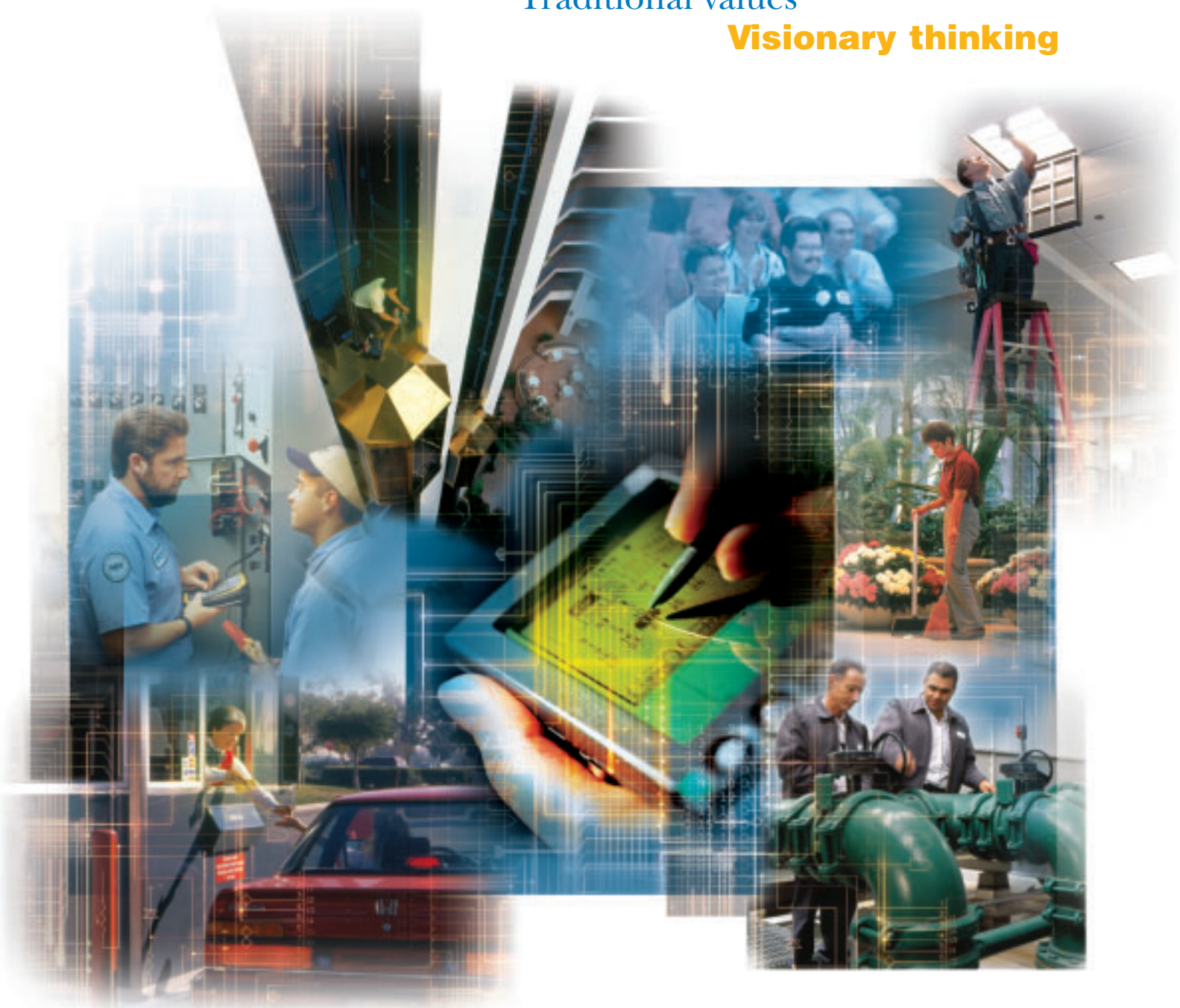


Traditional values

Visionary thinking



ABM in Brief

ABM Industries Incorporated (ABM) dates to 1909, when Morris Rosenberg invested \$4.50 in a bucket, sponge, mop, broom and brush. He called on proprietors of shops along Fillmore Street in San Francisco, offering to wash windows for whatever they were willing to pay. On his first day, he recovered his initial investment and made almost \$3.50 in profit. In time, the verbal agreements between Rosenberg and the shopkeepers for regular window washing services evolved into ABM as we know it today.

Within a few years, Rosenberg's business expanded to buildings throughout downtown San Francisco. To reflect this expansion, and the addition of a full range of janitorial services, Rosenberg changed the company's name in 1913 to American Building Maintenance Company.

In 1935 his sons, Sydney and Theodore, inherited the company. For many years, they directed the national expansion

and addition of other facility maintenance services.

In 1962, ABM conducted its initial public offering of stock; in 1971, ABM stock first traded on the New York Stock Exchange (NYSE).

Headquartered in San Francisco, ABM Industries Incorporated is one of the largest facilities services contractors listed on the NYSE. With revenues in excess of \$2.1 billion and more than 62,000 employees, ABM provides janitorial, parking, engineering, security, lighting, elevator, mechanical and network services to thousands of commercial, industrial, institutional and retail facilities in hundreds of cities across North America.

The ABM Family of Services includes ABM Janitorial, Ampco System Parking, ABM Engineering, American Commercial Security (ACSS), Amtech Lighting, Amtech Elevator, CommAir Mechanical and ABM Service Network.

Investing in technology to deliver best practices

"A big reason we are a market leader is because we're willing to make substantial investments in technology," says Henrik Slip-sager, ABM president and chief executive officer. These investments are imperative, the company believes, for a variety of reasons. They provide functional trade-related tools to improve job performance and informational tools to improve management. Consequently, these technologies, which include trend reports and comparative benchmarking data, quantify and validate that ABM is fulfilling customer needs.

Many of the company's technological innovations are in effect throughout its subsidiaries. These include:

- > **Thin-Client Infrastructure.** This technology provides full-enterprise e-mail, back office, data storage and security services, among others. ABM can roll out new or changed applications in a matter of days or weeks. The thin-client conversion has reduced the need to purchase personal computers and, more significantly, the costs associated with supporting them. As a result, ABM has saved millions of dollars. In its annual listing of the 500 best companies for technological innovation, *Information Week* ranked ABM as 128th based on implementation of this system. None of ABM's competitors made the list.

- > **J.D. Edwards' Enterprise Resource Planning.** ERP is a fully integrated system for managing and consolidating general accounting, payroll and contract services billing. It can function

across divisions and regions, accommodating the growing number of customers requesting single-source billing. ERP was rolled out in 2002 for all subsidiaries except Amtech Lighting and ABM Service Network. By providing process standardization and consolidation of functions, ERP should result in improved administrative efficiencies in 2003 and beyond.

- > **Video Conferencing.** High-quality video conferencing was introduced across the country in 2002 and will be expanded in 2003. This capability reduces travel time and costs and increases management involvement and support of branch offices.

- > **Custom Web Sites.** This series of custom-developed portal sites is designed to meet specific customer communication requirements via the Web. It was introduced last year and will be expanded this year to further facilitate information exchange, save time and improve customer relations.

This year, ABM will launch several new technologies, including:

- > **ABM Online University.** This university offers custom and third-party courses that range from MSExcel and Defensive Driving to training for janitorial division supervisors.

- > **STORM (simple, timely online reporting for managers).** This third-party system provides ABM middle managers with immediate access to relevant management reports in a single location.

FIVE-YEAR SELECTED FINANCIAL DATA

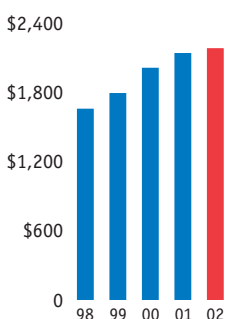
October 31

In thousands, except per share amounts and ratios

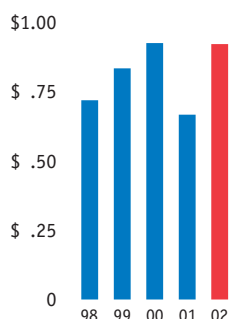
Financial Statistics

	2002	2001	2000	1999	1998
Sales and other income	\$2,181,932	\$2,149,171	\$1,993,859	\$1,798,150	\$1,669,820
Net income	\$ 46,728	\$ 32,826	\$ 44,343	\$ 39,667	\$ 33,930
Net income per common share					
Basic	\$ 0.95	\$ 0.68	\$ 0.97	\$ 0.89	\$ 0.79
Diluted	\$ 0.92	\$ 0.65	\$ 0.92	\$ 0.82	\$ 0.72
Average common and common equivalent shares					
Basic	49,116	47,598	45,102	44,134	42,220
Diluted	51,015	50,020	47,418	47,496	46,322
Dividends paid per common share	\$ 0.36	\$ 0.33	\$ 0.31	\$ 0.28	\$ 0.24
Stockholders' equity	\$ 386,670	\$ 361,177	\$ 316,309	\$ 276,951	\$ 236,838
Common shares outstanding	48,997	48,778	45,998	44,814	43,202
Stockholders' equity per common share	\$ 7.89	\$ 7.40	\$ 6.88	\$ 6.18	\$ 5.48
Working capital	\$ 210,695	\$ 229,542	\$ 224,199	\$ 184,279	\$ 165,788
Net operating cash flows	\$ 110,919	\$ 65,796	\$ 18,925	\$ 35,305	\$ 32,061
Current ratio	1.93	1.97	2.05	2.01	2.05
Long-term debt (less current portion)	\$ —	\$ 942	\$ 36,811	\$ 28,903	\$ 33,720
Redeemable cumulative preferred stock	\$ —	\$ —	\$ 6,400	\$ 6,400	\$ 6,400
Total assets	\$ 704,939	\$ 683,100	\$ 641,985	\$ 563,384	\$ 501,363
Trade accounts receivable—net	\$ 318,376	\$ 367,201	\$ 353,017	\$ 290,920	\$ 255,758
Goodwill	\$ 167,916	\$ 113,199	\$ 109,407	\$ 105,583	\$ 102,776
Property, plant and equipment-net	\$ 36,266	\$ 42,936	\$ 40,734	\$ 35,181	\$ 27,307
Capital expenditures	\$ 7,491	\$ 16,922	\$ 18,717	\$ 19,451	\$ 11,715
Depreciation and intangible amortization	\$ 15,182	\$ 14,071	\$ 12,326	\$ 10,937	\$ 10,961

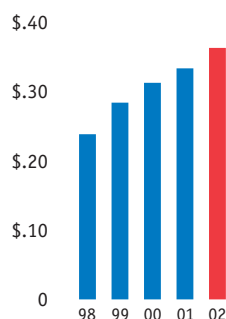
Sales (\$ millions)



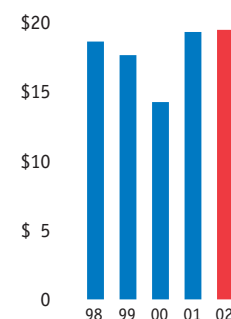
Net Income per Diluted Share



Dividends per Share



Maximum Price per Share



Safe Harbor Statement Cautionary Safe Harbor Disclosure for Forward Looking Statements under the Private Securities Litigation Reform Act of 1995: Because of the factors set forth below, as well as other variables affecting the Company's operating results, past financial performance should not be considered a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. The statements contained herein which are not historical facts are forward-looking statements that are subject to meaningful risks and uncertainties, including but not limited to: (1) significant decreases in commercial real estate occupancy, resulting in reduced demand and prices for building maintenance and other facility services in the Company's major markets, (2) loss or bankruptcy of one or more of the Company's major customers, which could adversely affect the Company's ability to collect its accounts receivable or recover its deferred costs, (3) major collective bargaining issues that may cause loss of revenues or cost increases that non-union companies can use to their advantage in gaining market share, (4) significant shortfalls in adding additional customers in existing and new territories and markets, (5) a protracted slowdown in the Company's acquisition activities, (6) legislation or other governmental action that severely impacts one or more of the Company's lines of business, such as price controls that could restrict price increases, or the unrecovered cost of any universal employer-paid health insurance, as well as government investigations that adversely affect the Company, (7) reduction or revocation of the Company's line of credit, which would increase interest expense or the cost of capital, (8) cancellation or nonrenewal of the Company's primary insurance policies, as many customers contract out services based on the contractor's ability to provide adequate insurance coverage and limits, (9) catastrophic uninsured or underinsured claims against the Company, the inability of the Company's insurance carriers to pay otherwise insured claims, or inadequacy in the Company's reserve for self-insured claims, (10) inability to employ entry level personnel due to labor shortages, (11) resignation, termination, death or disability of one or more of the Company's key executives, which could adversely affect customer retention and day-to-day management of the Company, (12) inability to successfully integrate Lakeside Building Maintenance or other acquisitions into the Company, (13) inability to timely increase prices to cover all or any portion of increased costs, and (14) other material factors that are disclosed from time to time in the Company's public filings with the United States Securities and Exchange Commission, such as reports on Forms 8-K, 10-K and 10-Q.

THE PRESIDENT'S PERSPECTIVE: Embracing change to remain industry leader

Dear Stockholders and Other Friends of ABM Industries Incorporated:

I am gratified to report that in fiscal 2002 we strengthened our position as industry leader, generated \$111 million in operating cash flow, the highest in ABM Industries' history, and ended the year with a debt-free balance sheet.

But 2002 was not without disappointment. We faced a greatly changed business environment stemming from continued economic uncertainty, and we expect this uncertainty to persist this year.

Our ability to outdistance our competitors amid these challenges is rooted in the corporate values that launched us to leadership in facility services contracting. At the same time, we recognize that customer needs and the nature of this business are constantly changing. Consequently, we cannot afford merely to maintain the status quo or be reactive: We must be on the cutting edge.

Acquisitions continue to play an important role in expanding and positioning our companies. In 2002, we made the largest acquisition by far in ABM's history: Lakeside Building Maintenance Inc. Headquartered in Chicago, Lakeside was the largest privately owned janitorial contractor in the Midwest and the preferred local provider for Equity Office Properties, Hines and Trizac Properties, among others.

Lakeside came with two fundamental qualities that we seek as part of our ongoing strategy for growth: a strong management team and a close fit with our core services. The Lakeside acquisition represents an important step in the company's continued growth.

Also in 2002, we nearly completed our conversion, begun about two and a half years ago, to J.D. Edwards as our information technology platform solution. This software will provide a univer-

sal platform to manage and consolidate general accounting, payroll and billing across our national network of more than 240 branch offices. It should facilitate corporatewide electronic data exchange with customers and suppliers, which serves as a further vehicle toward a paperless office. In addition, the J.D. Edwards system should improve internal accounting controls and allow greatly enhanced flexibility in incorporating new software modules and business practices. In turn, we should be able to provide customers and stockholders with more information and communicate with them more quickly and efficiently.

During the past year we streamlined our senior-management structure, eliminating the position of chief administrative officer. We also promoted James P. McClure and Steven M. Zaccagnini to executive vice president and senior vice president, respectively.

Although ABM accomplished much during the year, I don't want to underemphasize the difficulties we confronted.

The ABM janitorial service companies (the janitorial division) were affected throughout 2002 by events related to the World Trade Center. In addition to the anticipated revenue and profit loss, we experienced an unexpectedly high seniority-based payroll premium and higher state unemployment costs in New York. Our pending and as yet unresolved insurance claim includes these costs. As part of the expected negative economic impact, the janitorial division also experienced higher bad debt provision, primarily due to increased bankruptcies. We believe the impact of these specific issues will diminish in fiscal 2003. With the addition of Lakeside and the strengthening of our infrastructure and delivery systems, we anticipate moderate growth this year.

Ampco System Parking improved profitability

despite decreased travel. Amtech Elevator was hurt by the decline in investments in modernization programs.

ABM Engineering continued to be a strong contributor to our corporation's profits. American Commercial Security had an excellent year, which included acquisitions that are paying off well. Amtech Lighting was adversely affected by the loss of profits owing to the World Trade Center. Moreover, the nonrecurring energy conservation projects of 2001 did not continue in 2002. Considering these circumstances, Amtech Lighting's performance was quite good.

Notwithstanding the challenging economy, I feel we are well positioned to increase both our revenues and profits, through a combination of acquisition and organic growth.

The current market offers additional opportunities for acquisitions at pricing suitable for our investment models. With our management

depth and cash position, we should be able to continue our long-term acquisition strategy and, consequently, maintain our competitive edge.

As you will see in the operations report that follows, ABM Industries enjoys a variety of qualities that distinguish us: financial strength, broad scope and geographic reach of services, trade expertise as a provider, and commitment to ongoing investments in innovative technology. We believe the combination of differentiating qualities puts us ahead of our competitors and our customers ahead of their competitors.

We also have a clear vision of the values that have led to our ability to evolve and grow. Paramount is remembering that we're a service organization and appreciating that the people side of our business represents our essence.

Looking back, I cannot help but feel that fiscal 2002 was not about challenge and adversity, but about overcoming challenge and adversity. Despite the economy, the World Trade Center and events both expected and unexpected, we are reporting the best bottom line and operating cash flow in the company's history.

Looking ahead, I cannot help but feel that these achievements provide unequivocal evidence of ABM's long-term steadfastness and vitality.



Henrik C. Slipsager
President and Chief Executive Officer



ABM is working with new technology and compatible methodology to make **day-cleaning** a viable, noninvasive alternative to traditional nighttime cleaning. By shutting down buildings in the early evening, tenants save money on air conditioning, heating and lighting.



The janitorial service companies combine a proprietary personal digital assistant inspection program with a Web-based capability called SMART (surveys made available real time) to provide an **unprecedented** level of communication with customers about quality assurance.

The ABM janitorial service companies (the janitorial division) specialize in highly customized janitorial services for commercial, industrial, institutional and retail facilities.

The most notable news for the division in 2002 was the acquisition of Chicago-based Lakeside Building Maintenance Inc. (See “The president’s perspective,” page 2.)

The janitorial division was awarded many contracts including Trinity Properties and 200 Park Avenue in New York, the Lambert–St. Louis International Airport and the Georgia Pacific Tower in Atlanta. It also signed a renewal contract with the Atlantic City Special Improvement District.

Late last year this division formed a new group with the goal of becoming the premier janitorial provider in the financial services market. Current financial customers comprise ten percent of the janitorial division’s revenue, and the company sees an attractive potential for growing this business segment. Several existing contracts with banks are local and regional accounts that could expand to national accounts.

“We already have the bank service

experience, technology and infrastructure to deliver consistent, cost-effective services to financial institutions,” says Doug Milward, vice president–financial services. “We’re in a superb position to offer our financial services model to new accounts or to extensions of existing accounts.”

This year the division will augment its popular personal-digital-assistant-based quality-assurance program with a new product called SMART (surveys made available real time). SMART makes inspection reports available via the Web using optical scanning technology.

SMART is part of a suite of fully integrated solutions that equips supervisors, quality-control inspectors, operating managers and customers with information such as specifications for cleaning schedules and status of work orders. Clients can access this information as well as check their current and historical service records by using ABM’s Web site or 24-hour, seven-day-a-week service desk.

“SMART adds value to our overall service by providing a reliable, user-friendly inspection system,” says Melinda Parker, vice president–bank serv-

ices. “It also helps us improve our clients’ annual satisfaction survey scores.”

In an ongoing focus on building a better infrastructure, the janitorial division is emphasizing standardization—using the same types of chemicals, equipment and processes under the same training programs to ensure uniform quality. Included are safety procedures for ABM employees. These procedures will benefit customers and

THINKING OUTSIDE THE BOX

The janitorial division has embarked on a pilot day-cleaning program in what Vice President Lane Williams calls “a revolutionary departure” from the historic practice of cleaning office buildings primarily after hours.

Central to the program is use of new technology that led to development of a lightweight battery-operated vacuum that fits snugly on traditional janitorial carts. By shutting down buildings in the early evening, the tenant saves money on air conditioning, heating and lighting.

Information Week recognized ABM's excellence in using information technology by ranking it among the 500 best companies for **technological innovation**. None of ABM's competitors made the top 500.

their employees and help reduce liability costs for property damage and accidents, such as slips and falls. The company also introduced an integrated online database to improve accident tracking and notification.

"We believe that standardization represents the best defense against the huge rate increases we're seeing for general liability insurance," comments Jim McClure, division president.

Ampco System Parking is one of the industry's largest parking companies and is recognized as a leader for airports and commercial properties. It operates 1,700 parking facilities in 26 states.

Operational highlights include contract renewals for the San Francisco and Denver airports and new contracts for the Dallas-Fort Worth airport shuttle operation and for the Orlando, Fla., San Jose, Calif., and Buffalo Niagara, N.Y., airports. It also was awarded contracts in Hawaii for the AmFac Center, the Ala Moana Building, St. Francis Medical Center and Outrigger Maile Sky Court Hotel. In southern California, it was awarded multiple contracts with Equity Office Properties and Maguire Partners. The

company achieved growth in retail operations on the East Coast with the addition of parking facilities for the city of New Haven, Conn.

"Enhanced technology programs give us an edge over competitors and help us remain customer focused," says Tom Barnett, Ampco president. These programs include SCORE (simplified computer on-site revenue entry), the Facility Inspection System and the ABM National Service Center.

SCORE is a comprehensive revenue-control software system. This simple-to-operate proprietary program provides the accurate and timely collection of all revenue generated at a facility. It is the only parking-specific software program that automates tenant lease concessions and allocations, recording daily receipts and generating monthly parking bills. Currently SCORE is responsible for collecting more than \$800 million in cash annually.

The Facility Inspection System, originally developed by the janitorial division, uses handheld computing technology to provide an electronic facility tour. Documentation of the tour allows parking division personnel

to systematically rate the performance and condition of each of their facilities. This system establishes consistency in operations and aesthetics, and it helps maintain the company's rigorous quality standards.

ABM Service Network's National Service Center, a 24-hour, seven-day-a-week call center with a toll-free number, provides a single point of contact to help satisfy service needs of parking customers nationally. This system also helps Ampco quickly identify and track problem areas for early troubleshooting.

Amtech Elevator Services is the nation's leading independent elevator and escalator service provider. With its diverse group of field engineers and technicians, coupled with its commitment to service, Amtech Elevator can maintain nearly all makes and models of vertical transportation.

In addition, the company provides modernization programs. These include installation of state-of-the-art microprocessor-based control systems, cab interior upgrades to comply with the Americans With Disabilities Act and a variety of safety enhancements.

The parking company's proprietary revenue-control software system is one of the most **comprehensive** in the industry. This system is responsible for collecting cash exceeding \$800 million annually.



Amtech Elevator is the **nation's leading** independent elevator service company. With its Web-based Amtech Information Manager, clients can, at the click of a mouse, view their account history, place a service call or download a proposal.



Amtech Elevator is free to choose the most appropriate and cost-effective solutions regardless of manufacturer. Customers, in turn, enjoy the advantages of **competitive prices** and honest, unbiased evaluations.

During 2002, Amtech began service contracts with two of the largest and busiest hotel-casinos in Las Vegas and Atlantic City—the new Aladdin Resort and Casino and the Sands Casino and Hotel, respectively. It also was awarded a contract for the U.S. Steel Tower, a 64-story skyscraper in Pittsburgh, and for PNC Park, the new 38,000-seat home of the Pittsburgh Pirates and companion 30,000-square-foot retail facility.

As part of its commitment to technology, the elevator company has installed the Web-based Amtech Information Manager (AIM). With this service, at the click of a mouse clients can view their job history, place a service call or download a proposal.

Via AIM, customers can directly contact Amtech's management, access information on multiple service orders and obtain status reports on current elevator functioning 24 hours a day, seven days a week.

Amtech Elevator also employs J.D. Edwards' Customer Service Management System (CSMS) for call center operations. CSMS is integrated with AIM's Web portal product for interac-

tive tracking of client service orders and multilocation account information via the Internet.

"We thrive on providing building owners and facility managers with information to ease and improve their organizations," says Eric Lazear, company president. "Elevators carry more people than airlines and represent the safest form of transportation, bar none. State-of-the-art service, supported by the most advanced technology available, helps ensure that we maintain that outstanding safety record."

ABM Service Network was restructured in 2002 to focus on clients with multiple, geographically dispersed sites. A central call center controls the ABM Family of Services, supplemented by a network of highly qualified subcontractors covering virtually all the facility services required by the sites.

The company's primary focus is to provide a single point of contact through a technologically advanced call center platform that dispatches service companies, including ABM's subsidiary companies, throughout the U.S. This single point of contact

can provide the expertise required to establish the appropriate scope of services, obtain competitive bids, execute contracts with service providers, administer the billing process and provide clients with reporting and benchmark data.

During 2002, the platform was enhanced to provide remote Web access to the company's customer and vendor base. With the anticipated completion of the J.D. Edwards conversion in 2003, we should be positioned to offer clients a fully integrated approach for billing, invoicing, purchase orders and accounting.

"With our single source for managing and performing building services, ABM Service Network helps customers protect their corporate real estate culture within a more productive, lower-cost work environment," says Steve Zaccagnini, company president.

ABM Engineering Services is a large provider of operating engineering management services nationwide for myriad markets—from class A office properties to shopping malls and technology centers. Last year it added to

The ABM Service Network uses an array of commercial and proprietary technologies to manage self-performed and subcontracted services as if they were combined into one contract. ABM **self-performs** more services in more places for more types of facilities than any other company in the country.

its prestigious roster of contracts Verizon facilities in the greater New York area and USAA Realty Company, the service arm of USAA Real Estate Company.

Unique within the industry, ABM Engineering has received certification by the International Standards Organization (ISO). This certification program, the most widely recognized quality-management auditing system worldwide, quantifies and verifies what services have been delivered. As a result, customers have the tools to continually evaluate performance and cost-effectiveness on a variety of levels.

ISO certification serves as the foundation for the company's leadership position in operating and maintaining critical systems in hundreds of facilities representing numerous industries. This year ABM Engineering is adopting new ISO standards that are even more customer focused.

"This will be a boon to our organization," says Jim Scranton, company president. "It places a greater burden on us. But it also designates us as a world-class supplier to world-class companies, and it further demonstrates

that we provide the best quality-management program in our industry."

ABM Engineering has developed a new customer relations program called Voice of the Customer to meet ISO requirements as well as to further improve service. Supporting this program are Internet-based operating and safety programs. These give customers real-time access to the status of work on their equipment, in addition to providing the tools for the company to make global updates for all of their 600 job sites when changes in codes and regulations occur.

This year ABM Engineering will convert its proprietary methodology for preventive maintenance management from a PC-based solution to a Web-based system. This technology includes equipment regulations for most pieces of equipment available, and it provides a wealth of information concerning best practices for preventive maintenance scheduling.

Other technology controls include a benchmarking program that compares facility types, showing best practices in areas such as energy consumption and staffing levels.

"But we're not into technology for technology's sake," Scranton emphasizes. "Technology gives us the tools to better manage our sites. Fundamentally, however, we're a people business, dedicated to forging alliances with our customers through our historically quality-based culture. We will always be marrying innovative high tech with tried-and-true people tech."

American Commercial Security Services (ACSS) enjoyed a record year in 2002, reflecting the work of an experienced management team focused on service and growth. The company completed more acquisitions than ever before, moving ACSS into six more states and two new regions.

These acquisitions included Foulke Associates Inc., a provider of contract security solutions and related services headquartered in Media, Penn., a Philadelphia suburb, and the operating assets of Triumph Security Corporation, a provider of security officers and related services in New York City. These two companies add strong management to ACSS's expanded services in the northeast.

ABM Engineering is the only national engineering service provider in the country **certified** by the International Standards Organization (ISO). ISO certification serves as the foundation for the company's preeminence in operating and maintaining critical systems in thousands of facilities representing countless industries.



American Commercial Security Services, which enjoyed a **record year**, is broadening its base by offering services to technology, manufacturing, logistics and industrial clients.



Most of the company's eight subsidiaries are national leaders in their fields, giving ABM **multiple competencies**.

ACSS, which built its reputation on providing custom security programs for the high-rise office market, is now broadening its base by offering services to technology, manufacturing, logistics and industrial clients.

John Moore, ACSS president, attributes the company's strength to management depth, longevity and responsiveness. The company has a higher ratio of supervisors and managers to security officers than most of its competitors. Many managers, following various security-related jobs early in their careers, have accumulated more than 20 years of experience with ACSS. In addition, the company has traditionally given managers tremendous support and autonomy to be creative decision-makers, which helps them respond quickly to the challenges of an ever-changing world.

Using creative ideas generated by daily application of security solutions for its diverse national customer base, ACSS works with ABM's Electronic Services Department to create PC and Web-based applications to develop cost-efficient programs that company personnel and clients can use to address

specific customer needs. ACSS continues to develop and implement enhanced dispatching, labor management and financial systems geared toward providing the data that customers need for accurate security budgeting and that ACSS managers need for effective personnel management.

"But the cornerstone of ACSS's continued success and recognition as a national security provider rests with effective hiring practices followed by superior training and supervision," says Moore. "So we focus much of our thinking on these areas while striving to stay on the leading edge of technological change."

The company has established a National Management Training Academy to provide ongoing training for managers and supervisors and to provide an avenue for developing enhanced programs for security officers. The academy draws upon a variety of teaching methods to maximize reach and impact. These range from standard classroom instruction and videos, to newer approaches such as PCs, virtual classrooms and, most recently, Web-based instruction.

Amtech Lighting Services is the nation's leading lighting management company. It provides one-stop service for interior and exterior lighting maintenance, including signs and electrical repairs.

The company serves all 50 states with a staff of more than 1,300 professionals and a fleet of more than 750 trucks. A national project group handles retrofit project tracking and rebate research and filing.

Amtech Lighting is positioned to meet the needs of thousands of chain stores nationwide. These include supermarkets and convenience stores; consumer electronics stores; hardware and home-improvement centers; and general merchandising, specialty clothing and bookstore chains. Amtech typically uses sophisticated computer models to develop recommendations, by considering lighting requirements for specific task areas, best opportunities for energy cost savings and project payback time.

Operational highlights for 2002 include contracts with Lowes stores; Barnes and Noble stores; Saab Cars USA Inc.; Jo-Ann Stores Inc; Boston

Amtech Lighting is aggressively introducing **new technology**, particularly for sign retrofits, that uses light-emitting diode products. These products are more economical and environmentally friendly than neon.

Properties Inc.; and General Motors Dealership Identification Leasing Corporation, a wholly owned subsidiary of General Motors Corporation.

Using proprietary technology, Amtech Lighting is the only lighting maintenance provider in the country that offers customers both local and national real-time information about their work orders. Called STARS (Service Tracking and Reporting System), this technology includes Interactive Voice Response. Service technicians report the status of jobs at their locations via a toll-free number. These reports are automatically downloaded to a database-management system, then used to provide real-time reporting to clients. This year the company will convert STARS from traditional telephone system technologies to a Web-based system.

Customers can also obtain lighting, sign and electrical emergency service by telephoning, faxing or e-mailing the company's Customer Care Center, which operates 24 hours a day, seven days a week. A computerized system allows the company to dispatch calls to its network of 28 branch locations or

to a select group of subcontractors.

One of Amtech's most important and customer-friendly uses of new technology is its ability to engage in electronic commerce. Using Electronic Data Interchange (EDI), the company can instantaneously transfer invoices, purchase orders and purchase order changes to customers via the Internet. Customers can then generate electronic payments through their systems. EDI reduces customer paperwork and the administrative burden, dramatically lowering costs for receiving, reviewing and paying invoices.

Amtech Lighting is on the forefront of bringing retail chains the GE Tetra™ LED (light emitting diode) technology for signage, which is designed as a low-voltage, environmentally friendly alternative to the less versatile neon. Replacing one set of letters with Tetra can reduce energy usage by up to 80 percent. The savings potential for maintenance is equally significant.

In addition to using cutting-edge innovations internally, Amtech Lighting consistently taps the market for the latest advances in lighting products.

"Because we're not a manufac-

turer, we are free to choose the most appropriate and cost-effective technologies from many leading manufacturers," says Ron Gilcrease, company president. "Our goal is always to provide more light with less energy."

CommAir Mechanical Services is one of California's largest heating, ventilation and air-conditioning service companies for commercial and industrial buildings, corporate campuses, bank branches, the agriculture industry, hospitals and universities.

In addition to its core business, the company provides equipment audits, professional consulting, capital planning and 24-hour emergency services.

In 2002 the company completed the J.D. Edwards conversion, enabling it to offer a fully integrated dispatch, accounting and reporting platform.

"It's exciting to lead an organization with a strong reputation in its industry and the dedication of more than 300 long-term employees," says Steve Zaccagnini, CommAir president. "We are well positioned to provide our clients best-in-class service."

Using proprietary technology and Interactive Voice Response, the lighting company is the only provider that offers its customers local and national **real-time information** about work in progress.



CommAir Mechanical, with technological enhancements and renewed marketing efforts, is well positioned to provide its clients with **best-in-class** service.



CONSOLIDATED BALANCE SHEETS

October 31 In thousands, except share amounts	2002	2001
Assets		
Cash and cash equivalents	\$ 19,427	\$ 3,052
Trade accounts receivable (less allowances of \$6,605 and \$9,420)	318,376	367,201
Inventories	30,055	25,974
Deferred income taxes	30,002	26,806
Prepaid expenses and other current assets	39,925	42,508
Total current assets	437,785	465,541
Investments and long-term receivables	14,952	13,871
Property, plant and equipment (less accumulated depreciation of \$70,522 and \$65,951)	36,266	42,936
Goodwill (less accumulated amortization of \$73,264)	167,916	113,199
Deferred income taxes	33,542	35,400
Other assets	14,478	12,153
	\$704,939	\$683,100
Liabilities		
Current portion of long-term debt	\$ —	\$ 10,877
Trade accounts payable	51,585	50,671
Income taxes payable	6,579	6,816
Accrued liabilities:		
Compensation	62,412	62,854
Taxes—other than income	13,923	20,409
Insurance claims	50,969	48,193
Other	41,622	36,179
Total current liabilities	227,090	235,999
Long-term debt (less current portion)	—	942
Retirement plans	23,791	21,483
Insurance claims	67,388	63,499
Total liabilities	318,269	321,923
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; 50,397,000 and 48,778,000 shares issued at October 31, 2002 and 2001, respectively	504	488
Additional paid-in capital	151,135	130,998
Accumulated other comprehensive loss	(789)	(763)
Retained earnings	259,452	230,454
Cost of treasury stock (1,400,000 shares at October 31, 2002)	(23,632)	—
Total stockholders' equity	386,670	361,177
	\$704,939	\$683,100

CONSOLIDATED STATEMENTS OF INCOME

Years ended October 31 In thousands, except per share amounts	2002	2001	2000
Revenues			
Sales and other income	\$2,181,932	\$2,149,171	\$1,993,859
Gain on insurance claim	10,025	—	—
	<u>2,191,957</u>	<u>2,149,171</u>	<u>1,993,859</u>
Expenses			
Operating expenses and cost of goods sold	1,946,750	1,919,054	1,757,619
Selling, general and administrative	174,827	162,313	149,029
Interest	1,052	2,602	3,320
Goodwill amortization	—	12,257	11,198
	<u>2,122,629</u>	<u>2,096,226</u>	<u>1,921,166</u>
Income before income taxes	69,328	52,945	72,693
Income taxes	22,600	20,119	28,350
Net income	\$ 46,728	\$ 32,826	\$ 44,343
Net income per common share			
Basic	\$ 0.95	\$ 0.68	\$ 0.97
Diluted	\$ 0.92	\$ 0.65	\$ 0.92
Average common and common equivalent shares			
Basic	49,116	47,598	45,102
Diluted	51,015	50,020	47,418

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONDENSED)

Years ended October 31, 2002, 2001 and 2000 In thousands	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance October 31, 1999	44,814	448	—	—	93,112	(635)	184,026	276,951
Net income							44,343	44,343
Foreign currency translation						(18)		(18)
Dividends:								
Common stock							(14,027)	(14,027)
Preferred stock							(512)	(512)
Stock purchases	(766)	(8)			(8,382)			(8,390)
Stock issued	1,950	20			17,942			17,962
Balance October 31, 2000	45,998	460	—	—	102,672	(653)	213,830	316,309
Net income							32,826	32,826
Foreign currency translation						(110)		(110)
Dividends:								
Common stock							(15,770)	(15,770)
Preferred stock							(432)	(432)
Stock issued	2,780	28			28,326			28,354
Balance October 31, 2001	48,778	488	—	—	130,998	(763)	230,454	361,177
Net income							46,728	46,728
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)	259,452	386,670

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended October 31 In thousands	2002	2001	2000
Cash flows from operating activities:			
Cash received from customers	\$2,212,269	\$2,117,691	\$1,925,599
Other operating cash receipts	16,149	5,523	2,347
Interest received	1,602	859	580
Cash paid to suppliers and employees	(2,094,597)	(2,021,762)	(1,873,290)
Interest paid	(1,156)	(2,991)	(3,209)
Income taxes paid	(23,348)	(33,524)	(33,102)
Net cash provided by operating activities	<u>110,919</u>	<u>65,796</u>	<u>18,925</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(7,491)	(16,922)	(18,717)
Proceeds from sale of assets	1,702	1,253	1,164
(Increase) decrease in investments and long-term receivables	(1,081)	49	370
Purchase of businesses	(52,448)	(23,401)	(14,191)
Proceeds from sale of business	—	12,000	—
Net cash used in investing activities	<u>(59,318)</u>	<u>(27,021)</u>	<u>(31,374)</u>
Cash flows from financing activities:			
Common stock issued	17,955	26,688	16,381
Common stock purchases	(23,632)	—	(8,390)
Preferred stock redemption	—	(6,400)	—
Dividends paid	(17,730)	(16,202)	(14,539)
(Decrease) increase in bank overdraft	—	(15,952)	10,985
Long-term borrowings	—	108,000	126,000
Repayments of long-term borrowings	(11,819)	(133,857)	(118,127)
Net cash (used in) provided by financing activities	<u>(35,226)</u>	<u>(37,723)</u>	<u>12,310</u>
Net increase (decrease) in cash and cash equivalents	16,375	1,052	(139)
Cash and cash equivalents beginning of year	3,052	2,000	2,139
Cash and cash equivalents end of year	<u>\$ 19,427</u>	<u>\$ 3,052</u>	<u>\$ 2,000</u>
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 46,728	\$ 32,826	\$ 44,343
Adjustments:			
Depreciation and intangible amortization	15,182	14,071	12,326
Goodwill amortization	—	12,257	11,198
Provision for bad debts	11,910	6,134	2,971
Gain on sale of assets	(236)	(41)	(265)
Gain on sale of business	—	(718)	—
Increase in deferred income taxes	(1,338)	(12,138)	(5,517)
Decrease (increase) in trade accounts receivable	38,299	(24,340)	(65,555)
Increase in inventories	(4,081)	(3,223)	(2,217)
Decrease (increase) in prepaid expenses and other current assets	3,093	(3,045)	(1,200)
(Increase) decrease in other assets	(3,410)	40	2,475
Increase (decrease) in income taxes payable	590	(1,267)	765
Increase (decrease) in retirement plans accrual	2,308	(903)	3,092
Increase in insurance claims liability	6,665	18,872	7,155
(Decrease) increase in trade accounts payable and other accrued liabilities	(4,791)	27,271	9,354
Total adjustments to net income	<u>64,191</u>	<u>32,970</u>	<u>(25,418)</u>
Net cash provided by operating activities	<u>\$ 110,919</u>	<u>\$ 65,796</u>	<u>\$ 18,925</u>
Supplemental data:			
Non-cash investing activities:			
Common stock issued for net assets of business acquired	<u>\$ 1,371</u>	<u>\$ 1,666</u>	<u>\$ 1,581</u>

SEGMENT INFORMATION (CONDENSED)

In thousands	Janitorial	Parking	Engineering	Security	Lighting	Elevator	Other Segments	Corporate	Goodwill Amortization	Consolidated Totals
For the year ended										
October 31, 2002										
Sales and other income	\$ 1,197,035	\$ 363,511	\$ 173,561	\$ 140,569	\$ 130,858	\$ 113,874	\$ 61,963	\$ 561	\$ —	\$ 2,181,932
Gain on insurance claim								10,025		10,025
Total revenues	\$ 1,197,035	\$ 363,511	\$ 173,561	\$ 140,569	\$ 130,858	\$ 113,874	\$ 61,963	\$ 10,586	\$ —	\$ 2,191,957
Operating profit	\$ 54,337	\$ 6,948	\$ 10,033	\$ 5,639	\$ 8,261	\$ 4,319	\$ (1,190)	\$ (27,992)	\$ —	\$ 60,355
Gain on insurance claim								10,025	\$ —	10,025
Interest expense								(1,052)	\$ —	(1,052)
Income before income taxes	\$ 54,337	\$ 6,948	\$ 10,033	\$ 5,639	\$ 8,261	\$ 4,319	\$ (1,190)	\$ (19,019)	\$ —	\$ 69,328
Identifiable assets	\$ 336,414	\$ 80,889	\$ 32,435	\$ 31,295	\$ 82,197	\$ 32,195	\$ 15,080	\$ 94,434	\$ —	\$ 704,939
For the year ended										
October 31, 2001										
Sales and other income	\$ 1,159,914	\$ 365,073	\$ 171,008	\$ 103,980	\$ 144,319	\$ 121,371	\$ 82,188	\$ 1,318	\$ —	\$ 2,149,171
Operating profit	\$ 67,590	\$ 6,619	\$ 9,404	\$ 3,174	\$ 11,983	\$ 5,012	\$ 5,280	\$ (41,258)	\$ (12,257)	\$ 55,547
Interest expense	(917)	—	(7)	(10)	—	(2)	1	(1,667)	\$ —	(2,602)
Income before income taxes	\$ 66,673	\$ 6,619	\$ 9,397	\$ 3,164	\$ 11,983	\$ 5,010	\$ 5,281	\$ (42,925)	\$ (12,257)	\$ 52,945
Identifiable assets	\$ 285,979	\$ 86,837	\$ 47,948	\$ 23,835	\$ 82,528	\$ 42,127	\$ 14,536	\$ 99,310	\$ —	\$ 683,100
For the year ended										
October 31, 2000										
Sales and other income	\$ 1,052,865	\$ 358,729	\$ 156,314	\$ 101,948	\$ 118,054	\$ 114,409	\$ 91,125	\$ 415	\$ —	\$ 1,993,859
Operating profit	\$ 59,867	\$ 11,407	\$ 8,531	\$ 1,969	\$ 10,823	\$ 7,024	\$ 4,799	\$ (17,209)	\$ (11,198)	\$ 76,013
Interest expense	(9)	—	—	(10)	—	(1)	—	(3,300)	\$ —	(3,320)
Income before income taxes	\$ 59,858	\$ 11,407	\$ 8,531	\$ 1,959	\$ 10,823	\$ 7,023	\$ 4,799	\$ (20,509)	\$ (11,198)	\$ 72,693
Identifiable assets	\$ 274,704	\$ 92,401	\$ 45,459	\$ 20,131	\$ 65,160	\$ 37,356	\$ 35,989	\$ 70,785		\$ 641,985

INDEPENDENT AUDITORS' REPORT

Board of Directors
ABM Industries Incorporated

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of ABM Industries Incorporated (the Company) as of October 31, 2002 and 2001, 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, 2002. In our report dated December 10, 2002, we expressed an unqualified opinion on those consolidated financial statements. Such consolidated financial statements and our report (which are not included herein) are included in the annual report on Form 10-K filed by the Com-

pany with the Securities and Exchange Commission on December 16, 2002.

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.

KPMG LLP

San Francisco, California
December 16, 2002

BOARD OF DIRECTORS

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Chairman of the Board

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President
Center for Equal Opportunity

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

Maryellen C. Herringer, 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

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President and Chief Executive Officer
Skyway Luggage Company

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Former Chairman of the Board

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President and Chief Executive Officer

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

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- (b) Executive Officer Compensation and Stock Option Committee
- (c) Audit Committee
- (d) Nominating, Succession and Governance Committee

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Chief Operating Officer

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

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Senior Vice President of Human Resources
and Chief Employment Counsel

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Chief Financial Officer

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Development and Chief Marketing Officer

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Senior Vice President and
President, CommAir Mechanical Services
and ABM Service Network

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Vice President, Controller and
Chief Accounting Officer

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Vice President and Treasurer

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Vice President, Director of Electronic
Services and Chief Technology Officer

Terry D. McNeil
Vice President and
Director of Insurance Services

Eleonora C. Walsh
Vice President and
Director of Administrative Services

SPECIAL NOTES

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
Three Embarcadero Center
San Francisco, CA 94111

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

Stockholders
As of December 31, 2002, there were
4,429 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 11, 2003, 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.



Internet Website

www.abm.com

Corporate Headquarters

160 Pacific Avenue, Suite 222

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 Engineering Services

American Commercial Security
Services (ACSS)

Amtech Lighting Services

Amtech Elevator Services

CommAir Mechanical Services

ABM Service Network

Branch Offices

Over 240

Employees

Approximately 62,000

