

Federal Signal Earnings Release

- Q4 & FY 2008 Financial Review
- Strategy Discussion



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2008 Q4 P&L

(\$ in millions, except per share data)

	QTR	
	Dec 31 2008	Dec 31 2007
Net Sales	\$ 253.8	\$ 255.1
Cost of sales	(184.6)	(187.9)
Operating expenses	(52.2)	(45.9)
Restructuring charges	(2.7)	
Operating income	14.3	21.3
Interest expense	(2.6)	(6.1)
Loss on investment in joint venture	(11.1)	(1.5)
Other (expense) income	(0.9)	(0.6)
(Loss) income before income taxes	(.3)	13.1
Income tax benefit (expense)	5.2	(2.1)
Income from continuing operations	4.9	11.0
(Loss) gain from discops & disposal, net of tax	(16.4)	(2.5)
Net (loss) income	\$ (11.5)	\$ 8.5
<i>Gross margin</i>	27.3%	26.3%
<i>Operating margin</i>	5.6%	8.3%
<i>Effective tax rate</i>	(1765.1%)	15.9%
EPS, Contuing Operations	\$ 0.10	\$ 0.23

Segment P&Ls

Group results: (\$ in millions)	Q4		FY	
	Dec 31 2008	Dec 31 2007	Dec 31 2008	Dec 31 2007
SSG:				
Orders	\$ 86.1	\$ 87.9	\$ 367.1	\$ 367.5
Net Sales	95.9	98.2	371.8	367.2
Operating Income	12.8	13.1	40.3	49.6
Operating Margin	13.3%	13.3%	10.8%	13.5%
Backlog			\$ 51.0	\$ 61.2
FRG:				
Orders	\$ 26.7	\$ 42.2	\$ 162.3	\$ 174.1
Net Sales	53.0	45.7	145.5	117.9
Operating Income	5.8	4.0	10.4	7.9
Operating Margin	10.9%	8.8%	7.1%	6.7%
Backlog			\$ 143.8	\$ 133.6
ESG:				
Orders	\$ 101.6	\$ 136.3	\$ 411.0	\$ 456.6
Net Sales	104.9	111.2	441.5	449.2
Operating Income	6.2	9.1	35.5	38.8
Operating Margin	5.9%	8.2%	8.0%	8.6%
Backlog			\$ 106.3	\$ 136.9
Corporate expenses	\$ (10.5)	\$ (4.9)	\$ (30.7)	\$ (21.1)
Total Operating Income	<u>\$ 14.3</u>	<u>\$ 21.3</u>	<u>\$ 55.5</u>	<u>\$ 75.2</u>



2008 Full Year P&L

(\$ in millions, except per share data)

	FY	
	Dec 31 2008	Dec 31 2007
Net Sales	\$ 958.8	\$ 934.3
Cost of sales	(706.9)	(685.9)
Operating expenses	(193.7)	(173.2)
Restructuring charges	(2.7)	
Operating income	55.5	75.2
Interest expense	(15.3)	(18.5)
Loss on investment in joint venture	(13.0)	(3.3)
Other (expense) income	(0.9)	0.2
(Loss) income before income taxes	26.3	53.6
Income tax benefit (expense)	5.0	(13.9)
Income from continuing operations	31.3	39.7
(Loss) gain from discops & disposal, net of tax	(126.9)	15.2
Net (loss) income	\$ (95.6)	\$ 54.9
<i>Gross margin</i>	26.3%	26.6%
<i>Operating margin</i>	5.8%	8.0%
<i>Effective tax rate</i>	(19.0%)	25.9%
EPS, Contuing Operations	\$ 0.66	\$ 0.83

Full Year Balance Sheet – 2008 vs. 2007

(\$ Millions)	December 2008	December 2007
Cash	\$ 33.4	\$ 12.5
Other Current Assets	312.9	298.2
PP&E, net	65.4	59.5
Goodwill & Other	407.5	417.1
Manufacturing Assets Subtotal	\$ 819.2	\$ 787.3
Net Asset of Disc Ops	18.5	382.3
Net Assets	\$ 837.7	\$ 1,169.6
Current Liabilities (excl. debt)	\$ 147.9	\$ 167.3
Manufacturing Debt	278.9	288.7
Deferred Taxes & Other	97.5	57.5
Net Liabilities of Disc Operations	27.2	210.8
Equity	286.2	445.3
Liabilities & Equity	\$ 837.7	\$ 1,169.6
<i>Mfg Debt / Capital</i>	49%	39%
<i>Mfg Net Debt / Capital</i>	46%	38%



Supplement to 4th Quarter 2008 Earnings Call

Strategic Update:

The Path to Consistent Profitable Growth



Established A Foundation for Growth

Initial Steps Taken to Improve Federal Signal's Ability to Deliver Greater & More Consistent EPS Growth

- Divested non-core businesses:
 - E-ONE; Tool; Finance – Leasing; Refuse
- Invested in high growth opportunities: Public Safety Systems platform
 - Divestiture proceeds funded PIPS, Riverchase & Codespear acquisitions
- Improved financial flexibility and balance sheet health
 - Debt reduced by over \$150 million in 2008

Strategy to Achieve Consistent Profitable Growth



I. Increase Margins on Legacy Businesses

Mission: Improve Margins and Extract Efficiencies

- Environmental Solutions Group (ESG):
 - Streamline product offering
 - Reduce product design costs
 - Consolidate excess capacity
- Safety and Security Systems Group (SSG)
 - Outsource non-core manufacturing
 - Consolidate excess capacity
 - Simplify business structure
- Bronto: Build on recent margin improvement efforts

II. Drive Growth through Public Safety Systems Platform

Mission: Become a Global Leader in Public Safety Systems

- PIPS technologies provide unmatched value proposition
 - Strategic evolution leveraging status as recognized leader in the Public Safety and Intelligent Transportation Systems industry
- Brand strength
- Attractive growth profile
 - Capitalize on growth catalysts of increased customer acceptance of technology and funding by governmental entities
 - Potential to introduce new products and services
 - Recurring revenue from services model providing unmatched functionality and value
 - Stronger and more consistent earnings and cash flow growth
- Enhanced profitability from streamlined operations
- Disciplined capital allocation

Environmental Solutions Group

We Intend to Leverage Our Market Leading Brands Serving Core Infrastructure Needs

Products	Brands	Market Share	
Street Sweepers	 →	#2 Globally & #1 North America – Street Sweepers	
	 →	#2 Europe; #1 Benelux – Compact Sweepers	
Sewer Cleaners	- Combination Cleaners - Catch Basin Cleaners - Jetting Units	 →	#1 Globally & #1 North America – Truck Mounted Sewer Cleaners
		 →	#2 North America – Truck Mounted Hydroexcavators
		 →	#1 Globally & #1 North America – Industrial Vacuum Trucks
		 →	#2 North America – Industrial ≤ 300 HP

Source: Management estimates

ESG Initiatives To Accelerate Growth & Increase Margins

- Continue Jetstream expansion and development of international distributor base
 - International distributors adding assembly options around Jetstream product – ESG focusing on core competency of machining of pumps and valves
 - Waterblasting superior from environmental standpoint v. sand-blasting and chemicals
- Leverage federal funding
 - Elgin glycol recovery units eligible for Airport Improvement Program grant funds
- Pursue emerging markets
- Streamline product / business portfolio
 - Eliminate marginal sweeper products to drive manufacturing efficiency
 - Streamline Vactor offerings & adopt application selling to improve manufacturing margins
 - Eliminate China JV losses
- Additional targets for margin improvement:
 - Launch major cost reduction effort on the Pelican line
 - Share fab and assembly capacity between Vactor and Elgin. Capacity expansion complete

Bronto Initiatives to Accelerate Growth & Increase Margins



- Bronto has already seen margin improvement from capacity expansion
 - Will continue margin improvement efforts
- Increase sourcing in low cost countries for fabricated parts
 - Will drive further margin improvement
- Pursue opportunities in North American wind power market



Public Safety Networks Defined

- A network of devices providing monitoring services across the entire geography of a jurisdiction
- Alerting and notification capability
- Data storage and management
- Data mining and reporting
- Networked into existing infrastructure



PIPS: Propelling Public Safety Systems Growth

Key to the Federal Signal's Market Leadership

- High growth business
 - H2 2008 growth for PIPS + 46%
 - Law enforcement is fast becoming an IT based business
 - Interoperability in communications still driving federal and state spending
- FSS is uniquely positioned to become the leader in the Public Safety Network arena
 - PIPS is the recognized leader in license plate recognition technology
 - Most accurate and reliable ALPR solution – *DHS SAVER study (Oct 2008)*
 - Complementary video technology
 - Complementary alerting and notification capability
 - Ownership of interoperable communications technology
 - Ability to host data services
 - Offering includes leading back office software for data management

PIPS Applications: Current & Future Potential Applications

- Future PIPS applications will increase the value proposition and enable customers to further leverage the public safety network

Current PIPS Applications

- Parking scofflaw enforcement
- Enforcement of outstanding registrations, vehicle taxes and insurance
- Tollway enforcement
- Congestion charging
- Green lane enforcement
- Stolen vehicle recovery
- Major event management
- Amber alerts
- Low emission zones
- Enforcement of court orders



PIPS Development Priorities

- Speed enforcement
- Multi-state identification
- Total vehicle recognition (e.g., car color at night)
- Back-office citation/billing support
- Portable red-light runner system
- Container identification
- Intelligent traffic light control
- Video/ALPR erratic behavior detection (drunk driver)
- Spot speed enforcement without radar
- Time over distance school zone enforcement

PIPS Case Studies: Unmatched Technology & Credibility

Increasing Customer Acceptance

City of Cincinnati

- Full network to be deployed in 2009
- DHS approved multi-year contract:
 - Template for services contract in future
 - Funding process-expertise will allow PSS to help customers more readily obtain federal funds

Already:

- Recovered > 2,600 delinquent citations
- 1,149 suspects arrested
- 20+ robberies and several homicides solved
- Recovered 147 stolen vehicles

London Safety Network

- Surrounding 2012 Olympic sites
- Material incremental congestion-charge revenue for London
- Reduced congestion > 20%; 50% increase in use of public transportation

Chicago O'Hare & Midway Airports

- 50,000 vehicle images/day captured
- All entry and exit points with data streamed real-time to airport command center and Chicago EOC

California Dept. of Transportation

- 535 arrests
- 868 seized or recovered vehicles

National Traffic Control Centre - UK

- 1,000 lanes and 500 sites on motorways and trunk road network in England
- > 200 suspects arrested

Long Beach PD (1st 6 months)

- 275 vehicles recovered / 50+ arrests



Market Opportunity: Significant Global Funding

Case Study: State and Local Grant Programs

- In the U.S., for instance, Federal Signal's Public Safety product suite is eligible for significant funding at the State & Local Level (excluding Federal Level expenditures and impact of 2009 US stimulus plan)

<u>Program (\$million)</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
State Homeland Security Grant Program	\$ 525.0	\$ 950.0	\$ 950.0
UASI	770.0	820.0	837.5
Public Transportation Security Assistance & Railroad Security Assistance	175.0	400.0	400.0
Port Security	210.0	400.0	400.0
Interoperable Communication	-	50.0	50.0
EOC Construction	-	15.0	35.0
	<u>\$ 1,680.0</u>	<u>\$ 2,635.0</u>	<u>\$ 2,672.5</u>

Source: Consultant Study (February 2009)

Customer Value Proposition Significantly Enhanced with “Services” Model

- Historically, Public Safety’s sales model revolved around discrete sales of hardware products
- A service delivery model will be based on offering customers the full suite of product capabilities in exchange for recurring future revenue over the contracted service period
- The service model delivering turnkey solutions allows customers to leverage 100% of the functionality of the public safety network (versus buying discrete individual products)
 - Increased productivity for law enforcement
 - Enables revenue opportunities sharing future revenue with FSS

Public Safety Systems Services Model

Federal Signal Benefits: Increased Revenue Growth & Visibility

- Recurring revenue vs. one-time discrete product sale
- Revenue growth over-time through:
 - Expanding application & service offerings
 - Revenue sharing opportunities (e.g., speed enforcement, etc.)
- Highly scalable
- Accelerates deployment and installed base - first mover advantage and likely “stickier” customer relationships



Summary: The Path to Consistent Profitable Growth

- I. Increase Margins on Legacy Businesses Through Reducing Complexity & Streamlining Operations
- II. Drive Growth Through Public Safety Platform



Conclusion and Q&A



Vision

Federal Signal ...
the leader in advancing security and well-being for
communities and workplaces around the world.

