

**Advancing security
and well-being every day**

Our Vision

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

The Company designs and manufactures a suite of products and integrated solutions for municipal, governmental, industrial and airport customers. Federal Signal's portfolio of trusted, high-priority products include Federal Signal safety, security and critical-communications systems, Federal APD parking revenue management and security systems, Pauluhn arduous environment lighting systems, Victor mining safety systems, E-ONE fire rescue vehicles, Bronto aerial devices, Elgin and Ravo street sweepers, Guzzler industrial vacuum vehicles, Jetstream waterblasters, Vactor hydro-excavators and sewer cleaners, and Dayton and P.C.S. die and mold tooling.

On the cover

Federal Signal's suite of products and integrated solutions helps municipalities like Vancouver, British Columbia, protect people, property and the environment.

Contents

Financial Highlights	1
Letter to Shareholders	2
Municipal Solutions	6
Governmental Solutions	8
Industrial Solutions	10
Airport Solutions	12
Federal Signal at a Glance	14
Shareholder Information	16

Financial Highlights

Federal Signal's fiscal year ends on December 31. (in millions, except as noted otherwise)	2006	2005
Operations		
Net sales	\$ 1,211.6	\$ 1,119.0
Operating income	\$ 69.9	\$ 63.7
Income from continuing operations	\$ 34.4	\$ 43.9
Per share data:		
Earnings from continuing operations	\$.72	\$.91
(Loss) from discontinued operations, net of tax	\$ (.25)	\$ (1.01)
Net earnings (loss) - diluted	\$.47	\$ (.10)
Cash dividends paid	\$.24	\$.28
Operating margin	5.8%	5.7%
Economic Value	\$ (11.6)	\$ (21.0)
Cash flow from operations	\$ 29.7	\$ 70.6
Capital expenditures	\$ 18.2	\$ 16.6
Average primary working capital ^(1, 2) to sales	20.0%	20.1%
Number of employees	5,469	5,367
Financial Position at Year-End		
Shares outstanding	47.7	48.1
Net debt-to-capitalization ratio ⁽¹⁾	35%	34%
Shareholders' equity	\$ 386.4	\$ 376.3
Backlog	\$ 403.3	\$ 386.2

⁽¹⁾ manufacturing operations only, net of cash

⁽²⁾ defined as accounts receivable plus inventory less accounts payable and customer deposits

Net Sales (in millions of dollars)	06	05	04
	1,211.6	1,119.0	1,024.5

Cash Flow From Operations (in millions of dollars)	06	05	04
	29.7	70.6	52.5

Earnings Per Share (continuing operations)	06	05	04
	.72	.91	.13

Federal Signal is now positioned for sustained revenue and economic growth.



James C. Janning
Chairman

Robert D. Welding
President and
Chief Executive Officer

Dear Shareholders, Customers and Employees,

Our transformation continued in 2006. We delivered improved financial performance across the Company and stabilized the foundation for growth. Revenues were up 8%, operating income rose 10% to \$70 million, and we improved Economic Value (EV) by \$9 million over 2005. We introduced our new vision and mission early in the year, and identified five growth strategies and five enabling strategies that will guide our efforts to create value for shareholders. Our metrics indicate that we have made significant progress in all but two areas. Where we fell short — reducing working capital and operating expenses — we have accelerated our efforts.

We strengthened the portfolio to enhance our market, product and technology positions. We divested the North American refuse truck body business, which freed our Environmental Solutions Group (ESG) management team to focus on businesses in which we enjoy a substantial competitive advantage. Early in 2007, we sold three cutting tool businesses to enable us to invest more heavily in our core products and integrated solutions that enhance security and well-being for communities and workplaces.

We recently completed the acquisition of Codespear, LLC, a developer of specialized software for emergency management situations. The Federal Signal Codespear interoperable communications software platform will support broader municipal and industrial security solutions in our Safety and Security Systems Group (SSG). Moreover, the software will be integrated into our vehicles to provide enhanced local intelligence and enable these vehicles to connect seamlessly into first responder and industry communications platforms through secured broadband wireless technologies.

We increased our investment in new product development to accelerate organic growth. At the same time, we are looking for additional acquisition opportunities to fill technology gaps, expand global reach, or provide additional critical mass in our core businesses.

We renamed some of our business groups to better align with customers, and are repositioning ourselves in the market to better communicate the Company's exciting new focus on municipal and workplace security and well-being. Recent studies have indicated that the non-military "security" market is growing at 8% per year world-wide. As we continue our transformation, more of our sales will be into the public safety and security space. This shift alone will fuel higher organic growth rates.

We are bringing the best people to Federal Signal to help us implement our strategic initiatives. Paul Box joined Federal Signal as vice president and chief procurement officer early in the year. Paul's extensive background in global sourcing using contemporary procurement tools is helping us gain traction in this critical area. We have targeted aggressive cost reductions in purchased materials in the coming years as one of our key enabling strategies.

Early in the year, David McConnaughey joined Federal Signal as president of the Safety and Security Systems Group. His visionary leadership has helped release impressive creativity from our talented people within that organization. We have tapped Dave's extensive background in applying Lean principles by naming him to lead our enterprise-wide Lean Operations initiatives.

Late in the year, Michael Wons joined us as vice president and chief information officer. Mike will provide leadership for our IT organization as we roll out an enterprise-wide ERP platform, and provide tools that will enable faster deployment of a shared-services model to reduce operating expenses. IT will also play an increasingly vital role in our new product development activities as our businesses incorporate analytics and controls into their products to provide comprehensive system solutions.

We were delighted to welcome Brenda Reichelderfer to our board of directors in 2006. She brings a background in product engineering, operations and general management from her impressive career at ITT Corporation. Brenda's experiences in growing technology oriented businesses and her strong ethical compass will contribute to the strength of our board.

Safety and Security Systems Group (SSG) customers are increasingly seeking integrated solutions for their most urgent security needs. In our changing world, customers are ordering increasingly sophisticated all-hazard warning systems, tsunami warning systems, governmental building security systems and high profile industrial plant security systems. In 2006, 28% of the Group's sales were from integrated solution applications. With orders up 18% in 2006, SSG boosted revenue 10% and generated \$15 million of EV in 2006 for the Company.

Progress continued within our Fire Rescue Group (FRG) with improved margins and operational indicators trending positively.

We saw the initial productivity benefits of our Ez-ONE web-enabled sales configurator, as custom trucks structured using the system were first produced during the last quarter of 2006. We expect this system and other productivity improvements to boost speed and efficiency in all business processes. FRG completed the closure and sale of its Red Deer, Canada, plant, and all North American operations have been consolidated within the Ocala, Florida, facility. Due to improved product flow and more disciplined pricing, FRG improved EV performance by \$3 million in 2006.

Orders for Bronto articulated aerial devices rose sharply, as we benefit from the expanding popularity of articulated aerial devices in the firefighting service, which are replacing traditional ladder devices. As the clear product leader, Bronto enjoys about half of the global market for this sophisticated product.

Our Environmental Solutions Group (ESG) had an outstanding year with 21% higher orders and 15% in additional revenue.

Our robust and reliable Elgin, Ravo, Vactor, Guzzler and Jetstream brands are all well regarded by customers. The Group is maintaining or growing share in traditional markets while investing to improve systems, grow globally and renew the product portfolio. Despite these investments, ESG margins topped 9% in 2006, a 7-year high. The improvement reflects higher pricing and strong operational performance. EV grew by \$10 million in 2006.

With the divestiture of the cutting tool businesses, our Tool Group will now focus exclusively on building value in the die and mold tooling sectors.

By leveraging strong brand recognition and a global manufacturing footprint, Tool is well-positioned for earnings growth. The Group started shipping product from its new plant in the People's Republic of China during the first quarter of 2007. They are expanding marketing efforts in North America where in 2006, they largely offset weakness in the U.S. automotive and home building sectors with increases elsewhere.

We are looking forward to the opportunities before us.

Now, in early 2007, indications are that economic expansion should continue in our served markets. With that wind at our back, we will continue to make progress in increasing the Economic Value of the Company in the coming year. We begin the year with a healthy backlog in all of our key businesses and a sound financial position. Our strategies are gaining traction and we are projecting revenue growth of 8% to 10% and earnings up 30%. These are the early steps on a journey that will transform Federal Signal from a diversified industrial conglomerate into a company that is ... the leader in advancing security and well-being for customers around the world every day.

Sincerely,



Robert D. Welding
President and
Chief Executive Officer



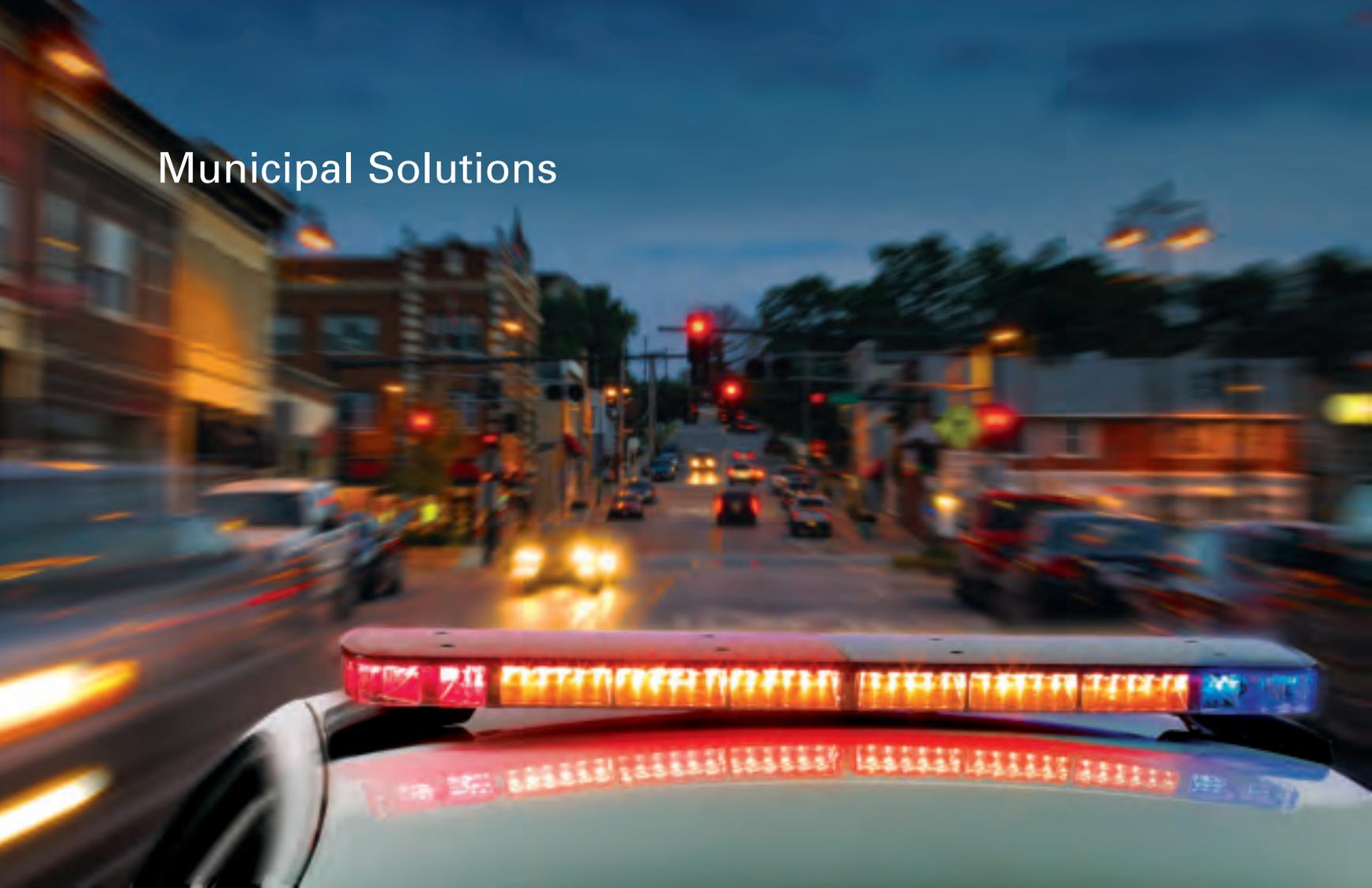
James C. Janning
Chairman

Our Solutions

Today's world is less secure. Municipal, governmental, industrial and airport leaders are expected to provide for enhanced security and well-being. Preparedness for natural and man-made disasters is a key concern for first responders. Cross-agency collaboration and communications are vital. To meet the emerging mission-critical needs of our customers, we are applying advanced technology such as interoperable communications software and broadband wireless to our core solutions. These "smart" technologies deliver the enhanced functionality, intelligence and interoperability that today's events demand. Federal Signal's suite of products and integrated solutions help protect people, property and the environment every day.

Federal Signal designs and manufactures solutions for pressing customer needs.

Municipal Solutions



Federal Signal provides the broadest array of municipal security and well-being solutions.

Solutions

Security

- All-hazard warning systems
- Interoperable communications systems
- Emergency scenario management systems
- Public safety broadband wireless networks
- Custom communications systems
- Fire rescue vehicles
- Command and control vehicles
- Building and installation security systems
- HazMat and explosives response vehicles
- Parking management and security systems
- Police, fire and heavy-duty vehicle systems

Well-Being

- Sanitation sewer cleaning and monitoring vehicles
- Water/wastewater monitoring systems
- Roadway cleaning and sweeping vehicles
- Hydro-excavation vehicles

Market Drivers

Growing critical communications infrastructures

More than \$3 billion will be invested by U.S. municipalities through 2010 to deploy and operate municipal broadband wireless networks, in part to support public safety and security initiatives. In 2007 spending is projected to reach \$460 million, per MuniWireless.com.

Increasing importance placed on security and safety

Per the National League of Cities, 75% of city finance officers surveyed reported that public safety spending increased in 2006.

Emerging need for cost-effective interoperable communications

The Wall Street Journal reported public safety personnel cannot always communicate with each other during emergency events due to equipment that is incompatible, and often expensive and out of date.

“We are determined to ensure that the ... major cities have interoperable communications in effect by the end of this coming year, and that all states have interoperable communications in effect by the end of 2008.”

Michael Chertoff, Secretary of Homeland Security
Keynote address — Grants Training National Conference.
November 28, 2006



Top: Federal Signal E-ONE Typhoon fire rescue vehicle, Boca Grande, Florida. **Bottom left:** Federal Signal Codespear interoperable communications platform, Monroe County, Michigan. **Bottom right:** Federal Signal Elgin Eagle street sweeper, St. Louis, Missouri.



Governmental Solutions

Federal Signal engineers fail-safe integrated security solutions for critical governmental installations.

Solutions

Security

- Custom communications systems
- Building and installation security systems
- Interoperable communications systems
- Emergency scenario management systems
- Mass notification systems
- Tsunami warning systems
- Command and control vehicles
- Police, fire and heavy-duty vehicle systems
- HazMat and explosives response vehicles

Market Drivers

Increasing global demand for homeland security

Worldwide spending on homeland security is forecasted to grow by 124%, from \$231 billion in 2006 to \$518 billion by 2015 according to Homeland Security Research Corp.

Growing emphasis on emergency preparedness and response

The need for integrated solutions, such as emergency operations centers, improved command and control, and interoperable communications could drive spending in this area to \$13-16 billion over the next five years per Civitas, a strategic homeland security advisory and investment services firm.

Expanding focus on ports and borders

The 2007 \$34.8 billion Homeland Security Appropriations Bill includes funds for the U.S. Secure Border Initiative.

“Our first priority must always be the security of our nation, and that will be reflected in the budget I send to Congress ... My budget nearly doubles funding for a sustained strategy of homeland security, focused on four key areas: bioterrorism, emergency response, airport and border security, and improved intelligence.”

U.S. President George Bush
State of the Union Address
January 31, 2007



Top left: Federal Signal tsunami warning system, Pundang, Indonesia. **Top right:** Federal Signal integrated security systems, governmental installations worldwide. **Bottom:** Federal Signal E-ONE HazMat and explosives response vehicle, Vermont.

Industrial Solutions



Federal Signal enhances security and well-being in the most rugged industrial environments.

Solutions

Security

- Building and facility safety and security systems
- Interoperable communications systems
- Safety, security and critical communications systems
- Public address, paging and emergency response systems
- Parking revenue management and security systems
- Fire rescue vehicles
- Arduous environment lighting systems
- Industrial signaling systems
- Mining safety systems

Well-Being

- High pressure surface cleaning and preparation systems
- Hydro-excavation vehicles
- Mobile material vacuum vehicles
- Parking lot cleaning systems
- Vacuum sweeping vehicles

Market Drivers

Increasing liquefied natural gas (LNG) consumption

Wood Mackenzie Consultants project that LNG consumption may grow 66% by 2010.

Surging coal consumption

World coal consumption is expected to nearly double by 2030 with China and India accounting for 70% of this increase, according to the EIA.

Rising industrial base in Asia

MAPI predicts Asian industrial production will grow at an average annual rate of 9.1% from 2006 to 2010.

“The oil and gas industry is committed to protecting the reliable supply network of fuels and products to keep our economy growing. Our oil and gas infrastructure is the most reliable in the world and our aim is to continue our coordinated efforts to enhance our infrastructure security.”

American Petroleum Institute
Homeland Security Policy Paper
August 29, 2006



Top left: Federal Signal integrated security system, North Sea. **Top right:** Federal Signal Victor mining safety systems, South Africa. **Bottom left:** Federal Signal Vactor hydro-excavator, Leadville, Colorado. **Bottom right:** Federal Signal E-ONE Bronto articulated aerial device, Germany.

Airport Solutions



Federal Signal advances airport security and well-being with specialized solutions.

Solutions

Security

- Building and installation security systems
- Interoperable communications systems
- Emergency scenario management systems
- Parking revenue management and security systems
- Airport rescue and firefighting vehicles

Well-Being

- Glycol recovery vehicles
- Runway cleaning vehicles

Market Drivers

Growing air traffic

The Air Transport Action Group expects passenger and cargo traffic to double over the next 12 to 15 years.

Expanding airport infrastructure

Frost & Sullivan estimates that 108 airports will be constructed in China in the next five years, for a total of 240 by 2010.

Increasing investment in airport security

The International Air Transport Association reports that airlines have been paying \$5.6 billion more per year for security since the events of 9/11.

“ ... we will build and take advantage of security networks ... we will put a renewed emphasis on sharing intelligence, capacity, and technology with other law enforcement, intelligence gathering and security agencies at every level of government.”

Kip Hawley, Assistant Secretary
Department of Homeland Security
Transportation Security Administration
November 3, 2005



Top left: Federal Signal Federal APD parking management and security system, Chicago, Illinois. **Top right:** Federal Signal Elgin Crosswind runway sweeper, St. Charles, Illinois. **Bottom:** Federal Signal E-ONE Titan airport rescue firefighting vehicle, Atlantic City, New Jersey.

Federal Signal at a Glance

Advancing security and well-being in communities and workplaces every day



Trusted Brands – Proven Performance

	Safety and Security Systems	Fire Rescue	Environmental Solutions
MUNICIPAL			
All-hazard warning systems	██████████		
Building and installation security systems	██████████		
Command and control vehicles		██████████	
Custom communications systems	██████████		
Emergency scenario management systems	██████████		
Fire rescue vehicles		██████████	
HazMat and explosives response vehicles		██████████	
Hydro-excavation vehicles			██████████
Interoperable communications systems	██████████		
Parking management and security systems	██████████		
Police, fire and heavy-duty vehicle systems	██████████		
Public safety broadband wireless networks	██████████		
Roadway cleaning and sweeping vehicles			██████████
Sanitation sewer cleaning and monitoring vehicles			██████████
Water/wastewater monitoring systems	██████████		
GOVERNMENTAL			
Building and installation security systems	██████████		
Command and control vehicles		██████████	
Custom communications systems	██████████		
Emergency scenario management systems	██████████		
HazMat and explosives response vehicles		██████████	
Interoperable communications systems	██████████		
Mass notification systems	██████████		
Police, fire and heavy-duty vehicle systems	██████████		
Tsunami warning systems	██████████		



	Safety and Security Systems	Fire Rescue	Environmental Solutions
INDUSTRIAL			
Arduous environment lighting systems	██████████		
Building and facility safety and security systems	██████████		
Fire rescue vehicles		██████████	
High pressure surface cleaning and preparation systems			██████████
Hydro-excavation vehicles			██████████
Industrial signaling systems	██████████		
Interoperable communications systems	██████████		
Mining safety systems	██████████		
Mobile material vacuum vehicles			██████████
Parking lot cleaning systems			██████████
Parking revenue management and security systems	██████████		
Public address, paging and emergency response systems	██████████		
Safety, security and critical communications systems	██████████		
Vacuum sweeping vehicles			██████████
Industrial tooling			
AIRPORT			
Airport rescue and firefighting vehicles		██████████	
Building and installation security systems	██████████		
Emergency scenario management systems	██████████		
Glycol recovery vehicles			██████████
Interoperable communications systems	██████████		
Parking revenue management and security systems	██████████		
Runway cleaning vehicles			██████████

Shareholder Information

Annual Meeting of Shareholders

Tuesday, April 24, 2007, 3:30 p.m. Central time at the Embassy Suites Hotel, 707 East Butterfield Road, Lombard, IL 60148

Common Stock Data

Federal Signal Corporation's common stock is listed and traded on the New York Stock Exchange under the symbol FSS. The Company expects to continue paying regular quarterly cash dividends as it has done since 1948, depending, of course, on future earnings, financial condition and capital requirements.

Stock Transfer Agent and Registrar

National City Bank is the transfer agent and registrar for Federal Signal Common Stock. Notices regarding change of address and inquiries regarding lost dividend checks, lost or stolen stock certificates and transfers of stock, should be directed to National City Bank, Shareholder Services Operations, Locator 5352, P.O. Box 92301, Cleveland, OH 44101-4301, 800-622-6757.

Dividend Reinvestment Plan

This plan enables Federal Signal shareholders, who hold shares in their own name, to automatically and regularly apply common stock cash dividends toward the purchase of additional shares of common stock. Participants have the option of purchasing more common shares through the plan with direct cash payments. The company pays all bank service fees and brokerage commissions for common stock purchased through the plan. Inquiries regarding enrollment in the plan or questions concerning established accounts should be directed to National City Bank, Shareholder Services Operations, Locator 5352, P.O. Box 94946, Cleveland, OH 44101-4946, 800-622-6757.

Contacting Directors

You may contact the Audit Committee, the Nominating and Governance Committee, any director or group of directors on an anonymous/confidential basis by addressing your letter to Federal Signal Corporation, Office of the Secretary, 1415 West 22nd Street, Oak Brook, IL 60523-2004.

Reports

A copy of the Company's 10-K, including the consolidated financial statements, is available on Federal Signal's website at www.federsignal.com or contact Federal Signal Corporation, Office of the Secretary, 1415 West 22nd Street, Oak Brook, IL 60523-2004, 630-954-2000.

Contacting Investor Relations

Contact David E. Janek, Vice President and Treasurer, at investorrelations@federsignal.com or 630-954-2000.

Shareholders

Some of Federal Signal's shareholders have their shares registered in their broker's name or "street" name. If you are a "street" name holder and are not receiving company communications directly or in a timely manner, we would be pleased to send this information to you if you will send us your name and address. Federal Signal had a total of approximately 21,000 "street" name and record shareholders at year-end 2006.

Webcast of Quarterly Conference Call

The Company anticipates quarterly earnings press releases followed by a conference call after the end of each fiscal quarter. Detailed information on the next press release and conference call will be available at www.federsignal.com at the end of each fiscal quarter.

Dividend Dates

Federal Signal Corporation anticipates the following cash dividend dates for 2007:

Record Date	Payment Date
March 15	April 4
June 15	July 5
September 14	October 3
December 14	January 4 (2008)

Trademarks

Trademarks used in this annual report are the property of Federal Signal Corporation or one of its subsidiaries.



Board of Directors

James C. Janning, 59 ◆★
Chairman of the Board
Federal Signal Corporation
Group President
Harbour Group, Ltd.
Elected 1999

Charles R. Campbell, 67 ▲★●
Retired, Principal
The Everest Group
Elected 1998

Robert M. Gerrity, 69 ▲◆
Retired, Vice Chairman
New Holland N.V.
Elected 2003

James E. Goodwin, 62 ▲
Previous, Chairman and
Chief Executive Officer
United Airlines
Elected 2005

Robert S. Hamada, 69 ▲◆★
Edward Eagle Brown
Distinguished Service
Professor of Finance, Emeritus
Graduate School of Business
University of Chicago
Elected 2003

Paul W. Jones, 58 ●
Chairman and Chief
Executive Officer
A.O. Smith Corporation
Elected 1998

John F. McCartney, 54 ●★
Chairman
Westcon Group, Inc.
and A.M. Castle Co.
Elected 2005

Brenda L. Reichelderfer, 48 ◆
Senior Vice President and
Chief Technology Officer
ITT Corporation
Elected 2006

Robert D. Welding, 58 ★
President and Chief
Executive Officer
Federal Signal Corporation
Elected 2003

Executive Committee

Robert D. Welding, 58
President and
Chief Executive Officer
3 years service

Paul D. Box, 53
Vice President and Chief
Procurement Officer
1 year service

Kimberly L. Dickens, 45
Vice President,
Human Resources
3 years service

Marc F. Gustafson, 54
President,
Fire Rescue Group
2 years service

Stephanie K. Kushner, 51
Vice President and
Chief Financial Officer
5 years service

David R. McConnaughey, 50
President,
Safety and Security
Systems Group
1 year service

Jennifer L. Sherman, 42
Vice President, General
Counsel and Secretary
12 years service

Gregory A. Sink, 48
Vice President of Strategic
Business Development
25 years service

Mark D. Weber, 49
President,
Environmental Solutions Group
11 years service

Michael K. Wons, 42
Vice President and
Chief Information Officer

Other Executives

Paul Brown, 43
Vice President and
Controller
3 years service

John A. DeLeonardis, 59
Vice President, Taxes
20 years service

John A. Gruber, 33
Vice President of
Corporate Development
1 year service

David E. Janek, 43
Vice President and
Treasurer
5 years service

Alan L. Shaffer, 56
President,
Tool Group
1 year service

Committees

- ▲ Audit
- Compensation and Benefits
- ◆ Nominating and Governance
- ★ Executive

We are leveraging our global presence.

Alcobaca, Portugal
Alkmaar, Netherlands
Anaheim, California, U.S.A.
Barcelona, Spain
Benátky nad Jizerou, Czech Republic
Birmingham, Michigan, U.S.A.
Danville, Kentucky, U.S.A.
Dayton, Ohio, U.S.A.
Elgin, Illinois, U.S.A.
Fraser, Michigan, U.S.A.
Grand Rapids, Michigan, U.S.A.
Guangdong, China
Houston, Texas, U.S.A.
Johannesburg, South Africa
Meaux, France
Newcastle-upon-Tyne, England, U.K.
Nisku, Alberta, Canada
Novi, Michigan, U.S.A.
Oberursel, Germany
Ocala, Florida, U.S.A.
Pearland, Texas, U.S.A.
Pittsburgh, Pennsylvania, U.S.A.
Portland, Indiana, U.S.A.
Rümlang, Switzerland
Sagamihara, Japan
Shanghai, China
Streator, Illinois, U.S.A.
Tampere, Finland
University Park, Illinois, U.S.A.
Warwickshire, England, U.K.
Woodbridge, Ontario, Canada



1415 West 22nd Street
Oak Brook, Illinois 60523-2004
630-954-2000
www.federalsignal.com