

Core values, innovative thinking and customer focus give ABM competitive advantage



2004 ANNUAL REPORT TO STOCKHOLDERS

ABM Industries
Incorporated

ABM — *from pioneering to preeminence*



1909

The company now called ABM Industries originates with Morris Rosenberg's astute decision to launch a one-man window-washing service for San Francisco merchants.

1913

Rosenberg expands into complete janitorial services, naming his business American Building Maintenance. At a time when the concept of "service industry" barely exists, ABM pioneers contract building services.

1920

ABM opens offices in Los Angeles, Portland and Seattle.

1921

The company contracts with Stanford University, becoming the first janitorial company to clean a major college campus.

1927

With acquisitions, the company expands to include janitorial supplies.

1930s

ABM founds Alta Electric Company, which becomes the contractor installing electrical wiring for the San Francisco Bay Bridge, the Golden Gate Bridge and the War Memorial Opera House.

1941

The company joins the war effort by cleaning thousands of Navy ships docked at West Coast ports.

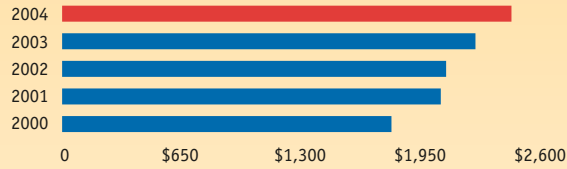
1945

By the end of World War II, the company is operating 17 offices in the United States and Canada.

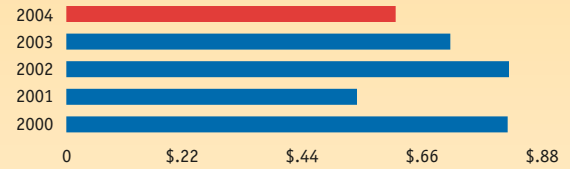
1962

Ted and Sydney Rosenberg, sons of the founder, elect to take ABM public. The funds raised enable it to begin a long, carefully orchestrated process of internal growth and acquisitions designed to strengthen the company and enlarge its share of the contract cleaning and maintenance market.

Sales (\$ millions)



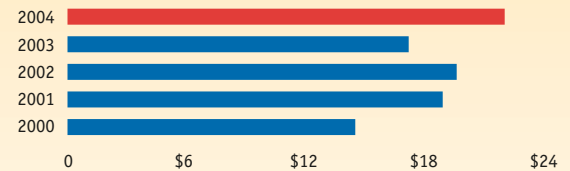
Income from Continuing Operations per Diluted Share



Dividends Declared per Common Share



Intra-day Stock Price High





1965

ABM's stock is listed on the American Stock Exchange. The company begins paying dividends to stockholders, a practice that continues.

1967-1972

ABM expands into parking and acquires firms to provide elevator, engineering, lighting, air conditioning, mechanical and security services.

1971-1972

The stock is listed on the New York Stock Exchange.

1994

The company is renamed ABM Industries Incorporated, reflecting its diversification into facility services other than building maintenance.

1996

Revenues exceed \$1 billion.

2001

Henrik C. Slipsager is named president and chief executive officer. His vision of becoming a market leader in each line of the company's business leads to several strategic acquisitions and one divestiture.

2002

Revenues exceed \$2 billion. Acquisitions, including the largest in the company's history, play an important role in expanding ABM. To further distinguish itself from its competitors, ABM makes substantial investments in technology.

2003

Responding to market pressures, including higher insurance costs, ABM sells its elevator business. The proceeds strengthen the company's overall financial health.

2004

ABM Industries is among the largest facility services contractors on the New York Stock Exchange. With revenues in excess of \$2.4 billion and more than 73,000 employees, ABM provides janitorial, parking, security, engineering, lighting and mechanical services for thousands of commercial, industrial, institutional and retail facilities in hundreds of cities across the United States and British Columbia, Canada.

FIVE-YEAR SELECTED FINANCIAL DATA

October 31	2004	2003*	2002*	2001*	2000*
In thousands, except per share data and ratios					
Sales and other income	\$2,416,223	\$2,262,476	\$2,068,058	\$2,027,800	\$1,879,450
Income from continuing operations	\$ 30,473	\$ 35,624	\$ 41,684	\$ 27,687	\$ 39,274
Net income	\$ 30,473	\$ 90,920	\$ 44,354	\$ 30,645	\$ 43,502
Income from continuing operations per common share					
Basic	\$ 0.63	\$ 0.73	\$ 0.85	\$ 0.57	\$ 0.86
Diluted	\$ 0.61	\$ 0.71	\$ 0.82	\$ 0.54	\$ 0.82
Average common and common equivalent shares					
Basic	48,641	49,065	49,116	47,598	45,102
Diluted	50,064	50,004	51,015	50,020	47,418
Dividends declared per common share	\$ 0.40	\$ 0.38	\$ 0.36	\$ 0.33	\$ 0.31
Stockholders' equity	\$ 442,161	\$ 430,022	\$ 372,194	\$ 349,075	\$ 306,388
Common shares outstanding	48,707	48,367	48,997	48,778	45,998
Stockholders' equity per common shares	\$ 9.08	\$ 8.89	\$ 7.60	\$ 7.16	\$ 6.66
Working capital	\$ 231,660	\$ 242,439	\$ 212,570	\$ 229,542	\$ 224,199
Net operating cash flows from continuing operations	\$ 64,197	\$ 53,720	\$ 100,020	\$ 66,069	\$ 19,242
Current ratio	1.91	1.94	1.94	1.97	2.05
Long-term debt (less current portion)	\$ —	\$ —	\$ —	\$ 942	\$ 36,811
Redeemable cumulative preferred stock	\$ —	\$ —	\$ —	\$ —	\$ 6,400
Total assets	\$ 842,524	\$ 804,306	\$ 712,550	\$ 690,708	\$ 648,091
Trade accounts receivable—net	\$ 321,449	\$ 286,606	\$ 295,334	\$ 336,512	\$ 325,799
Goodwill	\$ 227,447	\$ 188,809	\$ 164,009	\$ 109,292	\$ 105,308
Property, plant and equipment-net	\$ 31,354	\$ 31,988	\$ 35,846	\$ 42,425	\$ 40,149
Capital expenditures	\$ 11,497	\$ 11,621	\$ 7,345	\$ 16,667	\$ 18,327
Depreciation	\$ 13,148	\$ 13,819	\$ 13,870	\$ 13,462	\$ 11,949

*As restated

The president's perspective

Dear Stockholders, Employees and Other Friends of ABM:

Fiscal 2004 was exciting and rewarding for ABM, despite some late developments regarding our workers compensation insurance reserves that I will address below.

Last year at this time, I wrote optimistically about our willingness to embrace change and meet the challenges of an economic downturn, citing our strong performance in the third and fourth quarters.

I'm proud to report that fiscal 2004 results demonstrate our well-founded optimism. Our cash position and revenue and operating profit growth reflect both continued success in facing economic challenges and solid positioning to take advantage of an improving business climate. I credit these achievements largely to our refusal to become defensive and our determination to remain aggressive and innovative in responding to customer needs.

THE YEAR IN REVIEW

Janitorial Services continued its leadership within the ABM family by performing admirably throughout fiscal 2004. The company's business base improved and grew, and recent acquisitions continued to excel. In April Janitorial Services acquired the northeast division of Initial Contract Services, Inc., and in December the business of Colin Service Systems, Inc. These acquisitions strengthened our organization throughout the Northeast and Mid-Atlantic.

As we predicted, an improved economy fueled improvements in Ampco System Parking's performance, and the company had an excellent year. Ampco added a number of prestigious accounts and benefited from the overall increase in cars parked on existing facilities. We expect that Ampco will continue its strong performance.

During fiscal 2004 we began a process to operate ABM Engineering Services, ABM Facility Services and CommAir Mechanical Services under a common management platform—ABM Facility Services. In combination, the

strengths of each will build on one another more effectively. ABM Engineering had a record year, with more than \$200 million in sales and more than \$10 million in profits. Facility Services was profitable, fueled by organic growth, and CommAir, while appearing flat on earnings, improved substantially in the second half of fiscal 2004. We look forward to even greater strides this year.

For American Commercial Security Services (ACSS), which posted improved profits for the fourth consecutive year, fiscal 2004 produced a landmark result: The acquisition of Security Services of America (SSA) in early fiscal 2004 positioned ABM Security Services as one of the largest American-owned security companies. Acquiring Sentinel Guard Systems in November enhanced our operations in Los Angeles and San Francisco. We can now offer a national service infrastructure and pursue business in a way that neither ACSS nor SSA could have independently. This new capability has already resulted in a national contract with the U.S. Postal Service, and we expect it will lead to many more opportunities.

Amtech Lighting Services struggled in fiscal 2004, reflecting lighting retrofit and other one-time work-flow weaknesses. Performance has improved significantly in recent months under the leadership of Amtech's new president, Eric Lazear, and we're confident that another significant turnaround has begun.

INSURANCE RESERVE INCREASES

As reported in the Form 10-K, we increased our self-insurance reserves at October 31, 2004, due to a change in accounting methodology and adverse developments in our workers' compensation claims in California for the four-year claims period ended October 31, 2003. This led to restating our results for prior fiscal years and three quarters ended July 30, 2004, and increasing our beginning reserves by a cumulative amount of \$22.3 million. In 2004 the change in methodology and adverse develop-

...our exceedingly strong positioning is not an end but a platform from which to launch new initiatives.



ment resulted in an additional increase of \$19.3 million. We believe a substantial portion of this increase is related to poor claims management by a third-party administrator. We are committed to resolving the issue.

OUR FAVORABLE POSITIONING

The need to increase insurance reserves did not alter the record revenue and solid income achievement of our operating divisions. At the end of fiscal 2004, ABM again had an exceptional cash surplus that allows us to be opportunistic in executing strategic and tuck-in acquisitions. Moreover, our infrastructure and national service platform enable us, unlike the competition, to accommodate customers seeking national, multi-site or multi-trade solutions. Our platform also helps us better realize economies of scale and synergies, providing tremendous advantages when merging acquisitions into our national structure. Multiple trade competencies and our management's broad-based expertise also differentiate us from our competitors.

Perhaps most important—but unfortunately often taken for granted—is our reputation for integrity as a public company. We have been extremely proactive and have invested heavily in corporate controls in an era when others have been less diligent. We believe that prospective customers, especially other public companies, will feel a keener need to work with firms that demonstrate strong controls and tracking systems together with the capacity and willingness to communicate applicable collected and stored information, such as data and analysis relating to services provided. In these arenas, we are highly accomplished, uncompromising and vigilant.

TRANSITIONS IN SENIOR MANAGEMENT

Early in the year, Executive Vice President Jess “Jay” Benton, chief operating officer from 2000 until March 2004, decided to retire after almost 35 years with ABM. We extend our best wishes to Jay. As part of a planned transition,

Terry Petty was named executive vice president and chief operating officer, effective April 1, 2004. Previously Terry was executive vice president of North American lodging operations for Marriott International.

In December 2004, Donna Dell, senior vice president of human resources and chief employment counsel since 1994, was appointed labor commissioner for the State of California. We wish Donna every success.

CARETAKERS OF THE COMPANY'S CORE VALUES

The key reason for optimism is the more than 73,000 men and women of ABM. At every level they exemplify our core values, provide innovative solutions to customer problems and contribute to our outstanding performance. I also want to thank our customers, stockholders and directors for their appreciation and support.

GROWTH, INNOVATION AS CENTERPIECES OF OUR STRATEGY

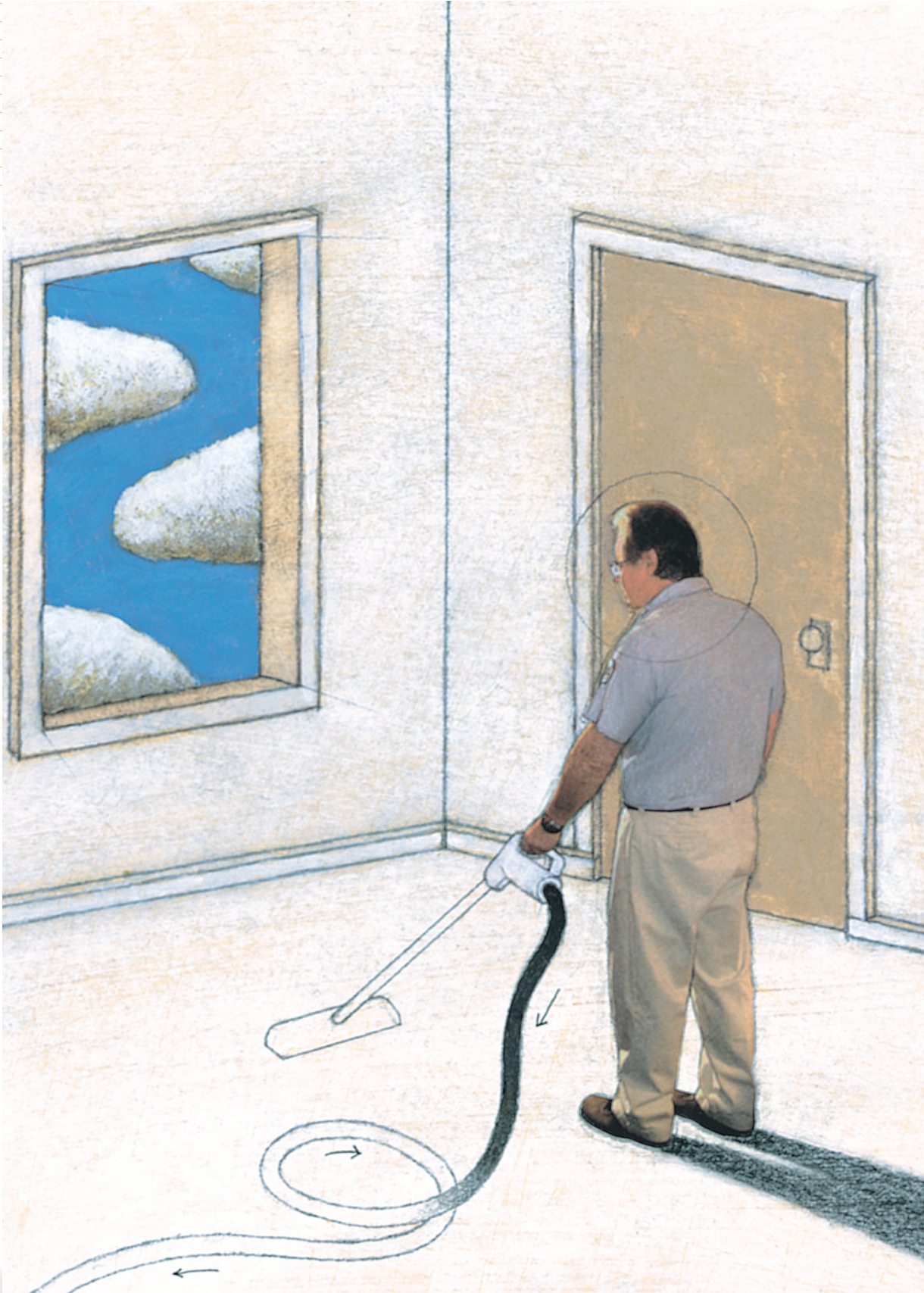
When I envision opportunities in what we hope will be a more receptive economy, I recognize that our exceedingly strong positioning is not an end but a platform from which to launch new initiatives. We intend to strengthen our capabilities for internal organic growth and to continue our aggressive, opportunistic, but always sensible acquisition strategy.

We look ahead with a renewed awareness of the growing complexity of our customers' needs. We've become better listeners and better problem solvers, and we've become more innovative than ever. As a result, I believe all of us can look forward to even greater success.

Sincerely,

A handwritten signature in blue ink, appearing to read "Henrik C. Slipsager". The signature is fluid and cursive.

Henrik C. Slipsager
President and Chief Executive Officer



Operations report

JANITORIAL OUTPERFORMS EXPECTATIONS, EMERGES AS INDUSTRY'S ONLY NATIONAL FULL-SERVICE COMPANY

Financially, ABM Janitorial Services enjoys a major position in the commercial high-rise market, despite high vacancies nationwide.

The company plans to maintain its historic presence in commercial high-rises but will continue expansion into owner-operated facilities, including manufacturing, high-tech and industrial production plants; banks and other financial institutions; telecommunications, pharmaceuticals and research companies.

"This kind of expansion will help balance our market segment saturation and offer opportunities for longer-term contracts," says Jim McClure, company president and ABM Industries executive vice president.

Entry into owner-occupied facilities contributes to the company's transition, begun in 2004, from a service-focused to a customer-focused business.

"This transition recognizes that cleaning isn't a 'one-size-fits-all' type of business," McClure says. "It involves developing specialized services to meet specific needs—for example, clean-room technology for pharmaceuticals, food-service sanitation for the hospitality industry, and computer-room expertise for high-tech companies and communications centers."

The customer-focus transition also involves going beyond basic janitorial services to offer an array of

support staff, such as mailroom personnel, warehouse managers, cafeteria servers and temporary administrative assistants.

"As a result, we can become integrated into our customers' operations," says McClure. "By transcending the cleaning service commodity business, which is how we began and how most of our competitors continue to operate, we can be of far greater value to our customers."

With these changes, ABM Janitorial has emerged as the industry's only national full-service company. The company continues to be in the forefront of a move toward day cleaning. Traditionally, customers have had concerns about noisy interruptions, and both customers and companies have thought the labor force should be invisible to the work force. But ABM Janitorial has addressed these concerns, while demonstrating the significant energy and labor cost savings that result. Janitors use quiet, lightweight battery-operated vacuums, and they are trained to discern when it is appropriate to enter an office.

ABM Janitorial also takes its people-focused mentality into the communities where it operates. Executives are highly visible in a wide variety of organizations, ranging from the Building Owners and Managers and the Industry Facility Managers Associations to college, university and company boards. And personnel at all levels are involved with fund-raising for a wide variety of charitable health organizations.

Jim McClure, president, ABM Janitorial



A pessimist sees the difficulty in every opportunity;
an optimist sees the opportunity in every
difficulty. Sir Winston Churchill, British prime minister

PARKING'S PERFORMANCE PICKS UP; COMPANY CONTINUES TO ENHANCE ITS SOPHISTICATED CASH ACCOUNTABILITY SYSTEMS

As the economy improved, so did Ampco System Parking's performance. Airport traffic grew. More people were hired to work in office buildings, which represent the bulk of Ampco's business, as well as in hotels and medical facilities. The company also made strides in providing services for hospitals, casinos and golf tournaments.

"Our acquisition in June 2000 of Seattle-based Silver Cloud did wonders in these areas," says Tom Barnett, parking company president.

The company continues to win contracts with airports—both large and small. In 2004, it started contracts with the Minneapolis–St. Paul International and Colorado Springs airports and renewed contracts at Eppley Airfield in Omaha, Nebraska, and Austin International Airport in Texas. As a result of its success in contracting, Ampco now provides services at nine of the 25 largest airports in the United States—more than any of its competitors.

More than 1 million customers park at Ampco's locations daily, and the company collects nearly \$1 billion in receipts annually on behalf of its clients.

Ampco recognizes financial accountability as a key differentiator in the marketplace. It developed and uses proprietary software, SCORE (simplified computer on-site revenue entry), to provide fast and accurate report-

ing and to minimize opportunities for theft.

To further address the ongoing need for timely collection and use of financial and statistical information, in 2004 Ampco began to research a business intelligence platform that will incorporate a wide variety of tools from many vendors and include a warehouse with data from many disparate bases residing on a variety of systems.

In September 2004, ABM's Electronic Services department received Information Weeks' prestigious Innovation Award, for delivering the best business technology strategies to its clients, and it is applying those techniques to Ampco's platform.

"Frequently, potential customers think all parking operations—from the ability of attendants to the operating management—are the same," says Barnett. "Consequently, they gravitate to the lowest-price contractor. We're trying to change that perception by demonstrating how much more we can offer."

THREE UNITS MERGE TO OFFER COMPREHENSIVE SERVICE PLATFORM

On January 1, 2005, ABM Facility Services, ABM Engineering, and CommAir Mechanical Services were reorganized into a single operation—ABM Facility Services—with Steven Zaccagnini, senior vice president of ABM Industries, as president.

During 2004, leadership from the three entities began

Tom Barnett, president, Ampco Parking





SHUTTLEBUS ACCIDENT RATE PLUMMETS WITH PROACTIVE TRAINING PROGRAM

In 2004 Ampco System Parking finished installing its DriveCam hardware, concurrent with implementing a shuttle-driver training program. The outcome was an immediate improvement in driving behavior and a dramatic 56 percent cut in accidents within a year.

Each of ABM's 400-plus shuttles is now equipped with a real-time digital video camera that continuously monitors and records erratic or dangerous driving. Rapid acceleration, hard braking or sudden turns trigger the camera to capture the ten seconds before and after the "trigger behavior." This 20-second "digital video event," saved for supervisor retrieval, is an excellent training tool. It has also proved to be invaluable for liability purposes, providing far more reliable documentation than eyewitness accounts.

"Moreover, if a disturbance or other trouble breaks out, drivers can manually operate a panic button," says Tom Merlino, Ampco Parking safety director. "This is very reassuring to them—and to their co-workers and families."

Clients praise DriveCam as well. For example, David Martinez at the Denver International Airport (DIA) says: "My reputation as an airport compliance administrator overseeing a complex transportation contract depends on the safety and service of our vendor. Since Ampco initiated Drivecam at DIA, driver behavior has improved, our patrons are receiving a comfortable ride and traffic-related collisions are well-documented. This safety program definitely serves to protect the mutual interests of the airport, our vendor and the public we serve."



Businesses planned for **service** are apt to succeed; businesses planned for profit are apt to fail. Nicholas Murray Butler, American educator

integration. Under a national facility maintenance contract, Facility Services is coordinating the efforts of Engineering and CommAir and other service partners to deliver single-source solutions.

The ability to bundle services and provide a variety of maintenance programs positions the company to better serve customers with unique maintenance needs.

“The combined entity leverages our operational strengths to deliver customer solutions more efficiently than when the units operated independently,” says Todd Richardson, national sales vice president for ABM Facility Services. “It differentiates our product from most of the competition, which cannot deliver a diverse maintenance platform like ours. Now our entire sales force can focus on right-fit services from a more comprehensive palette of resources.”

Further differentiating itself from competitors, Facility Services will continue to expand its client-focused model in addition to its national network of area managers.

“Our process begins with account managers who can add value to clients with broad facility needs,” says Zaccagnini. “The culture of our managers is all about service and communication. They are always available. They understand how to balance client and company needs. They know how to leverage our resources to meet our clients’ maintenance objectives, which builds healthy long-term business partnerships.”

Adds Senior Vice President Wes Marquis: “To drive the client management process, we continue to invest in superb technical and administrative support. We have all the elements to prevent committing the classic error of over-promising and under-delivering.”

ABM Engineering had a record year in 2004, resulting from continued organic growth complemented by expansions in owner-occupied facilities. It continued to attract prestigious accounts, notably Renaissance Parc 55 Hotel in San Francisco and Cedars-Sinai Medical Center in Los Angeles, and it renewed contracts with the U.S. General Services Administration and the U.S. Postal Service.

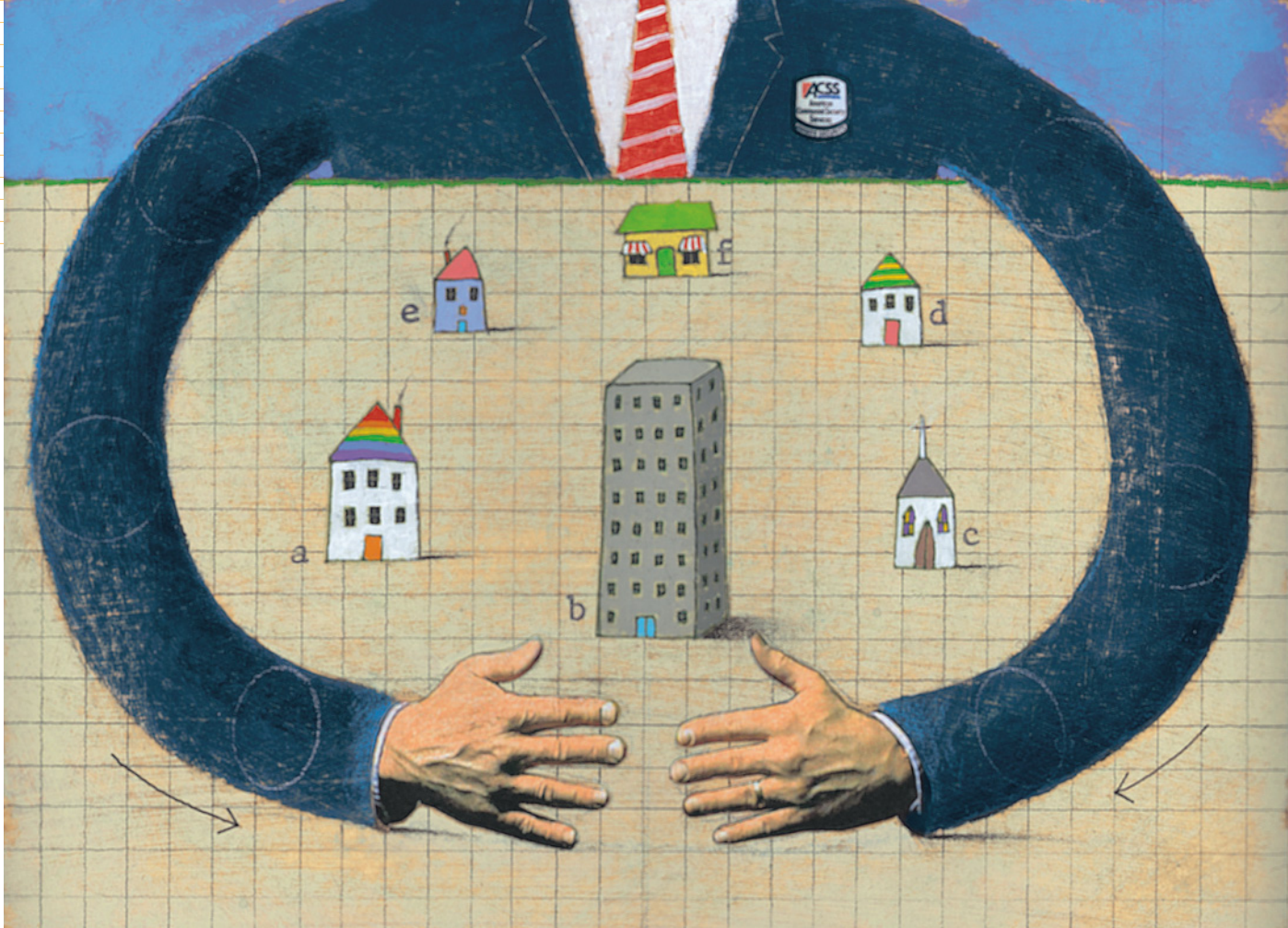
“It’s not surprising that premier companies gravitate to a premier service provider,” says Jim Scranton, president of ABM Engineering.

Last year the company developed a sales effort to deliver a distinctive combination of right-fit on-site maintenance labor, supplemented by mobile heating, ventilation and air conditioning services, to accommodate small to mid-sized commercial properties that can’t afford stationary engineering solutions. It also signed contracts with clients who retain payroll functions of their in-house maintenance personnel but leverage ABM’s resources and technology under a consulting structure.

ABM Facility Services had an outstanding year, with significant increases in sales and net income. The addition of talented sales and operating staff and a focused busi-

Steve Zaccagnini, president, Facility Services





to serve the community.

The success in attracting major contracts—and keeping them—stems from the company’s structure, says Moore. “Management depth sets our company apart. We never sacrifice the number of supervisors or managers for profit. We’re constantly in front of our customers, so we can regularly stay up to date regarding their needs and accumulate feedback about our performance. We’re acutely aware that their environment is constantly chang-

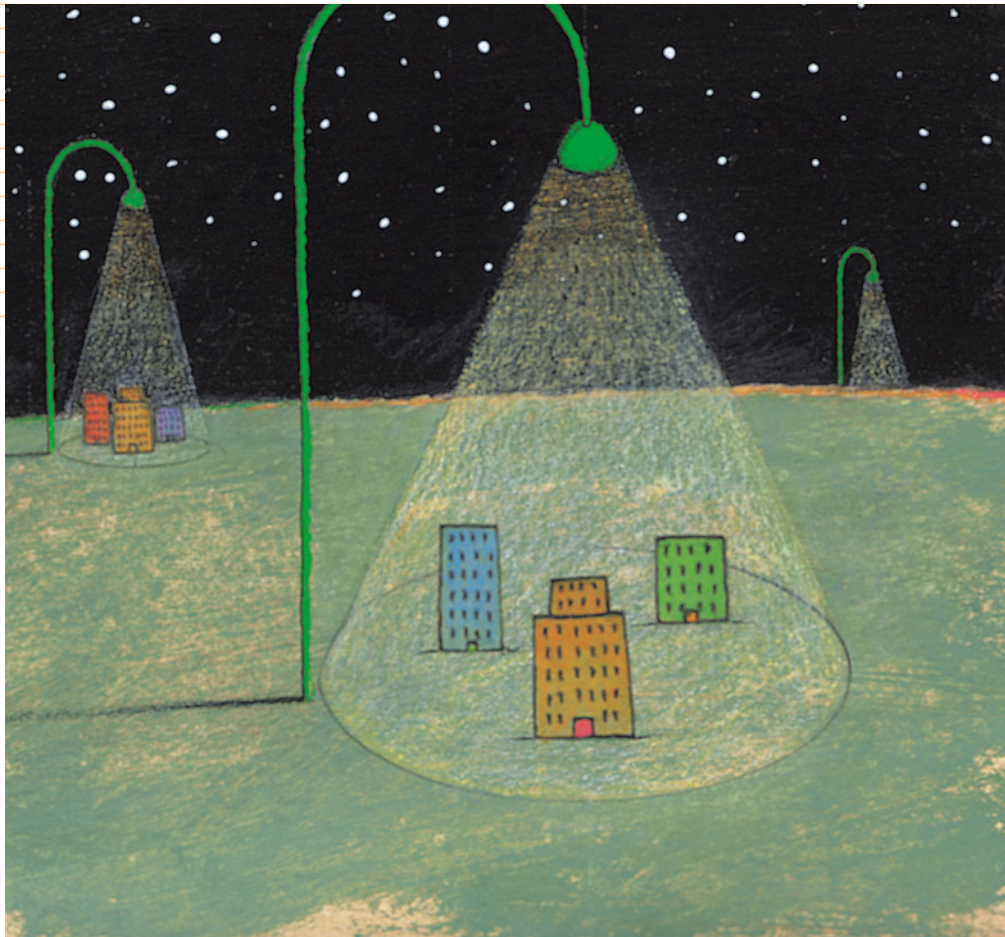
ing, and that our competitive superiority depends on our ability to change with them.”

The company goes well beyond simply providing top-of-the-line security officers by supplying the most advanced technical support as well as ongoing counsel in areas such as emergency preparedness.

“Our ‘package’ is broad, sophisticated and flexible, which ensures our reputation as a top-tier contractor,” Moore says.

John Moore, president, American Commercial Security





INTERNAL CERTIFICATION PROGRAM AN INDUSTRY FIRST

Amtech Lighting was the first in the industry to implement an Internal Certification Program to protect the safety of its employees. This proprietary program was designed by the company's safety staff. It begins as soon as employees are hired because, as Amtech Safety Director Fred Norton says, "Most major workplace injuries occur within the first three months of employment."

Following in-house training and evaluation, new hires receive color-coded badges with icons certifying that they are qualified for one of five successively more advanced classifications.

With its certification program, Amtech has built safety training into the education path of every employee—from the people who change light bulbs to senior electricians who perform major electrical repairs.

One obvious benefit is that training is consistent throughout the lighting organization. Another is that supervisors can instantly identify the qualifications of field technicians, rather than having to review their histories, and assign work accordingly.

Since its inception, the program has improved accountability and reduced the number and severity of injuries. For 2003, the total recordable case injury rate was well below the Bureau of Labor Statistics rate for its industry code. The company's goal is to enter OSHA's Voluntary Protection Program, which will identify Amtech's program as exceeding regulatory requirements.

"If we obtain this certification," says Norton, "we will unquestionably have the industry's premier safety program."

Goodwill is the only asset that competition

cannot undersell or destroy. Marshall Field, department store founder

LIGHTING TAKES BOLD STEPS TO REVITALIZE, EMPHASIZES UNIQUENESS AS NATIONAL COMPANY WITH LOCAL AND REGIONAL PRESENCES

Amtech Lighting experienced a difficult year, with declines in projects such as lighting retrofitting. But internal revitalization is already evident, spearheaded by the company's new president, Eric Lazear, appointed in May 2004. (Lazear had been president of Amtech Elevator Services before ABM sold it to Otis Elevator Company.)

Moving forward, Amtech plans to diversify, embarking on a major sales effort to attract local and regional accounts—those with from one to six buildings in strip malls or shopping centers, as well as commercial office areas and warehouse districts.

The move toward diversification capitalizes on Amtech Lighting's strengths:

➤ Amtech is the only national lighting company with a local and regional presence. "Customers tell us that our national footprint and corporate presence, combined with our network of skilled technicians in every market, clearly differentiates us," Lazear says.

➤ Amtech is expert in providing high-quality lighting products that increase efficiency and save money. For example, it signed contracts with the cities of Dallas and Arlington, Texas, to replace incandescent traffic lamps with energy-efficient light-emitting diode units. Amtech's lighting program will reduce the energy cost to operate traffic

signals by 85 to 90 percent.

➤ The lighting company uses the Web-based Amtech Information Manager, which allows customers to view all aspects of their accounts in real time. "Customers say they love our technology," Lazear says.

➤ Amtech Lighting, like its sister companies, believes in building personal relationships in their communities. Customers say they feel comfortable when they see their technicians coaching Little League, working out at the gym or contributing their time to parent-teacher associations.

CULTIVATING EMPLOYEE COMMITMENT, SURPASSING COMPARABLE COMPANIES BY REQUIRING HUMAN RESOURCES CERTIFICATION

ABM has learned that employee loyalty leads to longevity and leadership, so the company makes significant investments in programs to benefit its more than 73,000 employees. It offers a range of health-care options to many of its employees. It also offers a far-reaching employee assistance program to help with financial and family issues as well as with the increased "fear factor" triggered by the war and threat of terrorism.

Unique in its industry, ABM offers all employees a stock purchase plan. Employees say this enhances not only their long-term financial security but their commitment to one another and to the company. They say that participation in the plan makes them feel like an inte-

Eric Lazear, president, Amtech Lighting



The supreme quality for leadership is unquestionably **integrity**. Without it, no real success is possible... whether it is on a section gang, a football field, in an army or in an office. — President Dwight David Eisenhower

gral part of the company's accomplishments and instills a sense of pride.

ABM continually finds new ways to ensure that all facets of the human resources (HR) function operate optimally. Historically, supervisors asked their assistants to take on HR responsibilities, such as processing job applications, administering benefit claims and responding to employee inquiries. But that practice is no longer viable. The field has grown tremendously in scope and complexity. It's also fraught with legal pitfalls, and ill-prepared companies have fallen into them.

Moreover, legal regulations in the 46 states in which the company operates vary. Screening requirements, for example, range from minimal to stringent. Consequently, the company does its own screening, which narrows the field for new hires but results in the highest-caliber staff. Customers have said that the company's exacting standards were a prime reason they wanted to engage ABM's services.

To further refine professional standards for HR representatives, the company instituted a mandatory four-level certification program. Only those employees who pass the review tests can use titles involving "personnel" or "human resource" and handle HR responsibilities, even part time. This ensures that only qualified people work on HR matters—and they know and follow the law.

By the end of 2004, every HR representative nationwide had completed at least one level of certification;

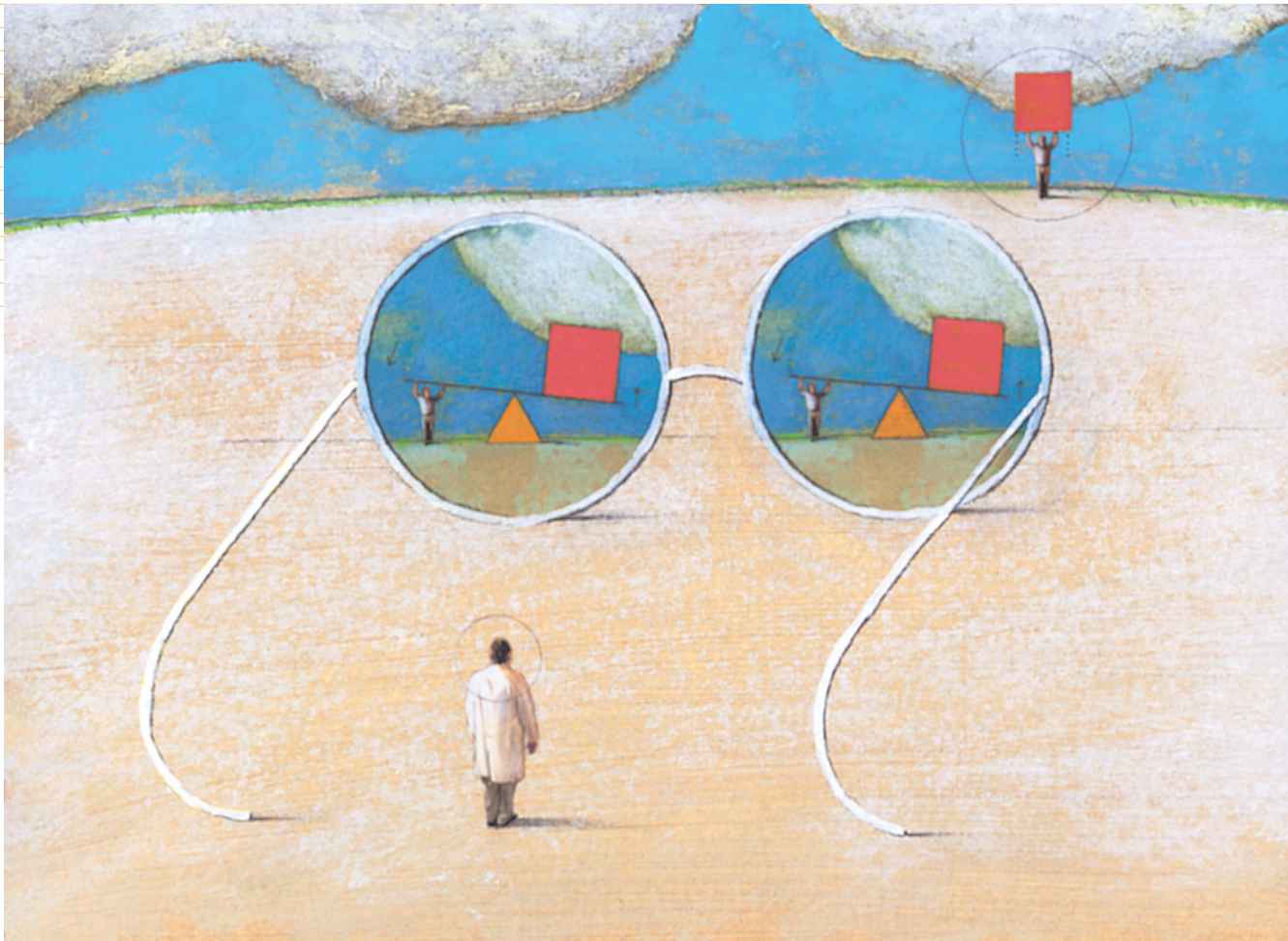
more than half had completed the more advanced levels II and III. ABM doesn't know of any other HR organization in a comparable company that can make that claim.

SAFETY PHILOSOPHY, PROGRAMS INSTILL CONFIDENCE

"ABM Janitorial Services' safety program uses a more strategic approach that focuses on specific issues affecting the customer," says Jerry Thom, delivery manager at Hewlett Packard's 1.1 million-square-foot manufacturing plant in San Diego, Calif. "The diverse work requirements ABM handles here represent a greater potential for safety problems for ABM employees. Their program requires regular inspection and monitoring of the tasks they perform to maintain safety and efficiency. We are happy to be working partners with a company that places so much emphasis on creating a safe working environment not only for their employees, but for ours as well."

"ABM is breaking new ground with their Job Function Evaluations Program," says John Ingram, vice president of ESIS, the risk-management consulting firm that helped craft the program. "ABM is one of the few companies that has requested such a broad, detailed multifaceted process for ensuring that employees are truly recovered from their injuries and can safely return to work. This will be reassuring to all parties—doctors and their patients as well as to ABM and its customers."

With such testimonials, Scott Robinson, vice president of Safety Services, feels he is achieving a fundamental



goal—what he characterizes as “winning the hearts and minds of employees, managers and customers and becoming the contractor of choice for safety.”

It’s not any one program that necessarily captures the value that the company places on safety as a core business practice but an overall attitude that safety is essential to ABM’s success—a conviction embraced by everyone from senior managers to the engineering crews who provide the company’s services.

“This gives customers confidence that our success will accrue to their success,” Robinson says.

In 2004 ABM concentrated on improving accident-prevention efforts. It also remained focused on developing products and services that add value to the company’s operations and, in turn, to its customers—notably, Drive-Cam for the parking company (see page 7), the Internal Certification Program for the lighting company (see page 12) and the Job Function Evaluation Program, which ABM plans to introduce this year to all its companies. At the heart of the Job Function Evaluation Program is a set of video clips that illustrate how employees can safely perform customary jobs, such as mopping and lifting.

Scott Robinson, vice president, Safety Services



In business, words are words, explanations are explanations, promises are promises—but only **performance** is reality. Harold S. Geneen, former Chairman, IT&T

“We anticipate that the job evaluations will help employees and physicians alike feel more confident about what course of action to follow after an injury occurs,” says Delia Chi, corporate safety coordinator. “They will serve as invaluable return-to-work tools for physicians, and they can also be used for training, to prevent accidents.”

In 2004 ABM began a relationship with a new vendor to track what everyone is buying, from gloves to glasses; created its own interactive Web site to deliver Safety Services’ products to the field more easily; and gave more than 100 briefings, covering everything from asbestos to SARS, in English and Spanish.

“I don’t believe any of our competitors have the depth of our management resources,” says Robinson. “With our staff’s cumulative experience, we have an amazing ability to review and respond to issues and to solve virtually any kind of problem.”

For 2005, Robinson’s group will continue efforts to maintain the downward trend in accident rates by working collaboratively with ABM’s risk-management department, its loss-control consultants and the various companies’ safety representatives.

NEW NETWORK TOPOGRAPHY TO IMPROVE COMMUNICATION AND SERVICE, CUT COSTS

Following an 18-month examination, ABM’s Electronic Services department decided to move all voice, data and

video traffic onto a single meshed network (AT&T) with a single phone system for the company’s largest offices. Called Voice Over IP (VOIP), this network topography will improve service and provide a state-of-the-art Cisco-based system, managed by IBM.

When implemented in 2005, ABM will be able to transfer calls to any office on the network and centralize its answering system so that calls not answered in one of ABM’s major offices will automatically flip to another rather than to a machine.

The system will also enable personnel who travel to log into a phone in remote offices for both incoming and outgoing calls. As a result, personnel can be totally connected to their offices and clients.

ABM expects to realize savings from centralizing the night-time answering service, reducing downtime and support efforts locally and making it possible for ABM to pay a single invoice each month for these services as opposed to the hundreds being processed today. In addition, the company’s “video readiness” will expand to all sites, cutting travel and associated costs for face-to-face meetings.

“We join a prestigious group of Fortune 500 companies who are already using or in the process of implementing VOIP,” says Anthony Lackey, vice president and chief technology officer.

Anthony Lackey, vice president, Electronic Services



Financial report

CONSOLIDATED BALANCE SHEETS

October 31	2004	2003*
In thousands, except share data		
Assets		
Cash and cash equivalents	\$ 63,369	\$110,947
Trade accounts receivable (less allowances of \$8,372 and \$6,089)	321,449	286,606
Inventories	22,260	21,419
Deferred income taxes	40,918	36,121
Prepaid expenses and other current assets	38,092	44,037
Total current assets	<u>486,088</u>	499,130
Investments and long-term receivables	7,359	11,459
Property, plant and equipment (less accumulated depreciation of \$80,296 and \$74,754)	31,354	31,988
Goodwill (less accumulated amortization of \$69,386)	227,447	188,809
Other intangibles (less accumulated amortization of \$7,988 and \$4,845)	22,290	15,849
Deferred income taxes	48,802	41,337
Other assets	19,184	15,734
Total assets	<u>\$842,524</u>	\$804,306
Liabilities		
Trade accounts payable	\$ 45,235	\$ 38,143
Income taxes payable	10,065	36,658
Accrued liabilities:		
Compensation	64,826	61,691
Taxes—other than income	18,366	15,297
Insurance claims	66,262	55,499
Other	49,674	49,403
Total current liabilities	<u>254,428</u>	256,691
Retirement plans	25,658	24,175
Insurance claims	120,277	93,418
Total liabilities	<u>400,363</u>	374,284
Stockholders' equity		
Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 52,707,000 and 51,767,000 shares issued at October 31, 2004 and 2003, respectively	527	518
Additional paid-in capital	178,543	166,497
Accumulated other comprehensive loss	(108)	(268)
Retained earnings	328,258	317,261
Cost of treasury stock (4,000,000 and 3,400,000 shares at October 31, 2004 and October 31, 2003, respectively)	(65,059)	(53,986)
Total stockholders' equity	<u>442,161</u>	430,022
Total liabilities and stockholders' equity	<u>\$842,524</u>	\$804,306

*As restated

CONSOLIDATED STATEMENTS OF INCOME (Condensed)

Years ended October 31 In thousands, except per share data	2004	2003*	2002*
Revenues			
Sales and other income	\$2,416,223	\$2,262,476	\$2,068,058
Gain on insurance claim	—	—	10,025
	<u>2,416,223</u>	<u>2,262,476</u>	<u>2,078,083</u>
Expenses			
Operating expenses and cost of goods sold	2,187,659	2,035,982	1,858,356
Selling, general and administrative	176,667	170,125	156,257
Interest	1,016	758	1,052
Intangible amortization	4,519	2,044	1,085
	<u>2,369,861</u>	<u>2,208,909</u>	<u>2,016,750</u>
Income from continuing operations before income taxes	46,362	53,567	61,333
Income taxes	15,889	17,943	19,649
Income from continuing operations	30,473	35,624	41,684
Income from discontinued operation, net of income taxes	—	2,560	2,670
Gain on sale of discontinued operation, net of income taxes	—	52,736	—
Net income	<u>\$ 30,473</u>	<u>\$ 90,920</u>	<u>\$ 44,354</u>
Net income per common share — Diluted			
Income from continuing operations	\$ 0.61	\$ 0.71	\$ 0.82
Income from discontinued operation	—	0.05	0.05
Gain on sale of discontinued operation	—	1.06	—
	<u>\$ 0.61</u>	<u>\$ 1.82</u>	<u>\$ 0.87</u>

*As restated

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (Condensed)

In thousands	Common Stock Shares	Common Stock Amount	Treasury Stock Shares	Treasury Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance November 1, 2001*	48,778	\$488	—	\$ —	\$130,998	\$(763)	\$218,352	\$349,075
Net income*	—	—	—	—	—	—	44,354	44,354
Foreign currency translation	—	—	—	—	—	(26)	—	(26)
Dividends:								
Common stock	—	—	—	—	—	—	(17,730)	(17,730)
Stock purchases	—	—	(1,400)	(23,632)	—	—	—	(23,632)
Stock issued	1,619	16	—	—	20,137	—	—	20,153
Balance October 31, 2002*	50,397	\$504	(1,400)	\$(23,632)	\$151,135	\$(789)	\$244,976	\$372,194
Net income*	—	—	—	—	—	—	90,920	90,920
Foreign currency translation	—	—	—	—	—	521	—	521
Dividends:								
Common stock	—	—	—	—	—	—	(18,635)	(18,635)
Stock purchases	—	—	(2,000)	(30,354)	—	—	—	(30,354)
Stock issued	1,370	14	—	—	15,362	—	—	15,376
Balance October 31, 2003*	51,767	\$518	(3,400)	\$(53,986)	\$166,497	\$(268)	\$317,261	\$430,022
Net income*	—	—	—	—	—	—	30,473	30,473
Foreign currency translation	—	—	—	—	—	160	—	160
Dividends:								
Common stock	—	—	—	—	—	—	(19,476)	(19,476)
Stock purchases	—	—	(600)	(11,073)	—	—	—	(11,073)
Stock issued	940	9	—	—	12,046	—	—	12,055
Balance October 31, 2004	<u>52,707</u>	<u>\$527</u>	<u>(4,000)</u>	<u>\$(65,059)</u>	<u>\$178,543</u>	<u>\$(108)</u>	<u>\$328,258</u>	<u>\$442,161</u>

*As restated

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31 In thousands	2004	2003*	2002*
Cash flows from operating activities:			
Net income	\$ 30,473	\$ 90,920	\$ 44,354
Less income from discontinued operation	—	(55,296)	(2,670)
Income from continuing operations	<u>30,473</u>	<u>35,624</u>	<u>41,684</u>
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:			
Depreciation and intangible amortization	17,667	15,863	14,955
Provision for bad debts	4,641	6,544	11,681
Gain on sale of assets	(226)	(66)	(236)
Increase in deferred income taxes	(12,262)	(5,768)	(2,640)
(Increase) decrease in trade accounts receivable	(37,728)	2,225	30,782
(Increase) decrease in inventories	(229)	3,081	(4,214)
Decrease (increase) in prepaid expenses and other current assets	6,581	(3,105)	3,073
Increase in other assets	(3,074)	(5,940)	(3,445)
Increase (decrease) in income taxes payable	5,935	(769)	590
Increase in retirement plans accrual	1,483	384	2,308
Increase in insurance claims liability	37,622	9,674	7,841
Increase (decrease) in trade accounts payable and other accrued liabilities	<u>13,314</u>	<u>(4,027)</u>	<u>(2,359)</u>
Total adjustments to net income	<u>33,724</u>	<u>18,096</u>	<u>58,336</u>
Net cash flows from continuing operating activities	<u>64,197</u>	<u>53,720</u>	<u>100,020</u>
Net operational cash flows from discontinued operation	<u>(30,507)</u>	<u>6,422</u>	<u>10,899</u>
Net cash provided by operating activities	<u>\$ 33,690</u>	<u>\$ 60,142</u>	<u>\$ 110,919</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(11,497)	(11,621)	(7,345)
Proceeds from sale of assets	796	2,451	1,692
Decrease (increase) in investments and long-term receivables	4,100	3,493	(1,081)
Purchase of businesses	(54,152)	(40,574)	(52,448)
Proceeds from sale of business	—	112,400	—
Net investing cash flows from discontinued operation	—	(95)	(136)
Net cash (used in) provided by investing activities	<u>(60,753)</u>	<u>66,054</u>	<u>(59,318)</u>
Cash flows from financing activities:			
Common stock issued	10,034	14,324	17,955
Common stock purchases	(11,073)	(30,354)	(23,632)
Dividends paid	(19,476)	(18,635)	(17,730)
Repayments of long-term borrowings	—	—	(11,819)
Net cash used in financing activities	<u>(20,515)</u>	<u>(34,665)</u>	<u>(35,226)</u>
Net (decrease) increase in cash and cash equivalents	<u>(47,578)</u>	<u>91,531</u>	<u>16,375</u>
Cash and cash equivalents beginning of year	<u>110,947</u>	<u>19,416</u>	<u>3,041</u>
Cash and cash equivalents end of year	<u>\$ 63,369</u>	<u>\$ 110,947</u>	<u>\$ 19,416</u>
Supplemental data:			
Cash paid for income taxes	\$ 52,723	\$ 24,570	\$ 21,699
Non-cash investing activities:			
Common stock issued for net assets of business acquired	\$ —	\$ —	\$ 1,371

*As restated

SEGMENT INFORMATION (Condensed)

In thousands	Janitorial	Parking	Security	Engineering	Lighting	Other	Corporate	Assets held for sale	Consolidated Totals
Year ended October 31, 2004									
Sales and other income	\$ 1,442,901	\$ 384,547	\$ 224,715	\$ 200,771	\$ 112,074	\$ 49,459	\$ 1,756	\$ —	\$ 2,416,223
Operating profit	\$ 60,574	\$ 9,514	\$ 9,002	\$ 11,976	\$ 2,822	\$ 1,486	\$ (47,996)	\$ —	\$ 47,378
Interest expense	—	—	—	—	—	—	(1,016)	—	(1,016)
Income from continuing operations before income taxes	\$ 60,574	\$ 9,514	\$ 9,002	\$ 11,976	\$ 2,822	\$ 1,486	\$ (49,012)	\$ —	\$ 46,362
Identifiable assets	\$ 383,566	\$ 78,548	\$ 90,627	\$ 38,159	\$ 85,411	\$ 14,997	\$ 151,216	\$ —	\$ 842,524
Year ended October 31, 2003*									
Sales and other income	\$ 1,368,282	\$ 380,576	\$ 159,670	\$ 180,230	\$ 127,539	\$ 45,394	\$ 785	\$ —	\$ 2,262,476
Operating profit	\$ 53,899	\$ 6,238	\$ 6,485	\$ 9,925	\$ 5,646	\$ 1,337	\$ (29,205)	\$ —	\$ 54,325
Interest expense	—	—	—	—	—	—	(758)	—	(758)
Income from continuing operations before income taxes	\$ 53,899	\$ 6,238	\$ 6,485	\$ 9,925	\$ 5,646	\$ 1,337	\$ (29,963)	\$ —	\$ 53,567
Identifiable assets	\$ 363,004	\$ 78,185	\$ 35,828	\$ 35,728	\$ 80,211	\$ 13,909	\$ 197,441	\$ —	\$ 804,306
Year ended October 31, 2002*									
Sales and other income	\$ 1,197,035	\$ 363,511	\$ 140,569	\$ 173,561	\$ 130,858	\$ 61,963	\$ 561	\$ —	\$ 2,068,058
Gain on insurance claim	—	—	—	—	—	—	10,025	—	10,025
Total revenues	\$ 1,197,035	\$ 363,511	\$ 140,569	\$ 173,561	\$ 130,858	\$ 61,963	\$ 10,586	\$ —	\$ 2,078,083
Operating profit	\$ 51,837	\$ 6,948	\$ 5,639	\$ 10,033	\$ 8,261	\$ (1,190)	\$ (29,168)	\$ —	\$ 52,360
Gain on insurance claim	—	—	—	—	—	—	10,025	—	10,025
Interest expense	—	—	—	—	—	—	(1,052)	—	(1,052)
Income from continuing operations before income taxes	\$ 51,837	\$ 6,948	\$ 5,639	\$ 10,033	\$ 8,261	\$ (1,190)	\$ (20,195)	\$ —	\$ 61,333
Identifiable assets	\$ 335,114	\$ 80,889	\$ 31,295	\$ 32,435	\$ 82,197	\$ 15,080	\$ 103,404	\$ 32,136	\$ 712,550

*As restated

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors
ABM Industries Incorporated

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of ABM Industries Incorporated (the Company) as of October 31, 2004 and 2003, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended October 31, 2004. In our report dated January 14, 2005, we expressed an unqualified opinion on those consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

As discussed in Note 2 of the consolidated financial statements included in the 2004 annual report on Form 10-K filed by the Company with the Securities and Exchange Commission, the consolidated balance sheet as of October 31, 2003, and the related consolidated statements of income, stockholders' equity, comprehensive income, and cash flows for each of the years in the two-year period ended October 31, 2003 have been restated.

KPMG LLP

San Francisco, California
January 14, 2005

Factors That May Affect Future Results

This Annual Report contains some forward-looking statements that set forth anticipated results based on management's plans and assumptions. While it is not possible to predict all factors that could cause the Company's actual results to differ materially from past results or those anticipated, estimated or projected, the risks and uncertainties include the following: (1) A decline in commercial office building occupancy and rental rates that affects sales and profitability; (2) an increase in costs that the Company cannot pass on to customers; (3) the financial difficulties or bankruptcy of one or more of the Company's major customers could adversely affect results; (4) major collective bargaining disputes that lead to the loss of sales or expense increases; (5) strong competitive pressures that inhibit the Company's success in bidding for profitable business and its ability to increase prices even as costs rise, thereby reducing margins; (6) difficulty in preserving long-term relationships with customers; (7) weakness in airline travel and the hospitality industry that adversely impacts the Company's Parking results; (8) a continued slowdown in capital investments by customers that negatively affects the projected sales of the Lighting and Mechanical segments; (9) acquisition activity slows or is unsuccessful; (10) an increase in the Company's accounting and other control costs; (11) a change in the frequency or severity of claims against the Company, a deterioration in claims management, or the cancellation or nonrenewal of the Company's primary insurance policies could adversely affect results; and (12) resignation, termination, death or disability of one or more of the Company's key executives. These and other risks and uncertainties are described more fully in the Company's Annual Report on Form 10-K for the year ended October 31, 2004. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Investors are advised to consult the Company's Annual Report on Form 10-K and any future disclosures the Company makes on related subjects in its Form 10-Q and Form 8-K reports to the Securities and Exchange Commission.

Board of Directors

Martinn H. Mandles (a)
Chairman of the Board

Linda L. Chavez (b, d)
President
Center for Equal Opportunity

Luke S. Helms (c, d)
Managing Partner
Sonata Capital Management

Maryellen C. Herring, Esq. (a, b, c)
Attorney at Law, and former Executive
Vice President & General Counsel,
APL Ltd.

Charles T. Horngren (c)
Edmund W. Littlefield Professor
of Accounting, Emeritus
Stanford Business School

Henry L. Kotkins, Jr. (b, d)
Chairman and Chief Executive Officer
Skyway Luggage Company

Theodore T. Rosenberg (a)
Former Chairman of the Board

Henrik C. Slipsager (a)
President and Chief Executive Officer

William W. Steele (a)
Former President and
Chief Executive Officer

Officers

Henrik C. Slipsager (a)
President and Chief Executive Officer

W. T. (Terry) Petty
Executive Vice President and
Chief Operating Officer

James P. McClure
Executive Vice President and
President, Janitorial Services

George B. Sundby
Executive Vice President and
Chief Financial Officer

Linda S. Auwers
Senior Vice President, General Counsel
and Secretary

Gary R. Wallace
Senior Vice President, Business Develop-
ment and Chief Marketing Officer

Steven M. Zaccagnini
Senior Vice President and
President, ABM Facility Services and
CommAir Mechanical Services

Christopher B. Bouvier
Vice President and
Deputy General Counsel

Maria De Martini
Vice President, Controller and
Chief Accounting Officer

David L. Farwell
Vice President and Treasurer

Don Hroch
Vice President, Risk Management

Catherine A. Johnson
Vice President, Internal Audit

Anthony D. Lackey
Vice President, Electronic Services and
Chief Technology Officer

Scott T. Robinson
Vice President, Safety Services

Eleonora C. Walsh
Vice President, Administrative Services

Special notices

Listing
New York Stock Exchange

Ticker Symbol
ABM

Registrar and Transfer Agent
Mellon Investor Services LLC
235 Montgomery Street, 23rd Floor
San Francisco, CA 94104

Auditors
KPMG LLP
55 Second Street, Suite 1400
San Francisco, CA 94105

10-K Report
Additional copies available to stock-
holders at no charge upon request to:
ABM Corporate Communications
Post Office Box 193224
San Francisco, CA 94119
or at www.abm.com

Stockholders
As of December 31, 2004, there were
4,008 registered holders of the Com-
pany's Common Stock, in addition
to stockholders in street name.

Annual Meeting
The Annual Meeting of Stockholders
of ABM Industries Incorporated will be
held on Tuesday, March 8, 2005, at
10:00 a.m. in the Union Square Room,
Omni Hotel, 500 California Street, San
Francisco, California 94104.

Dividends
The Company has paid quarterly cash
dividends on its Common Stock without
interruption since 1965. The Board of
Directors considers the payment of cash
dividends on a quarterly basis, subject
to the Company's earnings, financial
condition and other factors.

- (a) Executive Committee
- (b) Compensation Committee
- (c) Audit Committee
- (d) Governance Committee

Problems are only opportunities

in work clothes. Henry J. Kaiser, American industrialist



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www.abm.com

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San Francisco, CA 94111
Telephone: (415) 733-4000
Facsimile: (415) 733-5123

Founded
San Francisco 1909

Business
Facility Services

Subsidiary Businesses
ABM Janitorial Service Companies
Ampco System Parking
ABM Facility Services
American Commercial Security
Services (ACSS)
Amtech Lighting Services
ABM Engineering Services
CommAir Mechanical Services

Branch Offices
Over 240

Employees
Approximately 73,000

