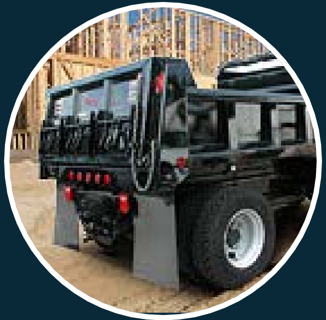
FEDERAL SIGNAL

Moves. Cleans. Protects.





Disciplined Growth

Investor Presentation August 2021

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.

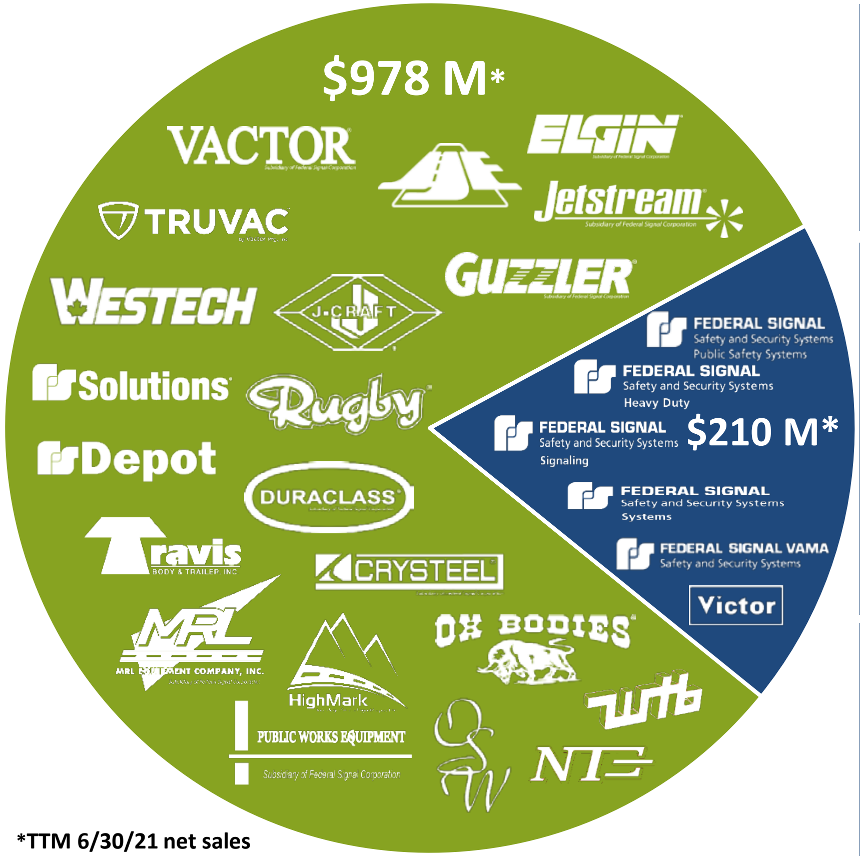
This presentation also contains certain measures that are not in accordance with U.S. generally accepted accounting principles (“GAAP”). The non-GAAP financial information presented herein should be considered supplemental to, and not a substitute for, or superior to, financial measures calculated in 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 17 principal manufacturing facilities worldwide
- Strong operating cash flow generation has facilitated organic growth investment, cash returns to stockholders and M&A in recent years

Two Attractive Platforms

	Environmental Solutions Group (ESG)	Safety and Security Systems Group (SSG)
Segment	Environmental Solutions Group (ESG)	Safety and Security Systems Group (SSG)
Markets	Serves publicly-funded, industrial, and utility markets for surface and sub-surface cleaning, safe-digging, road marking, infrastructure maintenance and material hauling	Serves the needs of municipalities and industrial verticals for audible and visual safety and security notification devices and systems
Products	• Street Sweeping • Sewer Cleaning • Safe Digging • Industrial Cleaning • Dump Bodies and Trailers • Road-Marking and Line-Removal	• Lights and Sirens • Signaling Devices • Warning Systems



*TTM 6/30/21 net sales

Environmental Solutions Group (ESG)

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

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, WTB, NTE	MRL, HighMark
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

Products:

Addressable Market**: ~$4.0B

Routes to Market

Rental/Aftermarket

FS Depot, FS Solutions

Provide parts / service / refurbishment / rental offering through the network of 20+ locations in US and Canada

Dealer Network

US Dealer Network + Largest Canadian distributor of maintenance equipment to municipalities

Distribution

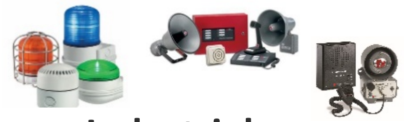
US Distribution Network + For ESG products and other OEM's products such as snow-removal equipment and garbage trucks

* 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*

Why Federal Signal?

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
End Market Exposures	• Typical annual revenue mix of ~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
Revenue Streams	• Balanced portfolio of new and used equipment sales and other aftermarket offerings including parts, rentals and service • Aftermarket revenues represented ~25% of ESG's sales in 2020 (~30% in Q2 2021)
Financial Position	• Low debt leverage; Strong balance sheet • Healthy 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
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
New Product Development ("NPD")	• Revamped, customer-focused NPD process, introducing more new products at a faster pace • Of our total R&D spend in 2020, approximately 20% was dedicated to electrification projects

Macro Factors Driving Demand

Federal Signal's diverse portfolio of specialty vehicles is well-positioned to capitalize on favorable macro trends across its core end markets.

Proposed Infrastructure Bill

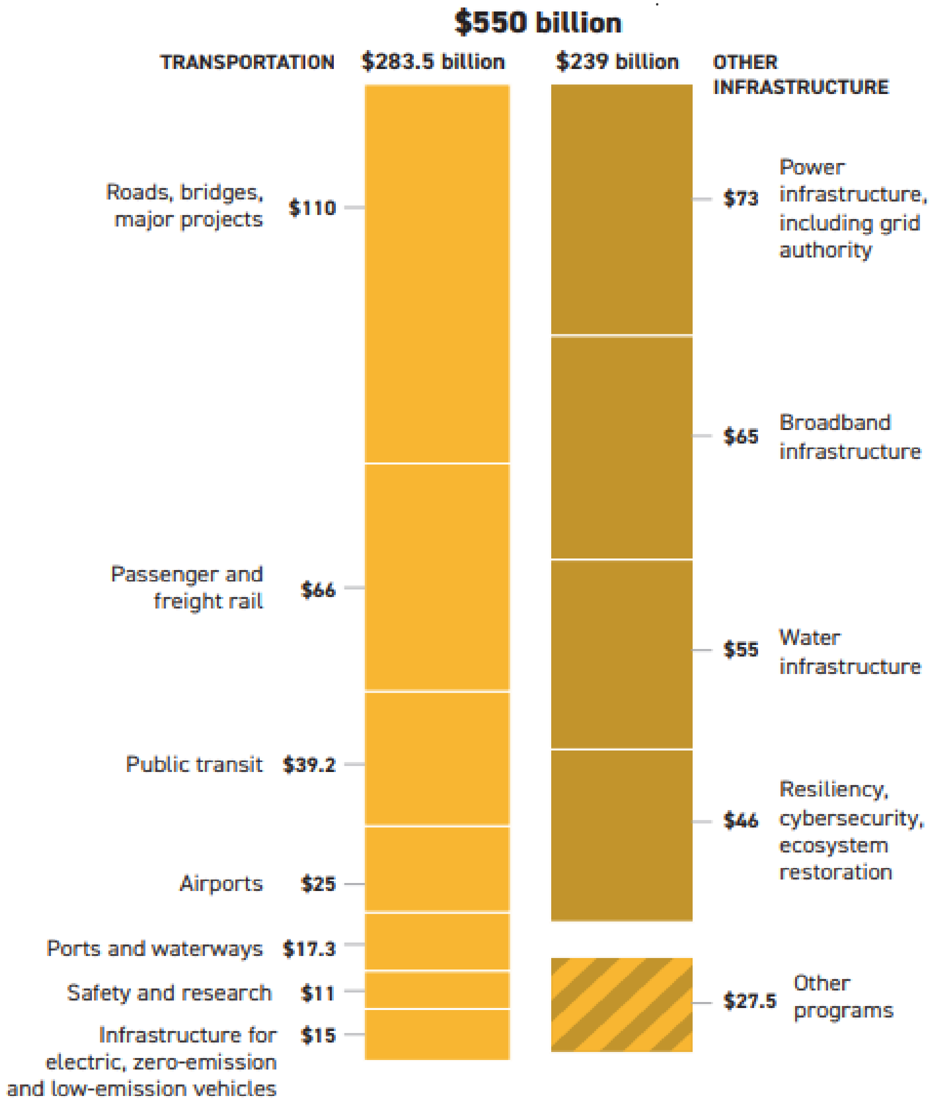
- **$550 billion** of government spending over five years to fund improvements to the nation's transportation, water, electric power and digital infrastructure.
- **Federal Signal's equipment sales and rentals of materials hauling, road-marking, street sweeping, sewer cleaning, safe digging, and industrial cleaning equipment stand to benefit from an infrastructure investment.**

COVID Relief Stimulus

- **$350 billion** of government spending designated for cities, states, tribal governments and U.S. territories.
- **As a provider of equipment used to support essential services such as sewer cleaning and street sweeping, Federal Signal is well-positioned to meet the needs of its customers.**

Product Portfolio

Proposed Infrastructure Spending Allocation Plan



Sources: The White House, POLITICO report by Marianne LeVine and Burgess Everett

Macro Factors Driving Demand

Additional macro trends driving opportunity for Federal Signal's diverse portfolio of products and equipment

U.S. Housing - A Mountain To Climb

- Construction of new housing in the past 20 years fell 5.5 million units short of long-term historical levels, and the National deficit of single-family homes stood at 3.8 million units at the end of 2020.
- **Products to benefit include materials hauling, street sweeping, sewer cleaning, and safe digging equipment.**

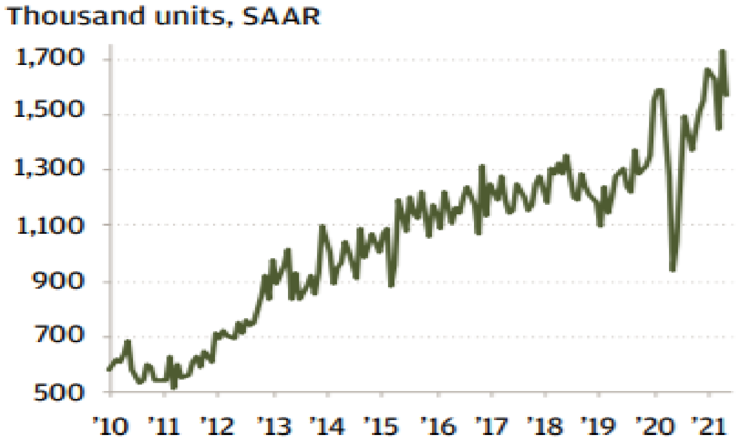
Construction Growth

- The U.S. construction industry is expected to grow by 15.6% in 2021.
- The growth momentum is expected to continue over the forecast period, with an estimated CAGR of 4.7% during 2021-2025.
- **Products to benefit include materials hauling, road marking, street sweeping, sewer cleaning, safe digging, and industrial cleaning equipment.**

Broadband Infrastructure

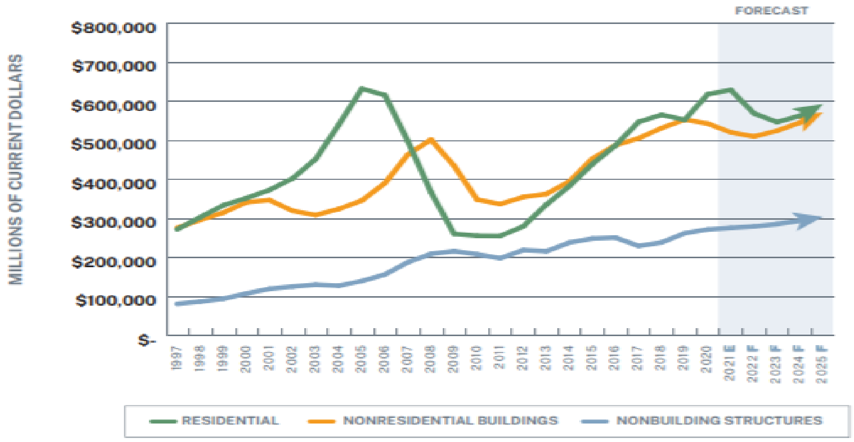
- COVID-19 highlighted the importance of reliable, affordable and fast internet connectivity for all.
- The $65 Billion spending allocation in the Infrastructure Bill begins to address the need for substantial investment in this critical necessity.
- **Products to benefit include safe digging, materials hauling, and street sweeping equipment.**

U.S. Housing Starts



Total Construction Put in Place

Estimated for the U.S.



Source: National Association of Realtors, Freddie Mac, Research and Markets, U.S. Census Bureau, FMI Forecast

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; environmental benefits
- Provides significant environmental benefits by minimizing damage to tree roots (as demonstrated in the image below)
- 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
- Optional safe-digging package offered with sewer cleaner product line; included in ~70% sewer cleaner orders
- 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

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

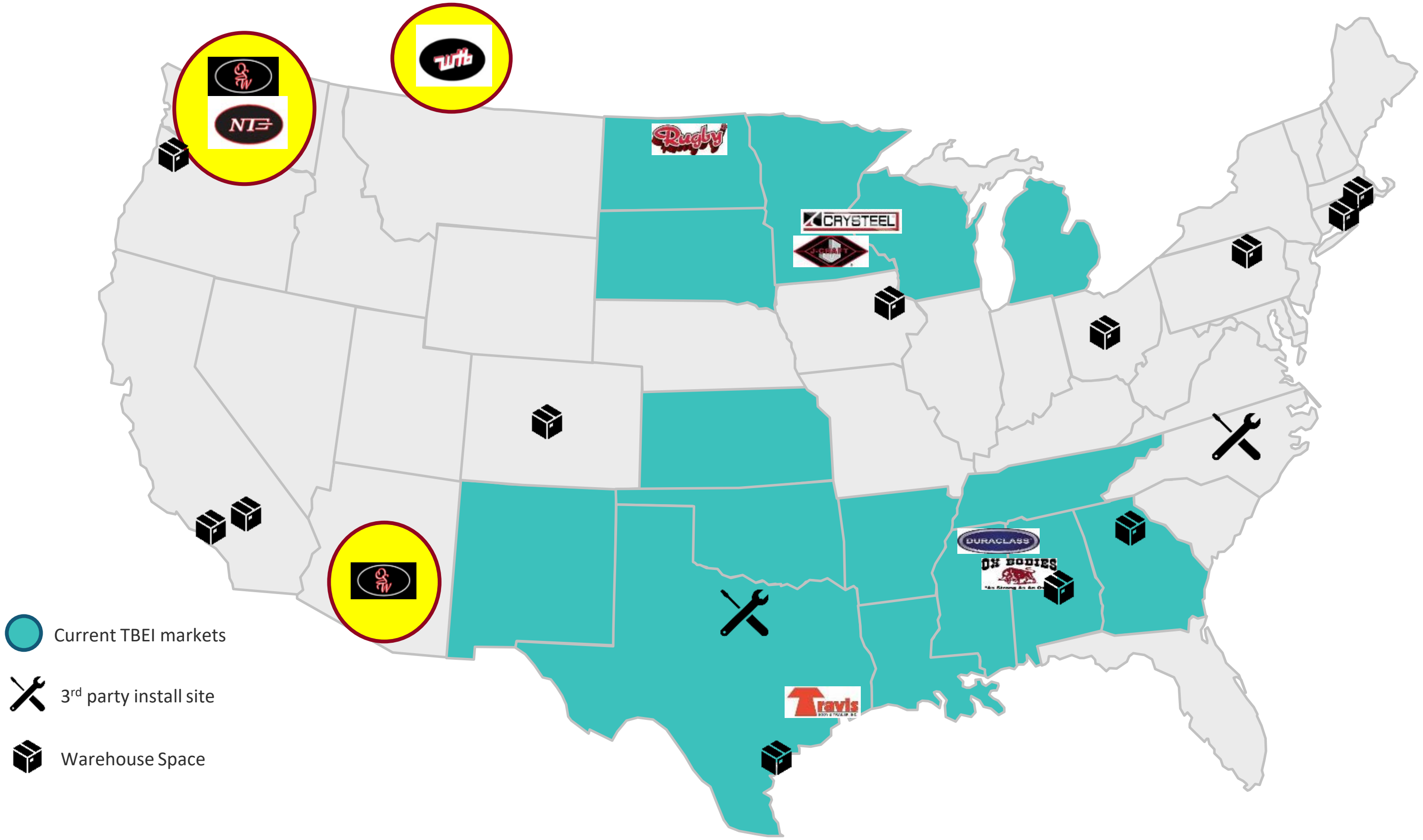
- Niche market leader (product, geography, end-market)
- Sustainable competitive advantage
- Deep domain expertise (technology, application, manufacturing)
- Strong management team
- Leverages our distribution and manufacturing capabilities

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

Acquisition of OSW Equipment & Repair (completed in February 2021)

Highly strategic acquisition which delivers on our objective of geographic expansion of our dump truck body and trailer platform; adds three premier brands that serve attractive markets on the West Coast, in Arizona and in parts of Canada

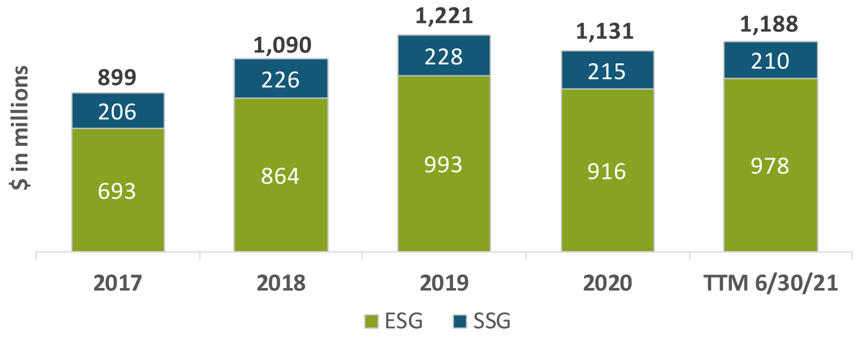


Note: Rugby serves the market through its nationwide warehouses and distributor network.
OSW is headquartered in Snohomish, WA and operates an upfitting center in Tempe, AZ as well as an additional location in Edmonton, Canada from its acquisition of Western Truck Body.

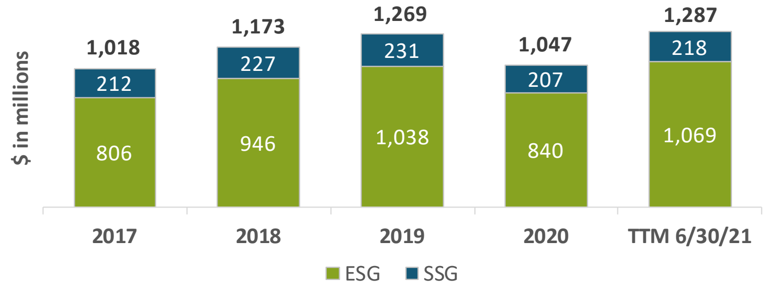
FEDERAL SIGNAL

Financial Overview

Net Sales

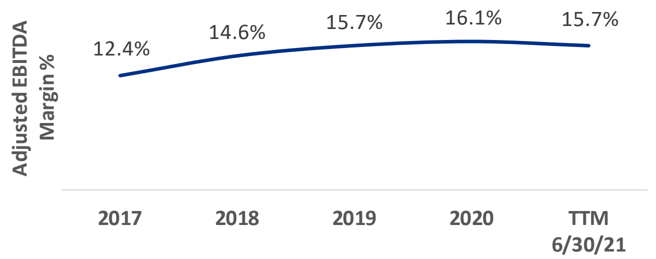


Orders



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 2021 Highlights[2]:

- Net sales of $335M, up $65M, or 24%
- Operating income of $38.5M, up $7.2M, or 23%
- Adjusted EBITDA* of $51.9M, up $6.5M, or 14%
- Adjusted EBITDA margin* of 15.5%
- GAAP EPS of $0.48, up $0.13, or 37%
- Adjusted EPS* of $0.50, up $0.08, or 19%
- Orders of $361 M, up $159 M or 79%
- Record backlog of $437 M, up $133M, or 44% vs. Q4 2020
- Cash and cash equivalents of $55M and $268M of credit facility availability
- Net debt of ~$169M [3]

(2) Comparisons to Q2 2020, unless noted otherwise
(3) Net debt is a non-GAAP measure, computed as total debt of $223.6M, less total cash and cash equivalents of $54.5M

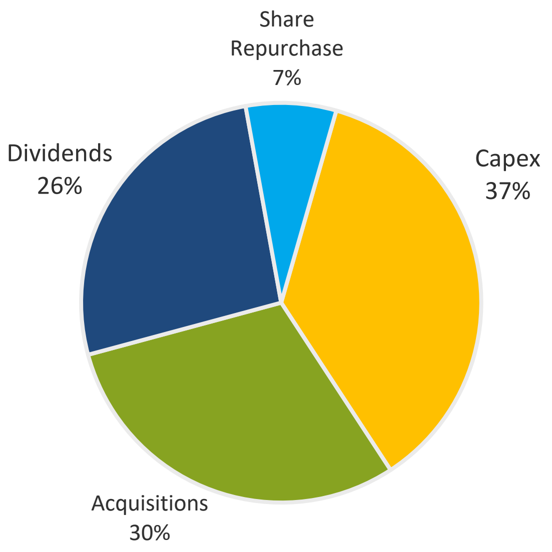
*Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted EPS are non-GAAP measures. See Appendix IV for additional information, including reconciliation to GAAP measures.

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; At end of Q2 2021, net debt leverage remained low, with ~$268 M of availability under credit facility

Reinvest in the Business	• Innovation R&D efforts target new and updated products • Developing tools to improve digital customer experience, with soft launch of e-commerce site during Q4 2020 • In 2021, anticipating cap ex in the range of $20 M - $25 M, including investments in our plants to add capacity and gain efficiencies through use of new technology
Acquisitions	• Completed acquisition of OSW for initial payment of $53.5 M in Q1 2021, representing the 6th acquisition since the beginning of 2016 • Focused primarily on acquisitions that fit closely within our existing products and services, manufacturing competencies, channels and customers
Dividend Policy	• Provide a competitive dividend yield while funding business growth • Paid dividend of $0.09 per share in Q2 2021, and recently declared similar dividend for Q3 2021; current dividend yield is ~1% • Paid dividends of $11.0 M in 1H 2021; $19.4 M for full year 2020
Share Repurchases	• Opportunistic share buybacks as a return of cash to our shareholders • $0.2 M of share repurchases in Q2 2021; in 2020, spent $13.7 M buying back ~500,000 shares @ average price of $27.47/share • ~$90 M of repurchase authorization remaining under current programs (~4% of market cap)

Cash Deployment (2018-20)[1]

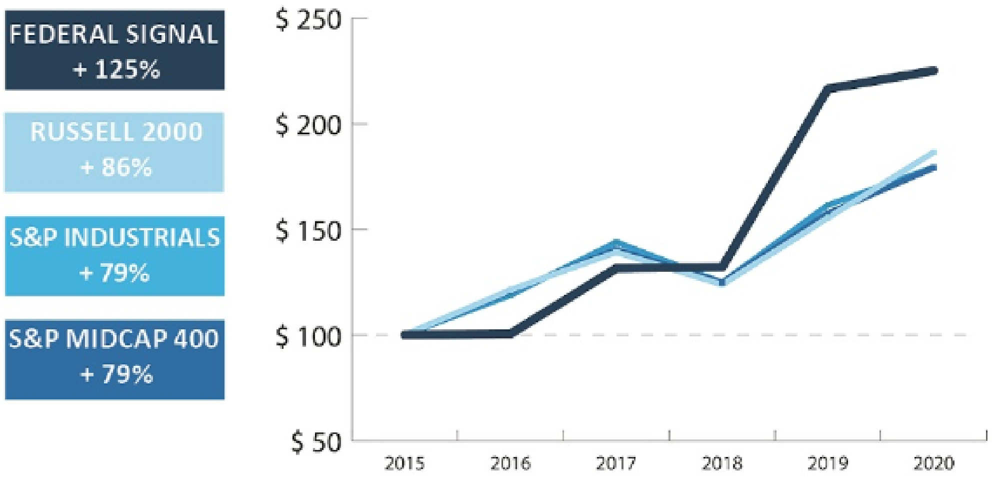


1) Chart depicts cumulative use of cash for each category, relative to the total cash used on all four activities, for the period 2018-2020; excludes investment in rental fleet, which is reported as part of operating cash flows

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

Cumulative Returns to Stockholders



This graph assumes that the value of the investment in the Company's common stock, and in each index, was $100 on December 31, 2015 and assumes reinvestment of all dividends through December 31, 2020.

Long-Term Organic Revenue Growth + **Value-Added Acquisitions**

(Couple of % points > GDP)

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

Raising 2021 Outlook

Raising Adjusted EPS* outlook to a new range of $1.78 to $1.90, from the prior range of $1.73 to $1.85

New range represents increase of 7% to 14% over 2020*

Key Full-Year Assumptions

- Revenue growth
- Double-digit improvement in pre-tax earnings
- Depreciation and amortization expense to increase by ~$6 M to $8 M
- Capital expenditures of $20 M to $25 M, including ongoing plant expansions
- Interest rate of 2-3%
- Effective income tax rate of ~23%, including estimated discrete tax benefits
- ~62 M weighted average shares outstanding
- Assumes no significant delays in our receipt of chassis from suppliers in 2H 2021

*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 2021, 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, 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 restructuring activity, hearing loss settlement charges and special tax items. Should any similar items occur in 2021, 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

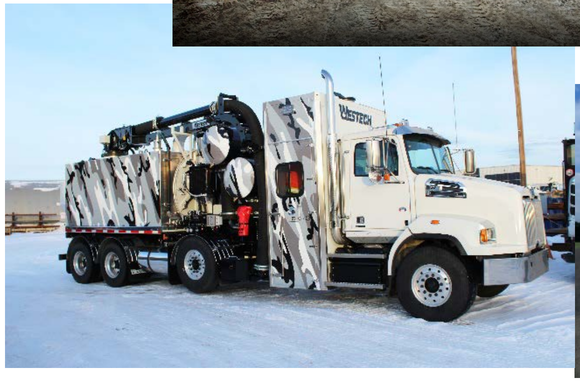
III. New Product Development

IV. Non-GAAP Measures

V. Executive Compensation

VI. 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)









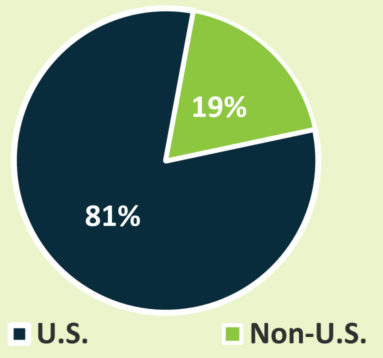

CRYSTEEL
DURACLASS
J-CRAFT
OX BODIES
Rugby
Travis BODY & TRAILER, INC.
MRL EQUIPMENT COMPANY, INC.
OSW
NTE
WB

Appendix I: ESG - Market Influencers & Where We Play

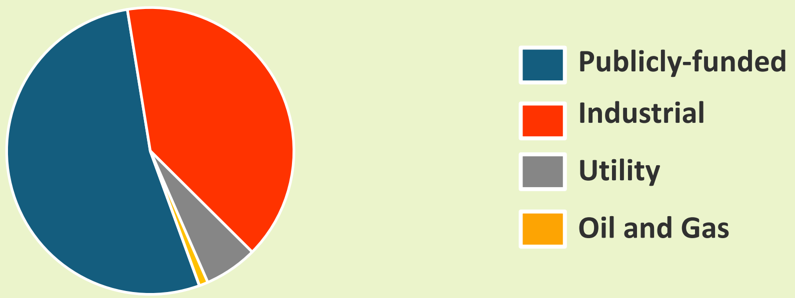
Market Dynamics

- Many ESG products support essential services that are focused on cleaning
- Recent $1.9 T of economic stimulus earmarks $350 B for state, local and territorial governments; package targets maintenance of essential infrastructure, such as sewer systems and streets
- Anticipate that meaningful investment in U.S. infrastructure would provide upside potential with most of our product offerings expected to benefit
- 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
- 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

2020 Sales by Geography



2020 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

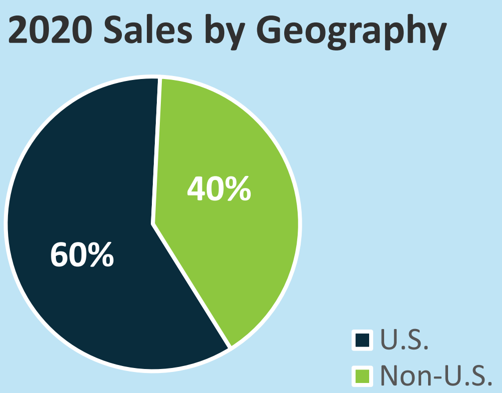
FEDERAL SIGNAL VAMA
Safety and Security Systems

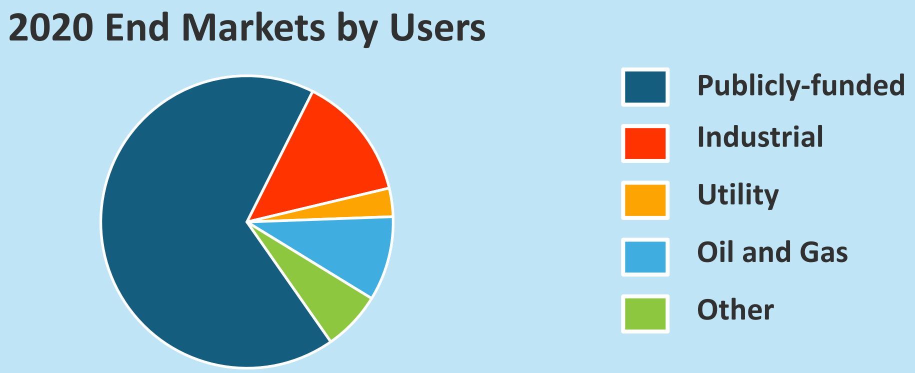
Victor

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



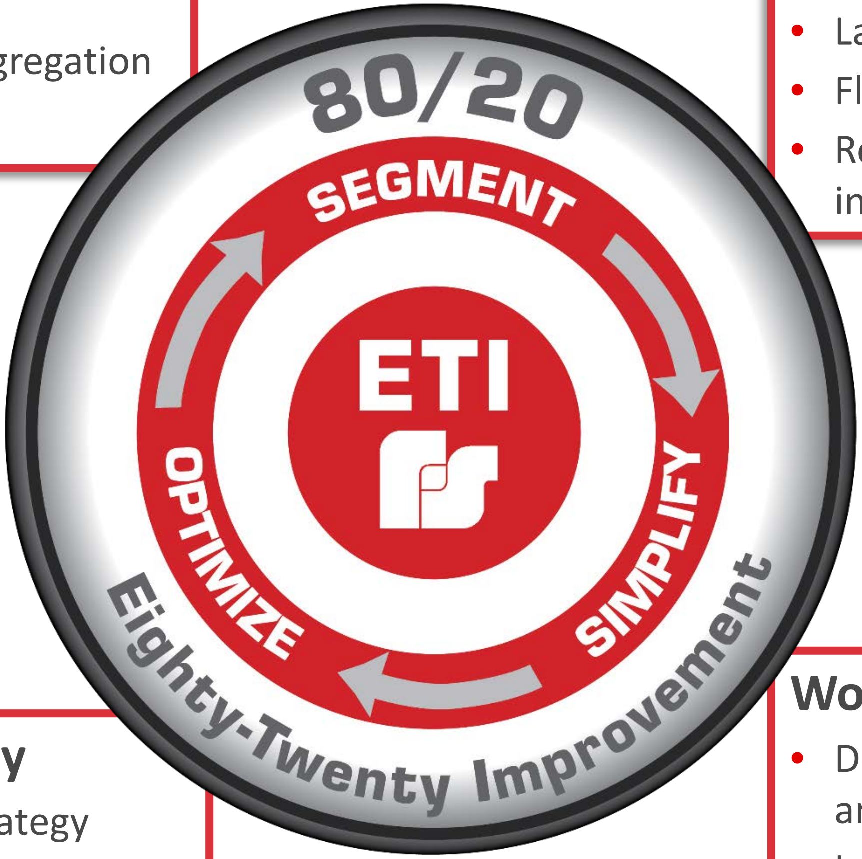


Source: Management Estimates

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; with the revamped innovation structure, completed several successful new product launches, including the award-winning launch of the ParaDIGm® vacuum excavator in 2016
- 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
- Of our total R&D spend in 2020, approximately 20% was invested in electrification projects
  - During Q4 2020, received first orders for our hybrid electric street sweeper

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
- Reliant® Light Bar

Appendix IV: Non-GAAP Measures (Adjusted EPS)

($ in millions, except EPS)	Three Months Ended June 30, 2021		2020	
Net income, as reported	$	29.7	$	21.4
Add:				
Income tax expense		8.0		6.1
Income before income taxes		37.7		27.5
Add:				
Acquisition and integration-related expenses		0.3		0.3
Pension-related charges (1)		0.3		2.5
Restructuring		-		1.3
Coronavirus-related expenses (2)		0.3		1.4
Purchase accounting effects (3)		0.3		0.1
Adjusted income before income taxes	$	38.9	$	33.1
Adjusted income tax expense (4)		(8.3)		(7.3)
Adjusted net income	**$**	**30.6**	**$**	**25.8**
Diluted EPS, as reported	$	0.48	$	0.35
Adjusted diluted EPS	**$**	**0.50**	**$**	**0.42**

(1) Pension-related charges in the three and six months ended June 30, 2021 and 2020 relate to charges incurred in connection with multiemployer pension plan withdrawals. Such charges are included as a component of Other (income) expense, net on the Condensed Consolidated Statement of Operations.

(2) Coronavirus-related expenses in the three and six months ended June 30, 2021 and 2020 include direct expenses incurred as a result of the coronavirus pandemic, that are incremental to, and separable from, normal operations. These expenses primarily related to the Company's employee wellness initiatives, including incremental paid time off and reimbursement for certain coronavirus-related expenses.

(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 and six months ended June 30, 2021 and 2020, 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 and six months ended June 30, 2021 and 2020 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.

<u>Adjusted net income and earnings per share (“EPS”)</u>

The Company believes that modifying its Q2 2021 and Q2 2020 net income and diluted EPS provides additional measures which are representative of the Company’s underlying performance and improves the comparability of results across reporting periods. During the three months ended June 30, 2021 and 2020, 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.

Appendix IV: Non-GAAP Measures (Adjusted EBITDA)

($ in millions)	Three Months Ended June 30, 2021	
Net income	$	29.7
Add:		
Interest expense		1.1
Acquisition and integration-related expenses		0.3
Coronavirus-related expenses		0.3
Purchase accounting effects (a)		0.2
Other (income) expense, net		(0.3)
Income tax expense		8.0
Depreciation and amortization		12.6
Adjusted EBITDA	**$**	**51.9**
Net Sales	**$**	**334.7**
Adjusted EBITDA Margin		**15.5%**

(a) Excludes $0.1 M purchase accounting effects reflected in depreciation and amortization

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, interest expense, acquisition and integration-related expenses, coronavirus-related expenses, purchase accounting effects, other income/expense, income tax expense, and depreciation and amortization expense. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income, interest expense, acquisition and integration-related expenses, coronavirus-related expenses, purchase accounting effects, other income/expense, income tax expense, and depreciation and amortization expense, divided by net sales for the applicable period(s). Other companies may use different methods to calculate adjusted EBITDA and adjusted EBITDA margin.

Appendix IV: Non-GAAP Measures (Adjusted EBITDA cont.)

($ in millions)	2017	2018	2019	2020	TTM 6/30/2021
Net income	$ 60.5	$ 93.7	$ 108.4	$ 96.1	$ 103.2
Add (less):					-
Interest expense	7.3	9.3	7.9	5.7	4.6
Pension settlement charges	6.1	-	-	-	-
Hearing loss settlement charges	1.5	0.4	-	-	-
Acquisition and integration-related expenses	2.7	1.5	2.5	2.1	2.0
Coronavirus-related expenses	-	-	-	2.3	1.7
Restructuring	0.6	-	-	1.3	-
Executive severance costs	0.7	-	-	-	-
Purchase accounting effects (a)	4.4	0.7	0.2	0.3	0.5
Other (income) expense, net	(0.8)	0.6	0.6	1.1	(1.9)
Income tax expense	0.5	17.9	30.2	28.5	28.2
Depreciation and amortization	30.0	36.4	41.5	44.8	47.7
Deferred gain recognition (b)	(2.0)	(1.9)	-	-	-
Adjusted EBITDA	**$ 111.5**	**$ 158.6**	**$ 191.3**	**$ 182.2**	**$ 186.0**
Net Sales	**$ 898.5**	**$ 1,089.5**	**$ 1,221.3**	**$ 1,130.8**	**$ 1,188.1**
Adjusted EBITDA Margin	**12.4%**	**14.6%**	**15.7%**	**16.1%**	**15.7%**

(a) Excludes purchase accounting effects reflected in depreciation and amortization of $0.4 M, $0.5 M, $0.6 M, $0.4 M and $0.3 M for 2017, 2018, 2019, 2020 and TTM 6/30/21, respectively.

(b) Adjustment to exclude recognition of a deferred gain associated with historical sale lease-back transactions. Effective with the adoption of the new lease accounting standard in 2019, recognition of this gain was eliminated.

Adjusted EBITDA and adjusted EBITDA margin

The Company uses adjusted EBITDA and 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, interest expense, pension settlement charges, hearing loss settlement charges, acquisition and integration-related expenses, coronavirus-related expenses, restructuring activity, executive severance costs, purchase accounting effects, other income/expense, income tax expense, depreciation and amortization expense, and the impact of adoption of a new lease accounting standard, where applicable. Consolidated adjusted EBITDA margin is a non-GAAP measure that represents the total of net income, interest expense, pension settlement charges, hearing loss settlement charges, acquisition and integration-related expenses, coronavirus-related expenses, restructuring activity, executive severance costs, purchase accounting effects, other income/expense, income tax expense, depreciation and amortization expense, and the impact of adoption of a new lease accounting standard, 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: 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 (60%) • EBITDA Margin (20%) • Individual Objectives (20%)	**Short-Term** Annual Goals 1. Profitability and growth 2. Market share
Performance Share Units • EPS (75%) • Return on Invested Capital (25%)	**Long-Term** 3-year Performance and Vesting Periods 1. Profitability and growth 2. Shareholder value creation 3. Facilitates stock ownership 4. Executive retention
Restricted Stock Awards	**Long-Term** 3-year Cliff Vesting 1. Executive recruitment 2. Executive retention 3. Facilitates stock ownership
Share Price Appreciation • Stock Options	**Longer-Term** 3-year Ratable Vesting Period and 10 Year Exercise Period 1. Shareholder value creation 2. Facilitates stock ownership 3. Executive retention

Appendix VI: Investor Information

Stock Ticker: **NYSE:FSS**

Company website: federalsignal.com/investors

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