL, HighMark
Products						
End Markets and Channels	Publicly-funded Dealer	Publicly-funded* Dealer	Industrial Utility Oil & Gas Dealer / Direct	Industrial Direct	Construction, Industrial, Landscaping, Publicly-funded Dealer / Direct	Transportation, Infrastructure, Publicly-funded Direct

Addressable Market**: ~$4.0B

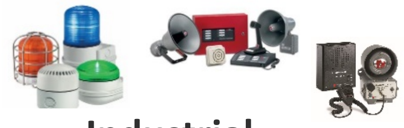
Routes to Market

Rental/Aftermarket	Dealer Network	Distribution
FS Depot, FS Solutions Provide parts / service / refurbishment / rental offering through the network of 20+ locations in US and Canada	US Dealer Network + Largest Canadian distributor of maintenance equipment to municipalities	US Distribution Network + For ESG products and other OEM's products such as snow equipment and garbage trucks

* *Typically funded through water taxes*
***Management estimates*

Safety and Security Systems Group (SSG)

Serves the needs of government and industrial verticals for audible and visual safety and security notification devices

	Public Safety and Security	Signaling	Systems
Application	Lights and siren products for Police, Fire and Heavy Duty (HD) end markets	Audible and visual signaling devices	Warning Systems Public Address General Alarming (PAGA)
Brands	FEDERAL SIGNAL Safety and Security Systems Heavy Duty FEDERAL SIGNAL Safety and Security Systems Public Safety Systems FEDERAL SIGNAL VAMA	FEDERAL SIGNAL Safety and Security Systems Signaling Victor	FEDERAL SIGNAL Safety and Security Systems Systems
Products			
End Markets and Channels	Publicly-funded Industrial Distributor	Industrial Oil & Gas Commercial Heavy Industry Manufacturing Indirect	Publicly-funded Oil & Gas Commercial Direct
Addressable Market *	$1.0 B	$600 M	$1.0 B

** Management estimates*

Key Strategic Initiatives

Areas of Focus

Safe Digging	Aftermarket Parts and Services	Specialty Vehicles for Diverse End-Markets	Audible and Visual Warning Devices

Supported By

Flexible Manufacturing & "ETI" Culture	New Product Development	Technology as an Enabler	Disciplined M&A

Strategic Initiative– Safe Digging

Federal Signal is well positioned to establish a leading position in an emerging application for vacuum-excavation technology; increased regulation expected to accelerate growth

What is it?

- Vacuum excavation or “Safe Digging” involves the use of pressurized air or water (“hydro-excavation”) to dig (coupled with a vacuum system) as an alternative to the use of traditional equipment such as backhoes and mechanical excavators
- Acceptance of safe-digging applications continues to improve significantly over the last decade
- Application has been widely accepted in Canada; US is behind but great early indicators – 19 states now include vacuum excavation as part of “safe excavation practices”

Why is it Attractive?

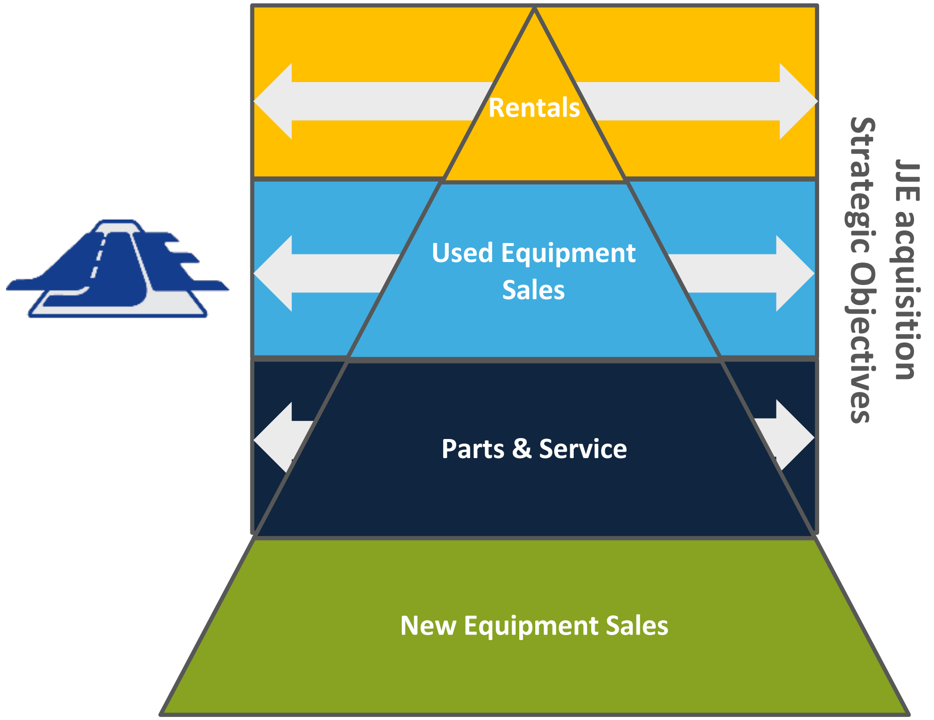
- In many circumstances, vacuum excavation is a safer and more productive means for digging (in comparison to traditional excavation)
- Significantly minimizes chances of damage to underground infrastructure during the digging process
- Less intrusive to the surrounding site at point of digging
- Provides opportunity for the use of our broad range of offerings in new and emerging end markets beyond oil and gas

Why Federal Signal?

- Sole manufacturer of complete range of truck-mounted safe-digging equipment, with applications across a number of end-markets
- 30-year track record of manufacturing leading vacuum-excavation products
- Widest service and support network for vacuum-excavation products
- Best-in-class payload for Ontario market
- Dedicated and experienced sales organization in place to support initiative
- Orders for safe-digging equipment in 2019 were up ~$29M, or 28%, compared to 2018

Strategic Initiative– Aftermarket Parts & Services

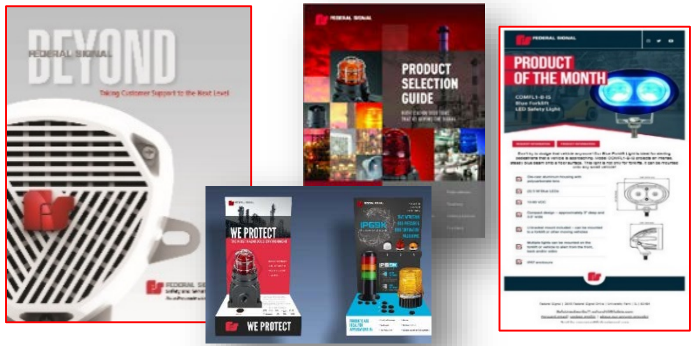
Optimizing platform to transform Federal Signal's aftermarket business into an industry leader of parts and services to maintenance and infrastructure markets



- Unified platform to serve customers across all ESG businesses
- Undivided focus on growing and optimizing Federal Signal's non-whole goods capabilities
- Areas of focus:
  - E-commerce capability development
  - Joint procurement initiatives to optimize input costs
  - Pricing harmonization across customers
  - Alternative ownership structures – rental and used equipment
- ESG's rental income in 2019 increased by 11% vs. 2018, while total aftermarket revenues grew by 13% over the same period

Strategic Initiative– Audible & Visual Warning Devices

SSG businesses focused on optimizing their existing channels and expanding product offerings



Optimize Channel

Product Portfolio Expansion

Smart Products

- Pricing / Promotion strategy
- E-commerce platform development
- New product development focus on addressing adjacent market verticals
- Capitalize on existing installed base
- Strategic geographical expansion and distributor rationalization

- "Allegiant" – low cost lightbar to expand addressable market
- "Pathfinder" siren – superior product features at lower price point
- Integrated systems managing lights, sirens, automatic license plate recognition ("ALPR") video, and other critical vehicle functions

- CommanderOne – monetization of existing installed base for outdoor warning products
- Smart peripheral lights for police, fire, and heavy duty markets
- Multifunction, intelligent and connected industrial signaling products

Reclaiming Tomorrow, Together

- Recently launched *Reclaiming Tomorrow, Together* initiative, which targets growth strategies during the various phases of the pandemic, in four primary areas:
  - Improving digital customer experience
  - Focusing NPD efforts on ways to make our products and the way we conduct business safer for employees, customers and end users
  - Identifying opportunities to gain market share
  - Repositioning our equipment to clean and sanitize outdoor spaces
- Visit www.fedsigresponse.com

Vactor equipment being used to clean and sanitize streets on "Skid Row", Los Angeles, CA

Vactor equipment being used to clean and sanitize grocery carts

CORONAVIRUS (COVID-19) CLEANING AND SANITIZING CAPABILITIES
with Largest Installed Base and Rental Network In North America

Professional cleaning and sanitizing of our cities, states, and communities has never been more critical than today due to the coronavirus pandemic.

Existing Federal Signal equipment and our rental fleet can quickly be mobilized and/or modified, if needed per CDC guidance, to clean and sanitize outdoor surfaces such as sidewalks, streets, bridges, subways and other common public areas where germs can spread. As a strong partner with governments and municipalities, Federal Signal is uniquely positioned to rapidly support.

Vactor®, TRUVAC®, Jetstream®, and Elgin® products are mobile machines that incorporate liquid storage and liquid pumping systems that can safely provide pressurized liquid flows to single or multiple hand-held devices or fixed nozzles for spraying. In addition, on-board hydraulic systems can be tapped to power other tools in brands 1-3 below.

1. **VACTOR** products also provide vacuum systems that can collect and convey materials from great distances from the machine. They can store up to 800 feet of large diameter hose allowing them to conduct liquids to remote or hard-to-reach areas like subway or elevated platforms or behind large structures.
2. **TRUVAC** products also provide vacuum systems that can collect and convey materials from great distances from the machine. They normally incorporate the ability to heat the liquid to temperatures near 200°F.
3. **ELGIN** sweepers often provide vacuum systems that can collect materials. They can pump liquids while the machine is moving at any speed.
4. **JETSTREAM** units are normally trailer-mounted and can be towed while pumping liquids on or off-road.

The Coronavirus (COVID-19) pandemic is a fluid and ever changing global challenge. We are committed to the health and safety of our employees, our customers, and our communities. We will all get through this together.

For more information, visit: fedsigresponse.com

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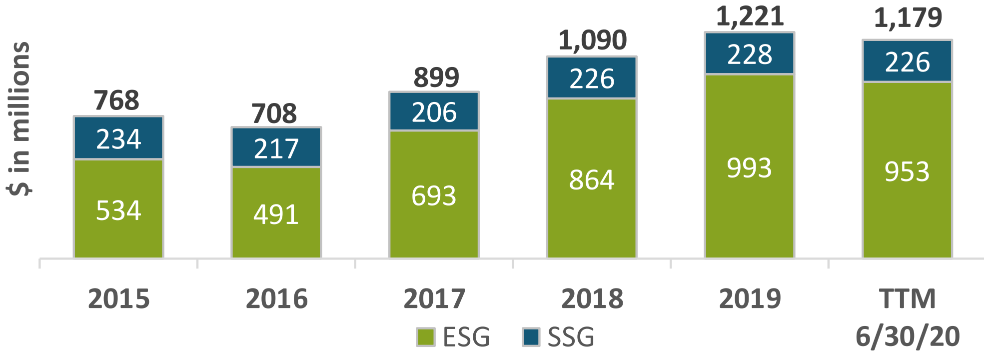
Ways in which our equipment can be used to clean and sanitize

Federal Signal Today vs. Prior Downturns

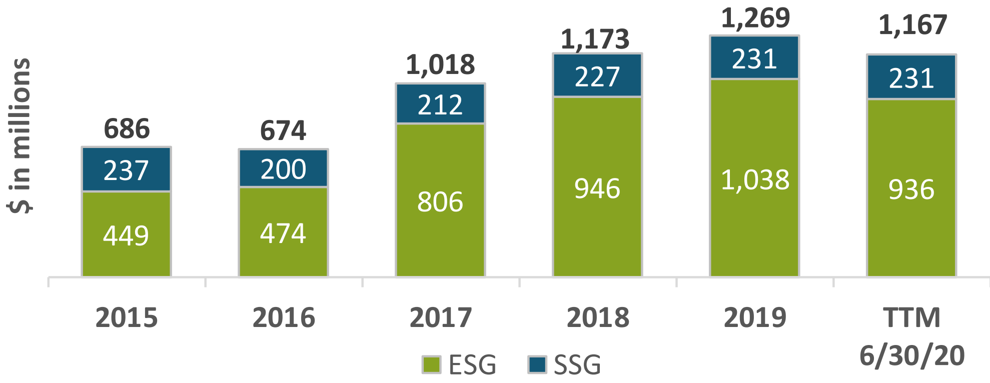
	Today	Prior Downturns
Composition of Businesses	• Clearly-defined strategy, with two groups – ESG and SSG – each of which have strong growth potential through a combination of organic initiatives and M&A	• Composition of our current groups, in addition to low-margin or loss-making FSTech, Refuse and Fire Rescue groups
End Market Exposures	• ~50% publicly-funded / ~50% industrial • Publicly-funded revenues derived from sale of essential products to municipalities in the U.S., Canada, Europe and Latin America; sewer cleaner purchases typically funded through water taxes • Within industrial, markets at different points in the cycle such as construction, utility, oil and gas, infrastructure, waste, rendering, landscaping, military	• 60%+ publicly-funded / 40% industrial • Within industrial, heavy reliance on oil and gas
Revenue Streams	• Balanced portfolio of new and used equipment sales and other aftermarket offerings including parts, rentals and service • Aftermarket revenues represented ~26% of ESG sales in Q2 2020	• Predominantly new equipment sales, with limited aftermarket revenues
Financial Position	• Low debt leverage; Strong balance sheet • Healthy cash flow generation	• High debt leverage; Weak balance sheet • Mixed cash flow generation
Opportunity for M&A	• Ample due to strong financial position, active M&A pipeline and clear view of what we are looking for in acquisition candidates	• Limited due to weak financial position and need to prioritize restructuring over pipeline development
Operational Performance	• Consistent performance within target EBITDA margin ranges • Focus on operational excellence, with Eighty-Twenty Improvement (“ETI”) initiatives the cornerstone of our operational philosophies	• Inconsistent performance with certain businesses incurring losses
New Product Development (“NPD”)	• Revamped, customer-focused NPD process, introducing more new products at a faster pace	• Limited focus on NPD given ongoing cost constraints

Profitable Growth Execution

Net Sales

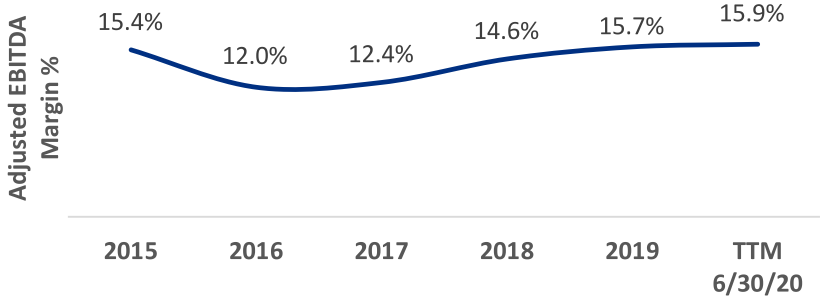


Orders



Adjusted EBITDA Margin*

(Consolidated)



Target EBITDA Margin ranges[1]

- ESG: 15% - 18%
- SSG: 15% - 18%
- Consolidated: 12% - 16%
  - Historical EBITDA margins and targets place Federal Signal in the top tier of its peer group of specialty vehicle manufacturers

(1) Underlying assumptions: Absence of extraordinary factors affecting demand from end-markets; No unusual hearing loss litigation expenses

Q2 2020 Highlights[2]:

- Impressive operational performance, despite exceptionally difficult circumstances
- Net sales of $270 M vs. $324 M; double-digit sequential improvement in average weekly sales in both May and June
- Operating income of $31.3M vs. $46.3 M
- Adjusted EBITDA* of $45.4M vs. $57.1 M
- Adjusted EBITDA margin* of 16.8% vs. 17.6%; above high end of target range
- GAAP EPS of $0.35 vs. $0.54
- Adjusted EPS* of $0.42 vs. $0.55
- Backlog of $333 M vs. $348 M
- Operating cash flow of $60M, up $25M, or 73%
- Cash and cash equivalents of $73.6 M
- Net debt of ~$171 M [3]

(2) Dollar amounts as of, or for the quarter ending 6/30/2020. Comparisons to Q2 2019, unless otherwise noted

(3) Net debt is a non-GAAP measure, computed as total debt of $244.6 M, less total cash and cash equivalents of $73.6 M

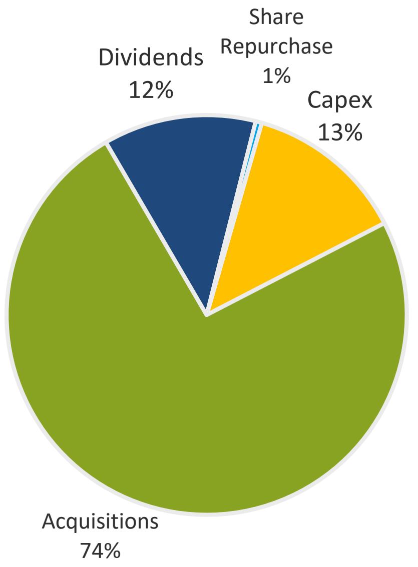
*Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS are non-GAAP measures. See Appendix V for additional information, including reconciliation to GAAP measures.

Strong Financial Position Supports Priority-Driven Long-Term Capital Allocation

In July 2019, executed five-year, $500 M revolving credit facility, with flexibility to increase by additional $250 M for acquisitions; No debt maturities until July 2024; net debt leverage at end of Q2 2020 remains low, essentially unchanged from end of 2019; ~$245 M of availability under revolving credit facility at end of Q2 2020

Reinvest in the Business	• Organic projects leverage existing assets, generally require limited cash investment • Innovation R&D efforts target new and updated products • Generally, funded within operating results, cash flow and normal cap ex • In 2020, anticipating cap ex in the range of $30M-$35M, including investments associated with ongoing plant expansions
Acquisitions	• Completed acquisition of Public Works Equipment for $6.2M in Q2 2020, MRL for initial payment of $50M (Q3 2019), TBEI for $270M (Q2 2017), and JJE for C$126M (Q2 2016) • Focused primarily on acquisitions that fit closely within our existing products and services, manufacturing competencies, channels and customers • In Q3 2019, funded $13.4M payout associated with JJE earnout and deferred payment
Dividend Policy	• Provide a competitive dividend yield while funding business growth • At $0.08 per share, dividend yield is ~1.0% • Paid dividends of $9.7M in 1H 2020 and $19.3M for full year 2019
Share Repurchases	• Opportunistic share buybacks as a return of cash to our shareholders • During Q1 2020, obtained Board authorization to repurchase up to $75 M of additional shares; spent $13.5 M buying back ~491,000 shares in Q1; no repurchases in Q2 • ~$91 M of repurchase authorization remaining under current programs (~5% of market cap)

Cash Deployment (2017-19)[1]



1) Chart depicts use of cash for each category, relative to the total cash used on all four activities, for the cumulative period 2017-19; excludes investment in rental fleet, which is reported as part of operating cash flows

Reinstating 2020 Guidance

Adjusted EPS* for 2020 expected to be in a range of $1.53 to $1.65

Key Assumptions

- No significant COVID-related disruptions for the duration of the year
- Depreciation and amortization expense to increase by ~$3 M to $5 M vs. 2019
- Capital expenditures of $30 M to $35 M
- Interest rate of ~3%
- Full-year effective income tax rate of ~25%
- ~62 M weighted average shares outstanding

* Adjusted earnings per share (“EPS”) is a non-GAAP measure, which includes certain adjustments to reported GAAP net income and diluted EPS. When reporting adjusted EPS in 2020, we have made, and would expect to continue to make, certain adjustments to exclude the impact of acquisition and integration-related expenses, pension-related charges, restructuring activity, coronavirus-related expenses and purchase accounting effects, where applicable. In prior years, we have also made adjustments to GAAP net income and diluted EPS for hearing loss settlement charges and special tax items. Should any similar items occur in 2020, we would also expect to exclude them from the determination of adjusted EPS. However, because of the underlying uncertainty in quantifying amounts which may not yet be known, a reconciliation of our Adjusted EPS outlook to the most applicable GAAP measure is excluded based on the unreasonable efforts exception in Item 10(e)(1)(i)(B).

Appendix

I. Segments Overview

II. Eighty-Twenty Improvement Culture

III. New Product Development

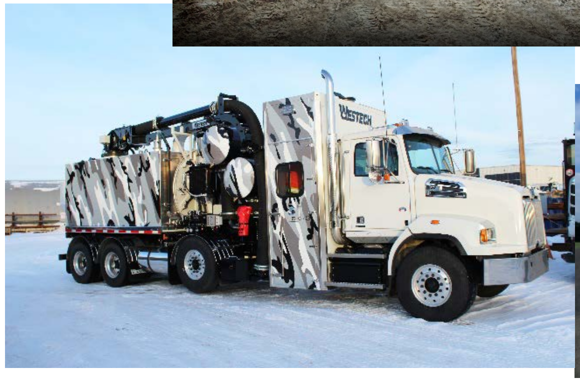
IV. Disciplined M&A Process

V. Non-GAAP Measures

VI. Executive Compensation

VII. Investor Information

Appendix I: ESG Products



ELGIN
GUZZLER
VACTOR
TRUVAC
Jetstream
WESTECH
Solutions
Depot
PUBLIC WORKS EQUIPMENT
Subsidiary of Federal Signal Corporation

Appendix I: ESG Products (continued)

CRYSTEEL

DURACLASS

J-CRAFT

OX BODIES

Rugby

Travis BODY & TRAILER, INC.

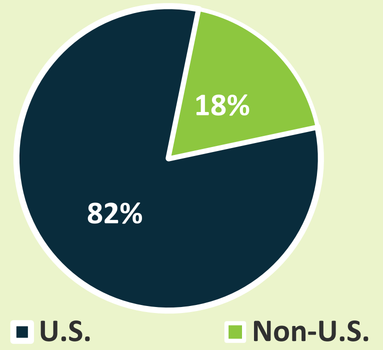
MRL EQUIPMENT COMPANY, INC.

Appendix I: ESG - Market Influencers & Where We Play

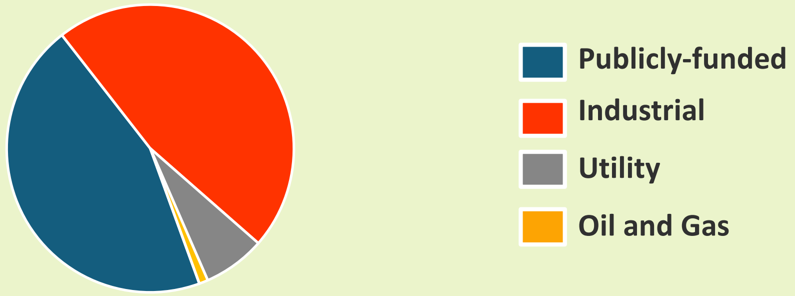
Market Dynamics

- Many ESG products support essential services that are focused on cleaning
- Aging infrastructure, pipeline expansion and increasing urbanization support long-term demand for safe digging products, dump bodies and trailers
- Healthy housing market and improving industrial activity supports growth opportunities for dump bodies and trailers
- Upsides from prospective infrastructure spending, if any approved
- Funding for sewer cleaners through water tax revenues adds further stability
- Tracking new housing starts, Class 8 truck chassis, public funding sources, oil rig counts, and overall industrial activity

2019 Sales by Geography



2019 End Markets by Users



Source: Management Estimates

Appendix I: SSG Products

FEDERAL SIGNAL
Safety and Security Systems
Public Safety Systems

FEDERAL SIGNAL
Safety and Security Systems
Heavy Duty

FEDERAL SIGNAL
Safety and Security Systems
Signaling

FEDERAL SIGNAL
Safety and Security Systems
Systems

FEDERAL SIGNAL VAMA
Safety and Security Systems

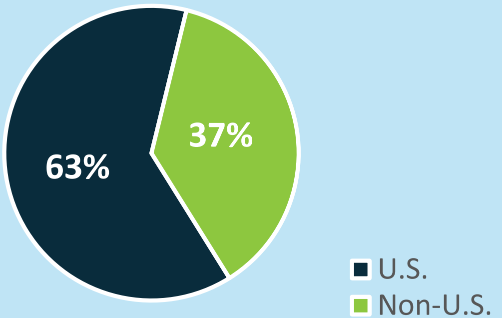
Victor

Appendix I: SSG - Market Influencers & Where We Play

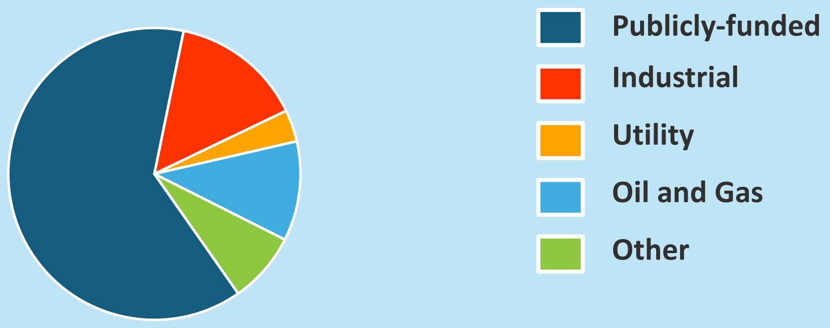
Market Dynamics

- Increased national focus on issues of public safety and law enforcement, and rising public expectations for transparency and accountability driving demand for safety and security products
- Rising occurrence of natural and man-made disasters
- Shift in customer preference towards inter-connected platforms expected to drive demand for security systems integration
- Tracking data that indicates the number of new vehicle registrations; 2019 demand temporarily impacted by Ford's model year changeover

2019 Sales by Geography



2019 End Markets by Users



Source: Management Estimates

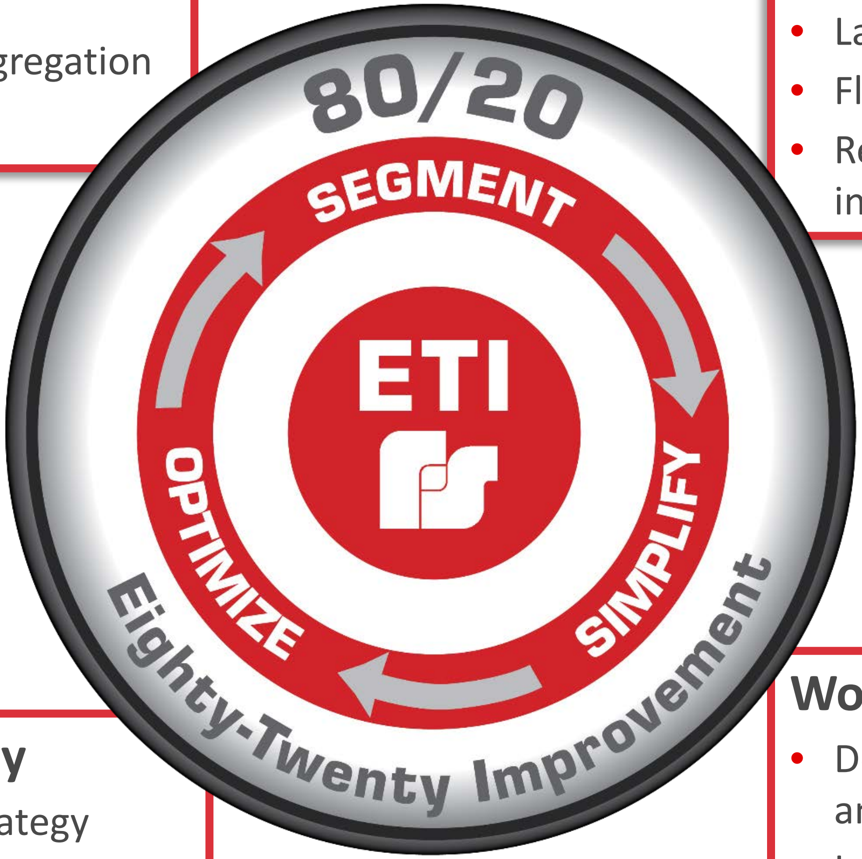
Appendix II: Eighty–Twenty Improvement (“ETI”) Culture

Material Cost Reduction

- Waste reduction
- SKU rationalization
- Savings through volume aggregation
- Sourcing optimization

Pricing Strategy

- Parts pricing strategy
- Effective “options” pricing



Manufacturing Efficiency

- Lean manufacturing focus
- Throughput flexibility
- Labor pool management
- Flexible manufacturing model
- Recent investments in machinery expected to result in productivity improvements

Working Capital Optimization

- Derived benefits from manufacturing efficiencies and SKU rationalization
- Improved cycle times to drive inventory reductions

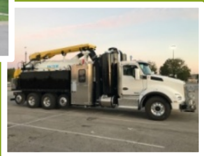
Appendix III: New Product Development

Customer-Focused Process

- Complete change in approach to innovation, starting in 2013
- Current innovation organization has had a number of successes, including the record-breaking launch of the ParaDIGm vacuum excavator
  - Most successful new product launch in over a decade
  - Initial market demand exceeding expectations
- In 2018, announced acceleration of innovation initiatives to drive long-term organic growth; targeting long-term organic revenue growth of a couple percentage points above GDP

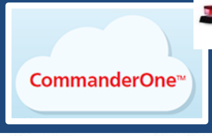
Environmental Solutions Group (ESG)

- Sewer Cleaner productivity improvements such as advanced controls and a new, revolutionary boom design
- All-New Vactor iMPACT™ compact sewer cleaner
- All-New RegenX™ regenerative air sweeper, and new single-engine versions of legacy sweepers
- All-New HXX Vacuum Excavator with improved payload carrying capacity
- Jetstream portfolio of tools and accessories
- All-New TRUVAC™ Coyote Vacuum Excavator
- Street sweeper-based road condition assessment service offering
- Recently released plug-in, hybrid electric sweeper
- World Sweeping Association's 2020 Award of Excellence in Power Sweeping



Safety and Security Systems Group (SSG)

- Automatic License Plate Recognition (ALPR) Systems
- CommanderOne Direct Messaging (SMS/Phone)
- Smart Police Vehicle Systems
- Next-Generation PAGA
- Global Series Signaling Devices
- Allegiant Police Light Bar
- Pathfinder Siren Suite



Appendix IV: Disciplined M&A

Target companies that accelerate our current strategic initiatives or provide a platform for growth in adjacent markets or new geographies

Business Characteristics

- Niche market leader (product, geography, end-market)
- Sustainable competitive advantage
- Deep domain expertise (technology, application, manufacturing)
- Strong management team
- Leverages our distribution and manufacturing capabilities

Financial Characteristics

- Solid growth potential
- Through-the-cycle margins comparable to or higher than our target margins
- Ideally, identifiable synergies and recurring revenue opportunities
- Return on capital greater than our cost of capital, appropriately adjusted for risk

Appendix V: Non-GAAP Measures

- Impact of 2019 Lease Accounting Standard Adoption on historical non-GAAP measures - Effective January 1, 2019, the Company adopted the new lease accounting standard, which resulted in a change to the Company's recognition of the deferred gain associated with historical sale lease-back transactions. Prior to 2019, approximately $1.9 M of the deferred gain had been recognized each year since 2008, of which approximately $1.1 M and $0.8 M had been recognized within ESG and SSG, respectively. Effective in 2019, the Company no longer recognizes any portion of the gain through the Consolidated Statement of Operations, and recognized the remaining deferred gain balance, net of the related deferred tax asset, as a cumulative effect adjustment to opening retained earnings. To facilitate comparisons with prior periods, we have revised our previously-issued non-GAAP results to exclude the recognition of this deferred gain.

- Adjusted net income, income from continuing operations and earnings per share ("EPS") - The Company believes that modifying its net income, income from continuing operations (where applicable) and diluted EPS provides additional measures which are representative of the Company's underlying performance and improves the comparability of results between reporting periods. During the three months ended June 30, 2020 and 2019, adjustments were made to reported GAAP net income and diluted EPS to exclude the impact of acquisition and integration-related expenses, pension-related charges, restructuring activity, coronavirus-related expenses and purchase accounting effects, where applicable. During the years ended December 31, 2016 through December 31, 2019, adjustments were made to reported GAAP income from continuing operations and diluted EPS to exclude the impact of restructuring activity, executive severance costs, acquisition and integration-related expenses, purchase accounting effects, pension settlement charges, hearing loss settlement charges, debt settlement charges and special tax items, where applicable.

- Adjusted EBITDA and adjusted EBITDA margin - The Company uses adjusted earnings before interest, tax, depreciation and amortization ("adjusted EBITDA") and the ratio of adjusted EBITDA to net sales ("adjusted EBITDA margin") as additional measures which are representative of its underlying performance and to improve the comparability of results across reporting periods. We believe that investors use versions of these metrics in a similar manner. For these reasons, the Company believes that adjusted EBITDA and adjusted EBITDA margin are meaningful metrics to investors in evaluating the Company's underlying financial performance. Adjusted EBITDA is a non-GAAP measure that represents the total of net income (or income from continuing operations, where applicable), interest expense, pension settlement charges, hearing loss settlement charges, debt settlement charges, acquisition and integration-related expenses, coronavirus-related expenses, restructuring activities, executive severance costs, purchase accounting effects, other income/expense, income tax expense and depreciation and amortization expense, where applicable. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income (or income from continuing operations, where applicable), interest expense, pension settlement charges, hearing loss settlement charges, debt settlement charges, acquisition and integration-related expenses, coronavirus-related expenses, restructuring activities, executive severance costs, purchase accounting effects, other income/expense, income tax expense and depreciation and amortization expense, where applicable, divided by net sales for the applicable period(s). Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.

Appendix V: Adjusted Earnings Per Share

($ in millions, except EPS)	Three Months Ended June 30, 2020		Three Months Ended June 30, 2019	
Net income	$	21.4	$	32.8
Add:				
Income tax expense		6.1		11.6
Income before income taxes		27.5		44.4
Add:				
Acquisition and integration-related expenses		0.3		0.9
Pension-related charges (1)		2.5		-
Restructuring		1.3		-
Coronavirus-related expenses (2)		1.4		-
Purchase accounting effects (3)		0.1		0.2
Adjusted income before income taxes	$	33.1	$	45.5
Adjusted income tax expense (4)		(7.3)		(11.9)
Adjusted net income	**$**	**25.8**	**$**	**33.6**
Diluted EPS	$	0.35	$	0.54
Adjusted diluted EPS	**$**	**0.42**	**$**	**0.55**

(1) Pension-related charges in the three months ended June 30, 2020 relate to charges incurred in connection with the withdrawal from a multi-employer pension plan. Such charges are included as a component of Other expense (income), net on the Condensed Consolidated Statement of Operations.

(2) Coronavirus-related expenses in the three months ended June 30, 2020 relate to direct expenses incurred in connection with the Company's response to the coronavirus pandemic, that are incremental, and separable from, normal operations. Such expenses primarily relate to incremental paid time off provided to employees and costs incurred to implement enhanced workplace safety protocols.

(3) Purchase accounting effects relate to adjustments to exclude the step-up in the valuation of acquired JJE equipment that was sold subsequent to the acquisition in the three months ended June 30, 2020 and 2019, as well as to exclude the depreciation of the step-up in the valuation of the rental fleet acquired.

(4) Adjusted income tax expense for the three months ended June 30, 2020 and 2019 was recomputed after excluding the impact of acquisition and integration-related expenses, pension-related charges, restructuring activity, coronavirus-related expenses, and purchase accounting effects, where applicable.

Appendix V: Adjusted Earnings Per Share (cont.)

	Year Ended December 31,			
($ in millions, except EPS)	2016	2017	2018	2019
Income from continuing operations	$ 39.4	$ 60.5	$ 93.7	$ 108.4
Add:				
Income tax expense	17.4	0.5	17.9	30.2
Income before income taxes	56.8	61.0	111.6	138.6
Add:				
Restructuring	1.7	0.6	-	-
Executive severance costs	-	0.7	-	-
Acquisition and integration-related expenses	1.4	2.7	1.5	2.5
Purchase accounting effects *(1)*	3.9	4.8	1.2	0.8
Pension settlement charges	-	6.1	-	-
Hearing loss setttlement charges	-	1.5	0.4	-
Debt setttlement charges	0.3	-	-	-
Adjusted income before income taxes	$ 64.1	$ 77.4	$ 114.7	$ 141.9
Adjusted income tax expense *(2)(3)(4)(5)*	(22.1)	(26.3)	(27.2)	(31.8)
Adjusted income from continuing operations	**$ 42.0**	**$ 51.1**	**$ 87.5**	**$ 110.1**
Less:				
Deferred gain recognition, net of income tax *(6)*	(1.3)	(1.3)	(1.5)	-
Adjusted income from continuing operations, as revised	**$ 40.7**	**$ 49.8**	**$ 86.0**	**$ 110.1**
Diluted EPS	$ 0.64	$ 1.00	$ 1.53	$ 1.76
Adjusted diluted EPS	**$ 0.69**	**$ 0.85**	**$ 1.43**	**$ 1.79**
Adjusted diluted EPS, as revised	**$ 0.67**	**$ 0.83**	**$ 1.41**	**$ 1.79**

(1) Purchase accounting effects relate to adjustments to exclude the step-up in the valuation of equipment acquired in connection with recent acquisitions that was sold subsequent to the acquisition dates in the years ended December 31, 2019, 2018, 2017, and 2016, as well as to exclude the depreciation of the step-up in the valuation of the rental fleet acquired in the JJE transaction.

(2) Adjusted income tax expense for the year ended December 31, 2019 excludes a $0.8 million benefit from changes in state deferred tax valuation allowances. Adjusted income tax expense for the year ended December 31, 2019 also excludes the tax effects of acquisition and integration-related expenses and purchase accounting effects.

(3) Adjusted income tax expense for the year ended December 31, 2018 excludes an $8.6 million net tax benefit associated with tax planning strategies. Adjusted income tax expense for the year ended December 31, 2018 also excludes the tax effects of acquisition and integration-related expenses, purchase accounting effects and hearing loss settlement charges.

(4) Adjusted income tax expense for the year ended December 31, 2017 excludes a $20.0 million net tax benefit, representing the Company's preliminary estimate of the impact of the 2017 Tax Act, and a $0.8 million benefit from changes in state deferred tax valuation allowance. Adjusted income tax expense for the year ended December 31, 2017 also excludes $0.6 million of tax expense associated with a change in the enacted state tax rate in Illinois, and the tax effects of restructuring activity, executive severance costs, acquisition and integration-related expenses, purchase accounting effects, hearing loss settlement charges and pension settlement charges.

(5) Adjusted income tax expense for the year ended December 31, 2016 excludes a $2.2 million net benefit resulting from changes in deferred tax valuation allowances in Canada and the U.K. Adjusted income tax expense for the year ended December 31, 2016 also excludes the tax effects of restructuring activity, acquisition and integration-related expenses, purchase accounting effects and debt settlement charges.

(6) Adjustment to exclude recognition of deferred gain associated with historical sale lease-back transactions. Effective 2019, the Company no longer recognizes the gain due to the adoption of new lease accounting standard.

Appendix V: Adjusted EBITDA

$ millions, except %	Q2 2020	Q2 2019
Net income	$ 21.4	$ 32.8
Add:		
Interest expense	1.8	2.0
Acquisition and integration-related expenses	0.3	0.9
Restructuring	1.3	-
Coronavirus-related expenses	1.4	-
Purchase accounting effects *	0.0	0.1
Other expense (income), net	2.0	(0.1)
Income tax expense	6.1	11.6
Depreciation and amortization	11.1	9.8
Consolidated adjusted EBITDA	$ 45.4	$ 57.1
Net Sales	$ 270.1	$ 324.3
Consolidated adjusted EBITDA margin	16.8%	17.6%

** Excludes purchase accounting expense effects included within depreciation and amortization of $0.1 million and $0.1 million for the three months ended June 30, 2020 and 2019, respectively*

Appendix V: Adjusted EBITDA (cont.)

($ in millions)	2015	2016	2017	2018	2019	TTM 6/30/20
Net Sales	**$ 768.0**	**$ 707.9**	**$ 898.5**	**$ 1,089.5**	**$ 1,221.3**	**$ 1,179.4**
Income from continuing operations	65.8	39.4	60.5	93.7	108.4	102.9
Add:						
Interest expense	2.3	1.9	7.3	9.3	7.9	7.2
Pension settlement charges	-	-	6.1	-	-	-
Hearing loss settlement charges	-	-	1.5	0.4	-	-
Debt settlement charges	-	0.3	-	-	-	-
Acquisition and integration-related expenses	-	1.4	2.7	1.5	2.5	1.6
Coronavirus-related expenses (a)	-	-	-	-	-	1.8
Restructuring	0.4	1.7	0.6	-	-	1.3
Executive severance costs	-	-	0.7	-	-	-
Purchase accounting effects (b)	-	3.6	4.4	0.7	0.2	0.2
Other expense (income), net	5.2	1.8	(0.8)	0.6	0.6	2.5
Income tax expense	34.1	17.4	0.5	17.9	30.2	26.0
Depreciation and amortization	12.3	19.1	30.0	36.4	41.5	44.1
Adjusted EBITDA	**$ 120.1**	**$ 86.6**	**$ 113.5**	**$ 160.5**	**$ 191.3**	**$ 187.6**
Less: Deferred gain recognition (c)	(1.9)	(1.9)	(2.0)	(1.9)	-	-
Adjusted EBITDA, as revised	**$ 118.2**	**$ 84.7**	**$ 111.5**	**$ 158.6**	**$ 191.3**	**$ 187.6**
Adjusted EBITDA Margin	**15.6%**	**12.2%**	**12.6%**	**14.7%**	**15.7%**	**15.9%**
Adjusted EBITDA Margin, as revised	**15.4%**	**12.0%**	**12.4%**	**14.6%**	**15.7%**	**15.9%**

(a) Coronavirus-related expenses in the trailing twelve months ended June 30, 2020 relate to direct expenses incurred in connection with the Company's response to the coronavirus pandemic, that are incremental to, and separable from, normal operations. Such expenses primarily relate to incremental paid time off provided to employees and costs incurred to implement enhanced workplace safety protocols.

(b) Excludes purchase accounting effects reflected in depreciation and amortization of $0.3 M, $0.4 M, $0.5 M, $0.6 M, and $0.6M for 2016, 2017, 2018, 2019, and TTM 6/30/20, respectively.

(c) Adjustment to exclude recognition of deferred gain associated with historical sale lease-back transactions. Effective 2019, the Company no longer recognizes the gain due to the adoption of new lease accounting standard.

Appendix VI: Executive Compensation Aligned with Long-term Objectives

- The Company continues to focus on executing against a number of key long-term objectives, which include the following:
  - Creating disciplined growth
  - Improving manufacturing efficiencies and costs
  - Leveraging invested capital
  - Diversifying our customer base

One Year	Three Years	Ten Years	
Cash Bonus (STIP) • **Earnings (55%)** • **EBITDA Margin (15%)** • **Individual Objectives (30%)**			**Short-Term** <u>Annual Goals</u> 1. Profitability and growth 2. Market share
Performance Share Units • **EPS (75%)** • **Return on Invested Capital (25%)**	**Performance Share Units** (continued)		**Long-Term** <u>3-year Performance and Vesting Periods</u> 1. Profitability and growth 2. Shareholder value creation 3. Facilitates stock ownership 4. Executive retention
Restricted Stock Awards	**Restricted Stock Awards** (continued)		**Long-Term** <u>3-year Cliff Vesting</u> 1. Executive recruitment 2. Executive retention 3. Facilitates stock ownership
Share Price Appreciation • **Stock Options**			**Longer-Term** <u>3-year Ratable Vesting Period and 10 Year Exercise Period</u> 1. Shareholder value creation 2. Facilitates stock ownership 3. Executive retention

Appendix VII: Investor Information

Stock Ticker: **NYSE:FSS**

Company website: federalsignal.com/investors

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Moves. Cleans. Protects.