UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (FEE REQUIRED)

FOR THE FISCAL YEAR ENDED OCTOBER 31, 1998

OR __ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the Transition Period from _________ to _________

Commission File Number 1-8929

ABM INDUSTRIES INCORPORATED

(Exact name of registrant as specified in its charter)

DELAWARE	94-1369354
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

160 PACIFIC AVENUE, SUITE 222, SAN FRANCISCO, CALIFORNIA 94111
(Address and zip code of principal executive offices)
TELEPHONE: 415/733-4000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	Name of Each Exchange on Which Registered
COMMON STOCK, $.01 PAR VALUE	NEW YORK STOCK EXCHANGE AND PACIFIC EXCHANGE, INC.
PREFERRED STOCK PURCHASE RIGHTS	NEW YORK STOCK EXCHANGE AND PACIFIC EXCHANGE, INC.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of December 31, 1998, nonaffiliates of the registrant beneficially owned 16,588,582 shares of the registrant's common stock with an aggregate market value of $574,379,652.

As of December 31, 1998, there were 21,721,472 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement to be used by the Company in connection with its 1999 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

ABM INDUSTRIES INCORPORATED
FORM 10-K
FOR THE FISCAL YEAR ENDED OCTOBER 31, 1998
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PART I

ITEM 1. BUSINESS.

ABM Industries Incorporated ("ABM") is the largest facility services contractor listed on the New York Stock Exchange. With annual revenues exceeding $1.5 billion and more than 55,000 employees, ABM and its subsidiaries (the "Company") provide air conditioning, elevator, engineering, janitorial, lighting, parking and security services to thousands of commercial, industrial and institutional customers who outsource these services in hundreds of cities across North America.

ABM was reincorporated in Delaware on March 19, 1985, as the successor to a business founded in California in 1909. The Corporate Headquarters of the Company are located at 160 Pacific Avenue, Suite 222, San Francisco, California 94111, and our telephone number is 415/733-4000.

BUSINESS SEGMENT INFORMATION

The Company's nine divisions (comprised of one or more subsidiaries of the Company), listed below by tradenames, operate in three functionally-oriented segments of the facility services industry -- Janitorial Divisions, Public Service Divisions and Technical Divisions.

JANITORIAL DIVISIONS	PUBLIC SERVICE DIVISIONS	TECHNICAL DIVISIONS
American Building Maintenance	American Commercial Security Services	ABM Engineering Services
Easterday Janitorial Supply	Ampco System Parking	Amtech Elevator Services
	ABM Facility Services	Amtech Lighting Services
		CommAir Mechanical Services

Additional information relating to the Company's three industry segments appears in Note 15 of Item 8, Financial Statements and Supplementary Data of this Form 10-K. The business activities of the Company's three industry segments and nine operating divisions, as they existed at October 31, 1998, are more fully described below.

JANITORIAL DIVISIONS

The Company's Janitorial Divisions segment provides janitorial cleaning services as well as janitorial supplies and equipment to its customers. Operating from 85 offices throughout the United States and Canada, this segment accounted for approximately 56%, 57% and 59% of the Company's revenues in the fiscal years ended October 31, 1996, 1997 and 1998, respectively.

/ / AMERICAN BUILDING MAINTENANCE (also known as ABM Janitorial Services) provides a wide range of basic janitorial services for a variety of structures and organizations, including office buildings, industrial plants, banks, department stores, theaters, warehouses, educational and health institutions and airport terminals. Services provided include floor cleaning and finishing, wall and window washing, furniture polishing, rug cleaning, dusting, and other building cleaning services. This Division maintains 79 offices in 37 states, the District of Columbia and one Canadian province, and operates under thousands of individually negotiated building maintenance contracts, the majority of which are obtained by competitive bidding. Generally, profit margins on maintenance contracts tend to be inversely proportional to the size of the contract. Although many of the Division's maintenance contracts are fixed price agreements, others contain clauses under which the customer agrees to reimburse the Division for the full amount of wages, payroll taxes, insurance charges and other expenses plus a profit percentage. The majority of the Division's contracts are for one-year periods, contain automatic renewal clauses and are subject to termination by either party upon 30 to 90 days written notice.

/ / EASTERDAY JANITORIAL SUPPLY markets janitorial supplies and equipment through six sales offices located in San Francisco, Los Angeles and Sacramento, California; Portland, Oregon; Reno, Nevada; and Houston, Texas. Easterday has also approved 31 sub-distributors to serve American Building Maintenance in 26 other states and the District of Columbia. Aside from sales to American Building Maintenance, which, in 1998, accounted for approximately 30% of Easterday Janitorial Supply's total revenues, the principal customers for this Division are industrial plants, schools, commercial buildings, industrial organizations, transportation terminals, theaters, hotels, retail stores, restaurants, military establishments and janitorial service companies. Among the products sold are cleaning equipment, disinfectants, floor cleaners, floor finishes, glass cleaners, paper products and polishes. The products sold include many nationally advertised brands, which, in large part, are manufactured by others. This Division blends certain cleaning agents and floor finishes which it

sells under the Easterday tradename, and provides sanitation services to the food industry.

PUBLIC SERVICE DIVISIONS

The Company's Public Service Divisions segment provides parking facility services, commercial security and investigative services, and "bundled" facility services to their customers.

The Public Service Divisions operate from 66 offices, which are located throughout the United States. For the fiscal years ended October 31, 1996, 1997 and 1998, this segment accounted for approximately 21%, 19% and 17%, respectively, of the Company's revenues.

The three Public Service Divisions are described below:

/ / AMERICAN COMMERCIAL SECURITY SERVICES (also known as "ACSS" and "ABM Security Services") provides security guards, electric monitoring of fire, life, safety, and access control devices, and security consulting services to a wide range of businesses in the major metropolitan areas of Phoenix, Arizona; San Francisco, San Diego and Los Angeles, California; Chicago, Illinois; New Orleans, Louisiana; Minneapolis, Minnesota; Portland, Oregon; Houston, Dallas, Fort Worth, Austin and San Antonio, Texas; Seattle, Washington; and Salt Lake City, Utah. Much like American Building Maintenance, the majority of this Division's contracts are for one-year periods, contain automatic renewal clauses and are subject to termination by either party upon 30 to 90 days written notice.

/ / AMPCO SYSTEM PARKING (also known as "Ampco System Airport Parking" and "Ampco Express Airport Parking") operates approximately 1,500 parking lots and garages, which are either leased from or operated for third parties. The lease terms generally range from 5 to 20 years and usually contain provisions for renewal options. Leases which expire may continue on a month-to-month basis or are replaced by similar leases. Many leases contain provisions for contingent rentals based on revenues. Ampco System Parking currently operates in 24 states, including five of the 20 busiest international airports in the U.S.: Denver, Honolulu, Newark, Phoenix, and San Francisco. In conjunction with its on-airport parking services, this Division also operates off-airport parking facilities in Philadelphia, Houston, and Los Angeles, and parking shuttle bus service at twelve locations.

/ / ABM FACILITY SERVICES provides customers with streamlined, centralized control and coordination of multiple facility service needs. This process is consistent with the greater competitive demands on corporate organizations to become more efficient in the business market today. By leveraging the core competencies of the Company's other affiliated Divisions, this Division attempts to reduce overhead, such as redundant personnel, for its customers by providing multiple services under a single contract, with one contact and one invoice. The Division's National Service Center provides centralized dispatching, emergency services, accounting and related reports to financial institutions, high-tech companies, and other customers regardless of industry or size. The Division is headquartered in San Francisco and maintains its National Service Center in Sacramento.

TECHNICAL DIVISIONS

The Technical Divisions segment provides its customers with a wide range of elevator, engineering, HVAC (heating, ventilation and air conditioning), and lighting services through its four divisions. The Company believes that the offering of such a wide range of services by an affiliated group provides its customers with an attractive alternative to obtaining the services of a larger number of unrelated individual contractors and/or subcontractors. A number of the Divisions' service contracts are for one to three years and are generally renewed after expiration. This segment's primary market consists of retail and commercial businesses with multiple locations scattered over wide geographic areas. Examples of such customers include high-rise office buildings, bank and savings and loan branch systems, shopping centers, restaurant chains, service stations, supermarkets, and convenience, discount and drug store chains.

The Technical Divisions operate from 46 offices located in Arizona, California, Colorado, Florida, Georgia, Illinois, Louisiana, Maryland, Michigan, Nevada, New Jersey, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, Texas, and Washington, D.C. For the fiscal years ended October 31, 1996, 1997 and 1998, this segment accounted for approximately 23%, 24% and 24%, respectively, of the Company's revenues.

Operations of the four Technical Divisions during fiscal year 1998 are described below:

/ / ABM ENGINEERING SERVICES provides building owners and managers with on-site engineers to operate, maintain and repair electrical, energy management, mechanical, and plumbing systems within a facility utilizing computerized maintenance

management systems (CMMS). This service is primarily for high-rise office buildings, but customers also include schools, warehouses, factories, shopping malls and universities. ABM Engineering Services operates in fifteen states through six regional offices, two of which are in California and one each in Chicago, Illinois; Philadelphia, Pennsylvania; New York, New York, and Phoenix, Arizona.

/ / AMTECH ELEVATOR SERVICES installs, maintains, modernizes and repairs elevators and escalators in major metropolitan areas of California; Dallas and Houston, Texas; Cincinnati, Ohio; Detroit, Michigan; Upper Marlboro, Maryland; Las Vegas, Nevada; Pennsauken, New Jersey; Atlanta, Georgia; Philadelphia, Pennsylvania; Phoenix, Arizona; Denver, Colorado; Chicago, Illinois; and Washington, D.C. Amtech Elevator Services maintains seventeen offices and several parts warehouses, and operates a fleet of radio-equipped service vehicles.

/ / AMTECH LIGHTING SERVICES (also known as Sica Lighting & Electrical Services) provides relamping, fixture cleaning and periodic maintenance service to its customers. Amtech Lighting Services also repairs, services, designs and installs outdoor signage. This Division maintains 21 offices, eight of which are located in California; four of which are in Texas; and one office in each of the following states: Arizona, Florida, Georgia, Maryland, New Jersey, New Mexico, New York, Louisiana, and Oklahoma.

/ / COMMAIR MECHANICAL SERVICES (also known as "CommAir Preferred Mechanical Services") installs, maintains, and repairs heating, ventilation and air conditioning equipment, performs chemical water treatment, and provides energy conservation services for commercial, industrial and institutional facilities. CommAir Mechanical Services maintains nine offices, eight of which are located in California, and one in Phoenix, Arizona.

TRADEMARKS

The Company believes that it owns or is licensed to use all corporate names, tradenames, trademarks, servicemarks, copyrights, patents and trade secrets which are material to the Company's operations.

COMPETITION

The Company believes that each aspect of its business is highly competitive, and that such competition is based primarily on price and quality of service. The Company's competitors include a large number of regional and local companies located in major cities throughout the United States and Canada. While the majority of the Company's competitors in the janitorial and building maintenance business operate in a limited geographic area, the operating divisions of a few large, diversified companies compete with the Company on a national basis.

SALES AND MARKETING

The Company's sales and marketing efforts are conducted by its corporate, division, region, branch and district offices. Sales, marketing, management and operations personnel in each of these offices participate directly in selling and servicing customers. The broad geographic scope of these offices enables the Company to provide a full range of facility services through intercompany sales referrals, multi-service "bundled" sales and national account sales. The Company also has designated a nationwide group of "ABM Family of Services" executives to market all of the Company's facility services capabilities.

The Company has a broad customer base including airports, apartment complexes, city centers, colleges and universities, financial institutions, industrial plants, office buildings, retail stores, shopping centers and theme parks. No customer accounted for more than 5% of its revenues during the fiscal year ended October 31, 1998.

EMPLOYEES

The Company employs over 55,000 persons, of whom the vast majority are service employees who perform air conditioning, elevator, engineering, janitorial, lighting, parking and security services. Approximately 25,700 of these employees are covered under collective bargaining agreements. There are about 3,400 employees with executive, managerial, supervisory, administrative, professional, sales, marketing, clerical and other office assignments.

EXECUTIVE OFFICERS OF THE COMPANY

The executive officers of the Company as of December 31, 1998 are as follows:

NAME	AGE	PRINCIPAL OCCUPATIONS AND BUSINESS EXPERIENCE DURING PAST FIVE YEARS
William W. Steele	62	Chief Executive Officer since November 1994; President since November 1991
Martinn H. Mandles	58	Chairman of the Board since December 1997; Chief Administrative Officer since November 1991; Executive Vice President from November 1991 to December 1997.
J. E. Benton, III	58	Senior Vice President since July 1994; Vice President from November 1977 to July 1994
Sherrill F. Sipes, Jr.	63	Senior Vice President since July 1994; Vice President from May 1968 to July 1994
Henrik Slipsager	43	Senior Vice President of the Company since March 1998; Executive Vice President of the Janitorial Services Division since January 1997; President & Chief Executive Officer, ISS International Service System, Inc. from 1988 to 1994.
Donna M. Dell	50	Vice President & Chief Employment Counsel since July 1994; Vice President & Legal Counsel, Wells Fargo Bank, from February 1990 to June 1994
John F. Egan	62	Vice President of the Company, and President of the Janitorial Services Division
David H. Hebble	63	Vice President & Chief Financial Officer
Harry H. Kahn	55	Vice President, General Counsel & Corporate Secretary
Douglas B. Bowlus	54	Treasurer
Vernon E. Skelton	54	Controller & Chief Accounting Officer since April 1997; Assistant Vice President & Director of Accounting for more than five years prior to April 1997

ITEM 2. PROPERTIES.

The Company has corporate, division, regional, branch, or district offices in over 250 locations throughout the United States, and Canada. Twelve of these facilities are owned by the Company and the remainder are leased. At October 31, 1998, the real estate owned by the Company had an aggregate net book value of $3,380,000 and was located in: Phoenix, Arizona; Fresno, California; Jacksonville and Tampa, Florida; Elko, Nevada; Portland, Oregon; Houston and San Antonio, Texas; and Kennewick, Seattle, Spokane and Tacoma, Washington.

Rental payments under long and short-term lease agreements amounted to $99,098,000 for the fiscal year ended October 31, 1998. Of this amount, $70,072,000 in rental expense was attributable to the Ampco System Parking Division for public parking lots and garages that it leases and operates. The remaining expense was for the rental or lease of office space, operating equipment and motor vehicles.

ITEM 3. LEGAL PROCEEDINGS.

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.
Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

MARKET INFORMATION AND DIVIDENDS

The Company's common stock is listed on the New York Stock Exchange and Pacific Exchange, Inc. The Company's credit agreement places certain limitations on dividend payments based on net income (see Note 5 to the Consolidated Financial Statements in Item 8). The following table sets forth the high and low prices of the Company's common stock and quarterly cash dividends on common shares for the periods indicated:

	FISCAL QUARTER				
	FIRST	SECOND	THIRD	FOURTH	YEAR
1997					
Price range of common stock:					
High	$19 3/4	$19 1/2	$23 3/16	$29 3/16	
Low	$15 1/2	$17 3/8	$18 3/8	$23 1/8	
Dividends per share	$0. 10	$0. 10	$0. 10	$0. 10	$0.40
1998					
Price range of common stock:					
High	$31 1/2	$37	$32 1/16	$31 1/4	
Low	$25 15/16	$28 1/8	$25 5/16	$25	
Dividends per share	$0. 12	$0. 12	$0. 12	$0. 12	$0.48

At December 31, 1998, there were approximately 6,600 registered holders of the Company's common stock, in addition to stockholders in street name.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below is derived from the Company's consolidated financial statements for each of the years in the five-year period ended October 31, 1998:

(in thousands, except per share amounts and ratios)	1994	1995	1996	1997	1998
OPERATIONS					
Revenues and other income	$ 884,633	$ 965,381	$1,086,925	$1,252,472	$ 1,501,827
Expenses					
Operating expenses and cost of goods sold	760,056	830,749	940,296	1,076,078	1,298,423
Selling, general and administrative	97,017	100,481	105,943	126,755	142,431
Interest	2,501	2,739	2,581	2,675	3,465
	859,574	933,969	1,048,820	1,205,508	1,444,319
Income before income taxes	25,059	31,412	38,105	46,964	57,508
Income taxes	9,890	13,193	16,385	19,725	23,578
Net income	$ 15,169	$ 18,219	$ 21,720	$ 27,239	$ 33,930
Net income per common share					
Basic	$ 0.82	$ 0.96	$ 1.11	$ 1.33	$ 1.58
Diluted	$ 0.80	$ 0.92	$ 1.05	$ 1.22	$ 1.44
Common and common equivalent shares					
Basic	17,816	18,415	19,123	20,143	21,110
Diluted	18,288	19,179	20,241	21,872	23,161
FINANCIAL STATISTICS					
Dividends per common share	$ 0.26	$ 0.30	$ 0.35	$ 0.40	$ 0.48
Stockholders' equity per common share	$ 6.87	$ 7.57	$ 8.43	$ 9.67	$ 11.00
Working capital	$ 90,165	$ 95,627	$ 119,957	$ 137,757	$ 166,484
Current ratio	1.91	1.84	2.05	1.90	2.05
Long-term debt	$ 25,254	$ 22,575	$ 33,664	$ 38,402	$ 33,720
Redeemable cumulative preferred stock	$ 6,400	$ 6,400	$ 6,400	$ 6,400	$ 6,400
Stockholders' equity	$ 124,331	$ 141,786	$ 164,293	$ 197,813	$ 237,534
Total assets	$ 299,470	$ 334,973	$ 379,770	$ 464,251	$ 501,363
Property, plant and equipment -- net	$ 19,819	$ 22,647	$ 22,570	$ 26,584	$ 27,307
Capital expenditures	$ 8,539	$ 10,225	$ 10,751	$ 13,272	$ 11,715
Depreciation and amortization	$ 9,300	$ 11,527	$ 13,651	$ 16,118	$ 19,593
Accounts receivable -- net	$ 140,788	$ 158,075	$ 183,716	$ 234,464	$ 260,549

All share and per share amounts have been restated to retroactively reflect a two-for-one common stock split in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

FINANCIAL CONDITION

The following discussion should be read in conjunction with the consolidated financial statements of the Company and the notes thereto. All information in the discussion and references to the years are based on the Company's fiscal year that ends on October 31.

Funds provided from operations and bank borrowings have historically been the sources for meeting working capital requirements, financing capital expenditures, acquisitions and paying cash dividends. Management believes that funds from these sources will remain available and adequately serve the Company's liquidity needs. The Company has an unsecured revolving credit agreement with a syndicate of U.S. banks. This agreement has a $125 million line of credit expiring July 1, 2002. Effective November 1, 1997, the agreement was amended to increase the amount available to $150 million. At the Company's option, the credit facility provides interest at the prime rate or IBOR+.35%. As of October 31, 1998, the total amount outstanding was approximately $101 million, which was comprised of loans in the amount of $30 million and standby letters of credit of $71 million. This agreement requires the Company to meet certain financial ratios, places some limitations on outside borrowing and prohibits declaring or paying cash dividends exceeding 50% of the Company's net income for any fiscal year. In February 1996, the Company entered into a loan agreement with a major U.S. bank which provides a seven-year term loan of $5 million. This loan bears interest at a fixed rate of 6.78% with annual payments of principal, in varying amounts, and interest due each February 15 through 2003. The Company's effective interest rate for all long-term debt borrowings for the year ended October 31, 1998 was 7.0 %.

Operating activities generated cash flows in 1996, 1997 and 1998 of $16.7 million, $27.7 million and $32.1 million respectively. Cash paid for acquisitions during the fiscal years ended October 31, 1996, 1997 and 1998, including payments pursuant to contractual arrangements involved in prior acquisitions, were approximately $13.0 million, $28.6 million and $10.0 million, respectively. Capital expenditures during fiscal years 1996, 1997 and 1998 were $10.8 million, $13.3 million and $11.7 million, respectively. Cash dividends paid to stockholders of common and redeemable preferred stock were approximately $7.2 million in 1996, $8.6 million in 1997 and $10.7 million in 1998. At October 31, 1997, working capital was $137.8 million as compared to $166.5 million at October 31, 1998.

RECENT ACCOUNTING PRONOUNCEMENTS

REPORTING COMPREHENSIVE INCOME: In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income, which establishes standards for reporting and displaying comprehensive income and its components. The statement is effective for fiscal years beginning after December 15, 1997 and will be adopted by the Company in fiscal year 1999. The Company does not believe this statement will have a material impact on its consolidated financial statements.

DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION: In 1997, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 131, Disclosures about Segments of an Enterprise and Related Information. SFAS No. 130 establishes standards for the way the public business enterprises are to report information about operating segments in the annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. The statement is effective for periods beginning after December 15, 1997, and will be adopted by the Company in fiscal year 1999. The Company does not believe this statement will have a material impact on its consolidated financial statements.

ACCOUNTING FOR THE COSTS OF COMPUTER SOFTWARE DEVELOPED OR OBTAINED FOR INTERNAL USE: In 1998, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." The SOP provides guidance for accounting for the costs of computer software for internal use whether developed or purchased. The statement is effective for periods beginning after December 15, 1998, and will be adopted by the Company in fiscal year 2000. The Company does not believe this statement will have a material impact on its consolidated financial statements.

REPORTING ON THE COSTS OF START-UP ACTIVITIES: In 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities". The SOP provides guidance on the financial reporting of start-up and organization costs. It requires costs of start-up activities and organization costs to be

expensed as incurred. The statement is effective for periods beginning after December 15, 1998, and will be adopted by the Company in fiscal year 2000. The Company does not believe this statement will have a material impact on its consolidated financial statements.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES: In 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. The statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999, and will be adopted by the Company in fiscal year 1999. The Company does not believe this statement will have a material impact on its consolidated financial statements.

ACCOUNTING FOR MORTGAGE-BACKED SECURITIES: In 1998, the FASB issued SFAS No. 134, "Accounting for Mortgage-Backed Securities Retained After the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise". SFAS No. 134 changes the way mortgage banking firms account for certain securities and other interests they retain after securitizing mortgage loans that were held for sale. The statement is effective for all fiscal quarters of fiscal years beginning after December 15, 1998, and will be adopted by the Company in fiscal year 1999. The Company does not believe this statement will have a material impact on its consolidated financial statements.

EFFECT OF INFLATION

The low rates of inflation experienced in recent years have had no material impact on the financial statements of the Company. The Company attempts to recover inflationary costs by increasing sales prices to the extent permitted by contracts and competition.

ENVIRONMENTAL MATTERS

The nature of the Company's operations, primarily services, would not ordinarily involve it in environmental contamination. However, the Company's operations are subject to various federal, state and/or local laws regulating the discharge of materials into the environment or otherwise relating to the protection of the environment, such as discharge into soil, water and air, and the generation, handling, storage, transportation and disposal of waste and hazardous substances.

These laws generally have the effect of increasing costs and potential liabilities associated with the conduct of the Company's operations, although historically they have not had a material adverse effect on the Company's financial position or its results of operations.

The Company is currently involved in four proceedings relating to environmental matters: one involving alleged potential soil and groundwater contamination at a Company facility in Florida; one involving alleged potential soil contamination at a former Company facility in Arizona; one involving alleged potential soil and groundwater contamination of a parking garage previously operated by the Company in Washington; and, one involving alleged potential soil and groundwater contamination at a former dry-cleaning facility leased by the Company in Nevada. While it is difficult to predict the ultimate outcome of these matters, based on information currently available, management believes that none of these matters, individually or in the aggregate, are reasonably likely to have a material adverse affect on the Company's financial position or its results of operations.

YEAR 2000 ISSUE

The Year 2000 Issue is the result of computer programs being written and embedded chips being designed that use two digits rather than four digits to define the applicable year. As a result, there is a potential that existing computer programs and hardware will be unable to accurately process dates beyond the year 1999. This could result in system errors or failures that could impact both administration and operations. In mid-1997, the Company established a dedicated Project Team that has initiated a Company-wide effort to mitigate the Year 2000 Issue. The Project Team has developed a detailed plan for becoming Year 2000 compliant that consists of the following seven phases: awareness, inventory, risk assessment, remediation, testing, implementation, and certification. The Year 2000 Issue encompasses both information technology ("IT") related systems, such as the Company's accounting software, and non-IT related systems such as the impact to the Company due to the non-compliance of major vendors or customers.

The Company is striving to make all levels of management within the Company cognizant of the Year 2000 Issue via quarterly newsletters. This newsletter provides Year 2000 progress updates to management, who are then able to communicate with customers, vendors, and other third parties. Additionally, the Year 2000 Project Team maintains a discussion database

that is available to managers within the Company for their review and input.

The Project Team has completed a Company-wide inventory of all office equipment, software, hardware, and any product, equipment service or system that could be impacted by the Year 2000 Issue. This inventory has provided a basis for identifying and prioritizing risk associated with the equipment, hardware, software, and services that the Company utilizes. The Project Team has attempted to assess all relevant issues and has developed a process to assess all new products and services introduced subsequent to the initial inventory. The certification of all office equipment and products is approximately 70 percent complete, and is anticipated to be finished by April 1999.

The Project Team is in the remediation and testing phases for its core application programs. All proprietary software, such as its accounting programs, service dispatch systems, and labor control systems, has been fully remediated and is now being tested. Mission-critical proprietary applications, such as the accounting and payroll programs, have also been tested and certified to be Year 2000 compliant by an outside vendor using a second generation code inspection tool.

Six Divisions use the Company's proprietary accounting software, which is internally maintained. The Elevator, Lighting and Mechanical Divisions use software purchased from outside vendors. The financial software used by the Elevator Division has been tested and reviewed by the Company and outside consultants. The Supply Division's inventory control system and the Lighting Division's financial applications are currently being tested for compliance. The Mechanical Division will be replacing its accounting and dispatching software with a Year 2000 compliant system.

The Project Team has identified vendors that represent 80 percent of the Company's total purchases, and in October 1998, began surveying these vendors to identify their plans to address the Year 2000 Issue. This process is expected to be complete by March 1999. All vendors with mission-critical IT-related products or services are being tested as mentioned above. The Company is amending its vendor selection process, as needed, to minimize potential vendor-related Year 2000 risks.

The Company has remediated and is testing Company-owned equipment and software that could have an impact on operations, and indirectly the Company's customers. The Company believes that appropriate steps are being taken to minimize potential risk to its customers; however, there is a concern that customer-owned equipment may not be Year 2000 compliant, which will adversely impact the Company's operational performance. Additionally, there may be a misconception among customers that ABM is responsible for all Year 2000 Issues. The Company plans to inform all customers in writing of the responsibility that the Company is taking with regard to the Year 2000 Issue. There can be no assurance that the systems of other companies on which the Company relies will be Year 2000 compliant, or that the failure of such systems to be Year 2000 compliant will not have a material adverse effect on the Company's business, financial condition and results of operations.

Based upon assumptions and forecasts of management at this time, the Company estimates the cost of becoming Year 2000 compliant to be approximately $3.0 million, funded by operating cash flows. The Company believes it is making the necessary modifications and changes to mitigate the Year 2000 Issue. However, there can be no assurance that all the Company's systems will be Year 2000 compliant, that the costs to be Year 2000 compliant will not exceed management's current expectations, or that the failure of such systems to be Year 2000 compliant will not have a material adverse effect on the Company's business, financial condition and results of operations. The Company is establishing contingency plans for all its major IT systems, field office locations, and largest accounts, in case of unexpected Year 2000 failures. As part of its contingency plans, the Company intends to prepare process manuals that will document the necessary procedures in the event of IT-related failures, such as hardware or software applications, as well as non-IT failures. These procedures will be tested to be certain that the procedures are viable alternatives in the case of a Year 2000 disruption. These manuals will be distributed to all offices of the Company for its preparation for Year 2000.

ACQUISITIONS

The operating results of businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition and are fully discussed on Note 12 to the Consolidated Financial Statements. Acquisitions made in the three fiscal years ended October 31, 1998 contributed approximately $246 million to fiscal 1998 revenues.

RESULTS OF OPERATIONS

COMPARISON OF 1998 TO 1997

The Company reported record revenues and earnings for 1998. Revenues and other income (hereinafter called "revenues") were $1.502 billion in 1998, up $249,355,000 or 20%, from $1.252 billion reported in 1997. The 20% increase in revenues in 1998 over 1997 was attributable to acquisitions, particularly during the prior year, as well as sales and price increases. Acquisitions made during 1998 accounted for approximately $6 million, or approximately 2.4% of the total revenue increase of $249 million for 1998.

As a percentage of revenues, operating expenses and cost of goods sold was 86.5% for 1998, compared to 85.9% in 1997. Consequently, as a percentage of revenues, the Company's gross profit (revenues minus operating expenses and cost of goods sold) of 13.5% in 1998 was lower than the gross profit of 14.1% of 1997. The gross profit percentage declined mostly due to higher labor and related costs as a result of continued competitive pressure to lower prices. The Company anticipates these costs may be gradually recovered through future price increases.

Selling, general and administrative expenses for 1998 were $142.4 million compared to $126.8 million in 1997. As a percentage of revenues, selling, general and administrative expenses decreased from 10.1% for 1997, to 9.5% for 1998, primarily as a result of certain fixed and variable costs not increasing at the same rate as sales. The dollar increase in selling, general and administrative expenses of $15.6 million is primarily due to expenses related to growth and to a lesser extent expenses associated with acquisitions including the amortization of goodwill.

Interest expense was $3,465,000 in 1998 compared to $2,675,000 for 1997, an increase of $790,000. This increase was primarily due to higher weighted average borrowings during 1998, which were needed to fund acquisitions and working capital.

The income before income taxes (pre-tax income) for 1998 was $57.5 million compared to $47.0 million, an increase of 22% over 1997. The growth in pre-tax income outpaced the revenue growth for 1998 primarily due to lower insurance costs as a percent to sales.

The estimated effective income tax rate for 1998 was 41.0%, compared to 42.0% in 1997. The lower tax rate was due for the most part to an increase in various federal and state tax credits.

Net income for 1998 was $33.9 million, an increase of 25%, compared to net income of $27.2 million in 1997. Diluted net income per common share rose 18% to $1.44 for 1998 compared to $1.22 for the same period in 1997. The increase in diluted net income per share was not proportional to the increase in net income due to the 6% increase in number of diluted shares outstanding primarily a result of purchases made by employees under the Company's Employee Stock Purchase Plan. Earnings per share calculations also include the effect of a preferred stock dividend deduction of $512,000 in both 1998 and 1997.

The results of operations from the Company's three industry segments and its nine operating divisions for 1998 as compared to 1997 are more fully described below:

The Janitorial Divisions segment, which includes the operating divisions of American Building Maintenance and Easterday Janitorial Supply, reported revenues for 1998 of $889.4 million, an increase of approximately $176.1 million, or 25%, over 1997. This segment's operating profits increased by 36% over 1997. This is the Company's largest segment and accounted for approximately 59% of the Company's consolidated revenues for the current year. Revenues of American Building Maintenance increased by 25% during 1998, as compared to 1997, as a result of several acquisitions made during 1997, particularly in the Northeast and the Southwest regions. Revenues generated from acquisitions during the prior year contributed $142 million of the 1998 increase. This Division's operating profits increased 36% when compared to last year. This profit increase was due primarily to the increase in revenues and lower labor and labor related costs. Easterday Janitorial Supply's revenues for 1998 increased by approximately 8% compared to 1997 generally due to strong sales in the Los Angeles market and a small acquisition in Houston. An increase of 29% in operating profits was achieved primarily due to its distributor program, the Houston acquisition and generally improved margins.

Revenues of the Public Service Divisions segment, which includes American Commercial Security Services, Ampco System Parking, and ABM Facility Services, during 1998 were approximately $253.9 million, a 4.5% increase over 1997. Public Service Divisions accounted for approximately 17% of the Company's 1998 consolidated revenues. The operating profits of this segment increased 10% in 1998 as both Ampco System Parking and American Commercial Security Services reported increased profits when compared to the prior year period. American Commercial Security

Services' revenues for 1998 were basically flat compared to 1997, but its 1998 operating profits were up by 23.5% compared to 1997. Revenue was impacted by the loss of several large customers in the San Francisco Bay Area and in Minneapolis, Minnesota. The increase in operating profits was primarily due to a reduction in insurance charges and improved margins particularly in Southern California. Due to low unemployment levels in this Division's major markets, labor and labor-related costs increased, but were offset by price increases. Ampco System Parking's revenues increased by 7%, while its profits increased 10% during 1998 compared to 1997. The increase in revenues was mostly due to growth in its national airport business and its Texas region. The operating profit increase was due for the most part to lower payroll tax expense and the increased sales. As reported previously in the Company's Form 10-Q filings, this segment now includes the Company's new Division, ABM Facility Services. The establishment of this Division was a result of customer requests to provide services from two or more of its other Divisions (the ABM Family of Services) under one management. Much of the revenues generated by this Division are reported by the respective ABM Divisions that perform the services, and therefore contribute to the operating profits of those Divisions. Because this Division is new and depends primarily on management fees for its income, start up costs exceeded those fees during its first year. At the present time, management does not expect this Division to be profitable during 1999 because anticipated management fees are not yet adequate to support the necessary infrastructure.

The Company's Technical Divisions segment includes ABM Engineering Services, Amtech Elevator Services, Amtech Lighting Services, and CommAir Mechanical Services. This segment reported revenues of $358.0 million, which represents approximately 24% of the Company's consolidated revenues for 1998. The revenue of this segment increased approximately 21.1% over last year due to increases in revenues reported by all its Divisions. The operating profits of this segment increased 17.9% compared to 1997 also due to increases in operating profits of all of its Divisions. ABM Engineering Services' revenues increased by 45% and its operating profits increased 9% for 1998 compared to 1997. The large revenue increase was due primarily to an acquisition in New York in August 1997 and new business in the Midwest and West Central regions. The smaller percentage increase in operating profits is due to lower margins particularly on contracts purchased through the New York acquisition, increased insurance costs and pressure from competition to reduce fees. Revenues for Amtech Elevator Services were up by 8% for 1998 over 1997 largely due to an increased customer base in the maintenance and repair sector. The Division reported a 39% increase in operating profits compared to 1997. This increase in operating profits can be attributed primarily to a higher profit margin on service contracts and a substantial reduction of insurance costs. Amtech Lighting Services reported a 10% revenue increase due to increased revenues in the Northeast and Dallas markets as well as from a small acquisition in the Midwest. Operating profits increased by 11% during 1998 compared to the prior year primarily due to the increased sales. CommAir Mechanical Services' revenues increased by 13%, resulting primarily from an acquisition in Southern California during 1997 and increased business in Northern California. Operating profits for 1998 increased by 26% from the prior year as a result of increased profit margin on sales related to the unseasonably hot weather in California and improved performance in the Arizona operation.

COMPARISON OF 1997 TO 1996

The Company's revenues and other income were $1.252 billion in 1997, up $165 million or 15%, from $1.087 billion reported in 1996. The 15% increase in revenues in 1997 over 1996 was attributable to volume and price increases as well as revenues generated from acquisitions. Acquisitions made during 1997 accounted for approximately $60 million, or approximately 36% of the total revenue increase of $165 million for 1997. Gross profit increased $29 million to $176 million from $147 million a year ago. The gross profit as a percentage of revenues increased slightly to 14.1% in 1997 from 13.5% in 1996. The increase in gross profit amount was primarily due to increases in revenues and decreases in labor and labor related costs relative to sales, particularly the Company's self insurance costs. As discussed in previous years, the Company's continued emphasis on safety training and education programs, along with aggressively settling claims, has helped management to control the insurance expenses.

Selling, general and administrative expense increased $20.9 million from $105.9 million in 1996 to $126.8 million in 1997 but increased slightly as a percentage of revenues from 9.7% to 10.1% in 1997. The dollar amount of increase in selling, general and administrative expense is due to increases in marketing expenses as well as legal, accounting, and goodwill amortization expenses associated with acquisitions.

In 1997, interest expense was $2,675,000 as compared to $2,581,000 in 1996, an increase of $94,000.

Although average debt was lower in 1997 than 1996, the effective interest rate was slightly higher during the current year: 7.1% in 1997 as compared to 6.9% in 1996. Therefore, the increase was mostly due to certain other components of interest expense not related to long term debt.

The income before income tax (pretax income) for 1997 was $47.0 million, an increase of 23% over the prior year. The growth in pre-tax income outpaced the revenue growth for 1997 primarily due to continued implementation of cost controls, contribution from acquisitions made over the past few years, and stable insurance expenses.

The effective income tax rate decreased from 43% in 1996 to 42% in 1997, due for the most part to increased various federal and state tax credits.

Net income increased $27.2 million in 1997, or 25%, from $21.7 million in 1996. Diluted net income per common share for the current year increased to $1.22 from $1.05 in 1996 which represents a 16% increase. The average number of shares used for the calculation of earnings per share increased from approximately 20.2 million to 21.9 million. The increase in common and common equivalent shares resulted mainly from the exercise of stock options, higher common stock equivalents due to a higher average share price, and purchases made by employees under the Company's Employee Stock Purchase Plan. Net income per share calculations also include the effect of a preferred stock dividend deduction of $512,000 in both 1997 and 1996.

The results of operations from the Company's three industry segments and its operating divisions for 1997 as compared to 1996 are more fully described below:

Revenues for the Janitorial Divisions segment in 1997 were $713 million, an increase of $106 million or 17% over 1996, while its operating profits increased 18% over 1996. The Janitorial Divisions segment, which includes American Building Maintenance and Easterday Janitorial Supply, accounted for approximately 57% of the Company's consolidated revenues for 1997. Revenues of American Building Maintenance increased by 17% in 1997 as compared to 1996 primarily as a result of significant increases in its Midwest, Northeast, Northern California, and Southwest regions; moderate increases in Southeast, Gulf Central, and Ohio Valley regions; offset by slight decreases in its Canadian, Mid-Pacific, Mid-Atlantic, and South Central regions. Revenues also increased approximately $29 million from acquisitions made during the fiscal year 1997 including acquisition of all the building maintenance operations in New York City from Ogden Corporation on August 1, 1997. This Division's operating profits (revenues minus total expenses) increased by 18% when compared to 1996. The increase in operating profits is principally due to the increased revenues, particularly from the acquisition in New York City, and slightly lower insurance costs. Easterday Janitorial Supply's revenues to non-affiliates for 1997 increased by approximately 17% compared to 1996 generally due to increases in its customer base particularly in Portland, Oregon and Sacramento, California. Operating profits increased 13% as a result of the increased sales volume though at somewhat lower margins.

Revenues in 1997 from the Public Service Divisions segment, which includes the American Commercial Security Services and Ampco System Parking Divisions, were $243 million, an increase of 7% over 1996. Public Service Divisions accounted for approximately 19% of the Company's consolidated revenues in 1997. The operating profits of this segment were up 3%. American Commercial Security Services reported an increase in revenues of 7% in 1997 as compared to 1996 primarily due to obtaining new customers, particularly in the Southwest and Midwest regions. However, the Division's operating profits decreased by 10% compared to 1996 due primarily to certain large contracts which were bid at smaller margins in order to remain competitive, and an increase in labor costs due to overtime. Ampco System Parking's revenues increased by approximately 7% in 1997 when compared to 1996 and its operating profits increased by 14%. The primary factors accounting for the growth in revenues were increased business at its airport operations and new parking locations in the Northwest region. The improvement of 14% in operating profits is largely due to the increased business in the Northwest and increases in profit margins on its Southern California business as building occupancy improves.

The Company's Technical Divisions segment includes ABM Engineering Services, Amtech Elevator Services, Amtech Lighting Services, and CommAir Mechanical Services. The Technical Divisions segment through its four Divisions reported revenues of $296 million, an increase of approximately 17% over last year. These revenues represent approximately 24% of the Company's consolidated revenues for 1997. Operating profits of the Technical Divisions increased approximately 30% in 1997 over 1996. ABM Engineering Services Division reported increased revenues of 18% and a 6% increase in operating profits for 1997 as compared to 1996, mostly due to new business in the Northeast region obtained through the Company's acquisition of the on-site engineering operations from

Ogden Corporation. The proportionately lower operating profits increase reflects the lower margins on the business acquired in the Northeast. For 1997, Amtech Elevator Services reported a 10% increase in revenues when compared to the prior year essentially due to strong growth in the service and repair business. This Division's operating profits were up 121%, primarily due to the absence of losses reported in the prior year by its Mexican subsidiary, which was sold May 31, 1996, and lower insurance costs, offset by continuing start up costs of new branches. Amtech Lighting Services' revenues for 1997 increased by 23% while its operating profits increased by 34%. Revenues and operating profits were up as a result of the acquisition of Sica Electrical and Maintenance of New York in November 1, 1996. CommAir Mechanical Services' revenues and operating profits in 1997 increased by 18% and 8%, respectively, over the prior year. The revenue increase is attributable to an increase in construction project work as well as the acquisition on March 1, 1997 of Preferred Mechanical Service in Southern California. A relatively smaller percentage increase in operating profits for the current year is a result of lower margins from larger projects as well as a slight increase in selling, general and administrative expenses.

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) the widespread failure of commercial real estate occupancy to improve in the Company's major markets since it relates directly to the need for janitorial and other buildings services, (2) the loss or bankruptcy of one or more of the Company's major customers, which could adversely affect the Company's ability to collect deferred costs or its accounts receivable, (3) any major labor disruptions that may cause loss of revenue or cost increases that non-union companies can use to their advantage in obtaining market share, (4) the failure of the Company's IT or non-IT systems, or those of its customers or vendors, to be Year 2000 compliant, (5) significant shortfall in achieving any acquisition plan to acquire either businesses in new markets or expand customer base in existing ones, (6) any legislation or other government action that severely impacts one or more of the Company's lines of business, such as price controls that could prevent cost recovery and fuel restrictions that might increase the cost to deliver services, (7) the reduction or revocation of the Company's lines of credit which would increase interest expense or the cost of capital, (8) the cancellation or non-renewal of the Company's primary insurance policies, as many customers retain services based on the provider's ability to provide adequate insurance including performance bonds and proof of adequate insurance, (9) any catastrophic uninsured or underinsured claims against the Company, which also might include insurance companies financially incapable of paying claims, (10) the untimely departure of one or more of the Company's key executives, which could affect retention of customers as well as the day to day management of operations, (11) the inability to recruit and hire entry level personnel due to labor shortages, and (12) 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.

ITEM 7a. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company does not issue or invest in financial instruments or their derivatives for trading or speculative purposes. The operations of the Company are conducted primarily in the United States, and, as such, are not subject to material foreign currency exchange rate risk. Although the Company has market risk in interest rate exposure in the United States, outstanding debt and the related interest expense is currently not material.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors
ABM Industries Incorporated:

We have audited the accompanying consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 1997 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 1998. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule II. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ABM Industries Incorporated and subsidiaries as of October 31, 1997 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended October 31, 1998, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule II, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/S/ KPMG LLP

San Francisco, California
December 14, 1998

ABM Industries Incorporated and Subsidiaries

CONSOLIDATED BALANCE SHEETS

OCTOBER 31 (in thousands of dollars except share amounts)	1997	1998
ASSETS		
Cash and cash equivalents	$ 1,783	$ 1,844
Accounts receivable (less allowances of $5,923 and $6,761)	234,464	260,549
Inventories	21,197	22,965
Deferred income taxes	8,067	10,505
Prepaid expenses and other current assets	26,005	28,445
Total current assets	291,516	324,308
Investments and long-term receivables	12,900	12,405
Property, plant and equipment -- net	26,584	27,307
Intangible assets (less accumulated amortization of $30,595 and $39,420)	100,313	102,776
Deferred income taxes	25,426	27,509
Other assets	7,512	7,058
	$ 464,251	$ 501,363
LIABILITIES		
Current portion of long-term debt	$ 1,393	$ 865
Bank overdraft	12,975	2,475
Trade accounts payable	34,555	34,992
Income taxes payable	1,364	5,527
Accrued liabilities:		
Compensation	35,965	40,914
Taxes -- other than income	12,609	15,887
Insurance claims	25,479	29,254
Other	29,419	27,910
Total current liabilities	153,759	157,824
Long-term debt	38,402	33,720
Retirement plans	13,413	15,974
Insurance claims	54,464	49,911
Total liabilities	260,038	257,429
SERIES B 8% SENIOR REDEEMABLE CUMULATIVE PREFERRED STOCK, 6,400 shares authorized, issued and outstanding, stated at redemption value, $1,000 per share	6,400	6,400
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; 500,000 shares authorized; none issued	--	--
Common stock, $.01 par value; 28,000,000 shares authorized; 20,464,000 and 21,601,000 shares issued and outstanding in 1997 and 1998, respectively	205	216
Additional capital	63,416	79,904
Retained earnings	134,192	157,414
Total stockholders' equity	197,813	237,534
	$ 464,251	$ 501,363

The accompanying notes are an integral part of the consolidated financial statements.

ABM Industries Incorporated and Subsidiaries

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED OCTOBER 31 (in thousands, except per share amounts)	1996	1997	1998
REVENUES AND OTHER INCOME	$1,086,925	$1,252,472	$ 1,501,827
EXPENSES			
Operating expenses and cost of goods sold	940,296	1,076,078	1,298,423
Selling, general and administrative	105,943	126,755	142,431
Interest	2,581	2,675	3,465
	1,048,820	1,205,508	1,444,319
INCOME BEFORE INCOME TAXES	38,105	46,964	57,508
Income taxes	16,385	19,725	23,578
NET INCOME	$ 21,720	$ 27,239	$ 33,930
NET INCOME PER COMMON SHARE			
Basic	$ 1.11	$ 1.33	$ 1.58
Diluted	$ 1.05	$ 1.22	$ 1.44
COMMON AND COMMON EQUIVALENT SHARES			
Basic	19,123	20,143	21,110
Diluted	20,241	21,872	23,161

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

YEARS ENDED OCTOBER 31, 1996, 1997 AND 1998 (in thousands, except per share amounts)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL CAPITAL	RETAINED EARNINGS
BALANCE OCTOBER 31, 1995	9,366	$ 94	$ 40,627	$ 101,065
Net income				21,720
Dividends:				
Common stock				(6,723)
Preferred stock				(512)
Two-for-one stock split	9,669	97	(97)	
Stock issued under employees' stock purchase and option plans	454	4	8,018	
BALANCE OCTOBER 31, 1996	19,489	195	48,548	115,550
Net income				27,239
Dividends:				
Common stock				(8,085)
Preferred stock				(512)
Stock issued under employees' stock purchase and option plans and for acquisition	975	10	14,868	
BALANCE OCTOBER 31, 1997	20,464	205	63,416	134,192
Net income				33,930
Dividends:				
Common stock				(10,196)
Preferred stock				(512)
Tax benefit from exercise of stock options			718	
Stock issued under employees' stock purchase and option plans and for acquisition	1,137	11	15,770	
BALANCE OCTOBER 31, 1998	21,601	$ 216	$ 79,904	$ 157,414

The accompanying notes are an integral part of the consolidated financial statements.

ABM Industries Incorporated and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED OCTOBER 31 (in thousands of dollars)	1996	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,055,112	$ 1,203,314	$ 1,463,918
Other operating cash receipts	1,270	1,126	1,331
Interest received	449	552	682
Cash paid to suppliers and employees	(1,017,329)	(1,154,572)	(1,406,600)
Interest paid	(2,418)	(2,685)	(3,334)
Income taxes paid	(20,355)	(19,988)	(23,936)
Net cash provided by operating activities	16,729	27,747	32,061
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property, plant and equipment	(10,751)	(13,272)	(11,715)
Proceeds from sale of assets	777	660	497
Increase (decrease) in investments and long-term receivables	(5,657)	3,041	495
Intangible assets acquired	(13,044)	(28,606)	(10,010)
Net cash used in investing activities	(28,675)	(38,177)	(20,733)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Common stock issued, including tax benefit	8,022	8,778	15,151
Dividends paid	(7,235)	(8,597)	(10,708)
Increase (decrease) in bank overdraft	(426)	8,035	(10,500)
Increase (decrease) in notes payable	223	491	(528)
Long-term borrowings	110,777	115,654	93,204
Repayments of long-term borrowings	(99,688)	(113,715)	(97,886)
Net cash provided by financing activities	11,673	10,646	(11,267)
Net (decrease) increase in cash and cash equivalents	(273)	216	61
Cash and cash equivalents beginning of year	1,840	1,567	1,783
CASH AND CASH EQUIVALENTS END OF YEAR	$ 1,567	$ 1,783	$ 1,844
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income	$ 21,720	$ 27,239	$ 33,930
ADJUSTMENTS:			
Depreciation and amortization	13,651	16,118	19,593
Impairment of long-lived assets	--	2,700	--
Provision for bad debts	2,039	2,988	2,821
Gain on sale of assets	(314)	(257)	(202)
Increase (decrease) in deferred income taxes	(3,556)	237	(4,521)
Increase in accounts receivable	(26,890)	(50,312)	(28,907)
Decrease (increase) in inventories	516	(4,069)	(1,768)
Increase in prepaid expenses and other current assets	(1,170)	(5,628)	(2,440)
Decrease (increase) in other assets	(645)	1,580	454
Increase (decrease) in income taxes payable	(414)	(500)	4,163
Increase in retirement plans accrual	2,513	3,273	2,561
Increase (decrease) in insurance claims liability	4,854	5,212	(778)
Increase in trade accounts payable and other accrued liabilities	4,425	29,166	7,155
Total adjustments to net income	(4,991)	508	(1,869)
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 16,729	$ 27,747	$ 32,061
SUPPLEMENTAL DATA:			
Non-cash investing activities:			
Common stock issued for net assets of business acquired	--	$ 6,100	$ 1,348

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION: The consolidated financial statements include the accounts of ABM Industries Incorporated and its subsidiaries ("the Company"). All material intercompany transactions and balances have been eliminated. Certain reclassifications of prior year amounts have been made to conform with the current year presentation.

USE OF ESTIMATES: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and related notes to financial statements. Changes in such estimates may affect amounts reported in future periods.

ACCOUNTS RECEIVABLE: The Company's accounts receivable are principally trade receivables arising from services provided to its customers and are generally due and payable on terms varying from the receipt of invoice to net thirty days. The Company does not believe that it has any material exposure due to either industry or regional concentrations of credit risk.

INVENTORIES: Inventories are valued at amounts approximating the lower of cost (first-in, first-out basis) or market.

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are stated at cost less accumulated depreciation and amortization. At the time property, plant and equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Maintenance and repairs are charged against income.

Depreciation and amortization are calculated principally on the straight-line method. Lives used in computing depreciation for transportation equipment average 3 to 5 years and 2 to 20 years for machinery and other equipment. Buildings are depreciated over periods of 20 to 40 years. Leasehold improvements are amortized over the shorter of the terms of the respective leases, or the assets' useful lives.

INTANGIBLE ASSETS: Intangible assets consist of goodwill in the amount of $139,796,000 and other intangible assets in the amount of $2,400,000, net of accumulated amortization of $39,420,000. Goodwill, which represents the excess of cost over fair value of tangible assets of businesses acquired, is amortized on a straight-line basis over periods not exceeding 40 years. It is the Company's policy to carry goodwill applicable to acquisitions prior to 1971 of $1,450,000 at cost until such time as there may be evidence of diminution in value.

IMPAIRMENT OF LONG-LIVED ASSETS: The Company annually reviews its long-lived assets, including goodwill. Impairment is evaluated on the basis of whether the asset is fully recoverable from projected, undiscounted net cash flows of the related business unit, in accordance with Statement of Financial Accounting Standards No. 121. Impairment is recognized in operating results when a permanent diminution in value is believed to have occurred. The Company measures impairment as the excess of any unamortized goodwill over the estimated future discounted cash flows over the remaining life of the asset. During the year ended October 31, 1997, the Company wrote off $2,700,000 of goodwill that was deemed to be permanently impaired.

INCOME TAXES: Income tax expense is based on reported results of operations before income taxes. In accordance with Statement of Financial Accounting Standards No. 109, Accounting for Income Taxes, deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. These deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

REVENUE RECOGNITION: Revenues are generally recorded at the time services are performed or when products are shipped.

NET INCOME PER COMMON SHARE: The company has reported its earnings in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share. Basic net income per common share, after the reduction for preferred stock dividends, is based on the weighted average number of shares actually outstanding during the period. Diluted net income per common share, after the reduction for preferred stock dividends, is based on the weighted average number of shares outstanding during the period, including common stock equivalents. Diluted net income per

common share is consistent with the Company's former presentation of primary net income per common share. The calculation of these amounts is as follows:

	1996	1997	1998
Net Income	$21,720,000	$27,239,000	$33,930,000
Preferred Stock Dividends	(512,000)	(512,000)	(512,000)
	$21,208,000	$26,727,000	$33,418,000
Common shares outstanding -- basic:	19,123,000	20,143,000	21,110,000
Effect of dilutive securities:			
Stock options	1,118,000	1,381,000	1,852,000
Other	0	348,000	199,000
Common shares outstanding -- diluted	20,241,000	21,872,000	23,161,000

CASH AND CASH EQUIVALENTS: The Company considers all highly liquid instruments with original maturities of three months or less to be cash and cash equivalents.

STOCK-BASED COMPENSATION: Effective November 1, 1996, the Company adopted Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, and has elected to account for its stock-based awards using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. See Note 10.

2. INSURANCE

Certain insurable risks such as general liability, property damage and workers' compensation are self-insured by the Company. However, the Company has umbrella insurance coverage for certain risk exposures subject to specified limits. Accruals for claims under the Company's self-insurance program are recorded on a claim-incurred basis. Under this program, the estimated liability for claims incurred but unpaid at October 31, 1997 and 1998 was $79,943,000 and $79,165,000, respectively. In connection with certain self-insurance agreements, the Company has standby letters of credit at October 31, 1998 supporting the estimated unpaid liability in the amounts of $70,069,000.

3. INVENTORIES

The inventories at October 31, consisted of the following:

(in thousands of dollars)	1997	1998
Janitorial supplies and equipment held for sale	$ 4,562	$ 4,839
Parts and materials	13,643	14,510
Work in process	2,992	3,616
	$21,197	$22,965

4. PROPERTY, PLANT AND EQUIPMENT -- NET

Property, plant and equipment at October 31, consisted of the following:

(in thousands of dollars)	1997	1998
Land	$ 911	$ 834
Buildings	3,773	3,968
Transportation equipment	11,211	11,633
Machinery and other equipment	46,147	51,528
Leasehold improvements	10,476	13,096
	72,518	81,059
Less accumulated depreciation and amortization	45,934	53,752
	$26,584	$27,307

5. LONG-TERM DEBT AND CREDIT AGREEMENT

During the third quarter of 1997, the Company replaced its $125 million syndicated line of credit expiring September 22, 1999 with a new $125 million syndicated line of credit expiring July 1, 2002. Effective November 1, 1997, the agreement was amended to increase the amount available to $150 million. The unsecured revolving credit facility provides, at the Company's option, interest at the prime rate or IBOR+.35%. The facility calls for a commitment fee payable

quarterly, in arrears, of .12% based on the average, daily, unused portion. For purposes of this calculation, irrevocable standby letters of credit issued in conjunction with the Company's self-insurance program plus cash borrowings are considered to be outstanding amounts. As of October 31, 1998, the total outstanding amount under this facility was $101 million comprised of $30 million in loans and $71 million in standby letters of credit. The interest rate at October 31, 1998 on loans outstanding under this agreement ranged from 5.54% to 6.16%. The Company is required, under this agreement to maintain financial ratios and places certain limitations on dividend payments. The Company is prohibited from paying cash dividends exceeding 50% of its net income for any fiscal year.

In February 1996, the Company entered into a loan agreement with a major U.S. bank which provides a seven-year term loan of $5 million. This loan bears interest at a fixed rate of 6.78% with annual payments of principal, in varying amounts, and interest due February 15, 1997 through February 15, 2003.

The long-term debt of $34,585,000 matures in the years ending October 31 as follows: $865,000 in 1999; $859,000 in 2000; $895,000 in 2001, $30,907,000 in 2002, $981,000 in 2003,and $78,000 in subsequent years.

Long-term debt at October 31, is summarized as follows:

(in thousands of dollars)	1997	1998
Notes payable to bank with interest at 5.54 - 8.25%	$34,000	$30,000
Note payable to bank with interest at 6.78%	4,777	4,104
Note payable to insurance company with interest at 9.35%	636	0
Notes payable with interest at 8.75%	238	177
Other	144	304
	39,795	34,585
Less current portion	1,393	865
	$38,402	$33,720

6. EMPLOYEE BENEFIT PLANS

(A) RETIREMENT AGREEMENTS

The Company has unfunded retirement agreements for approximately 36 current and former directors and senior executives, many of which are fully vested. The agreements provide for annual benefits for ten years commencing at the later of the respective retirement dates of those executives or age 65. The benefits are accrued over the period these directors and senior executives are expected to be employed by the Company. During 1996, 1997 and 1998, amounts accrued under these agreements were $398,000, $629,000 and $513,000 respectively. Payments were made in 1996, 1997 and 1998 in the amounts of $124,000, $124,000 and $207,000, respectively.

(B) 401(k) AND PROFIT SHARING PLAN

The Company has a profit sharing and 401(k) plan covering certain qualified employees, which includes employer participation in accordance with the provisions of Section 401(k) of the Internal Revenue Code. The plan allows participants to make pretax contributions and the Company matches certain percentages of employee contributions depending on the participant's length of service. The profit sharing portion of the plan is discretionary and noncontributory. All amounts contributed to the plan are deposited into a trust fund administered by independent trustees.

The Company provided for profit sharing contributions of $1,084,000, $1,336,000 and $1,534,000 for 1996, 1997 and 1998, respectively. The Company's matching 401(k) contributions required by the 401(k) plan for 1996, 1997 and 1998 were approximately $664,000, $873,000 and $1,066,000, respectively.

(C) SERVICE AWARD BENEFIT PLAN

In 1989 the Company adopted an unfunded service award benefit plan, with a retroactive vesting period of five years. This plan is a "severance pay plan" as defined by the Employee Retirement Income Security Act (ERISA) and covers certain qualified employees. The plan provides participants, upon termination, with a guaranteed seven days pay for each year of employment subsequent to November 1, 1989. The Company, at its discretion, may also award additional days each year.

Net cost of the plan is comprised of:

(in thousands of dollars)	1996	1997	1998
Service cost	$ 371	$ 298	$ 300
Interest	176	233	247
Net cost	$ 547	$ 531	$ 547
Actuarial present value of:			
Vested benefit obligation	$ 2,436	$ 2,964	$ 3,280
Accumulated benefit obligation	$ 2,522	$ 3,102	$ 3,391
Projected benefit obligation	$ 3,064	$ 3,853	$ 4,072

Assumptions used in accounting for the plan as of October 31 were:

(in thousands of dollars)	1996	1997	1998
Weighted average discount rate	7%	7%	7%
Rate of increase in compensation level	5%	5%	5%

(D) PENSION PLAN UNDER COLLECTIVE BARGAINING

Certain qualified employees of the Company are covered under union-sponsored collectively bargained multi-employer defined benefit plans. Contributions for these plans were approximately $11,900,000, $14,993,000 and $20,763,000 in 1996, 1997 and 1998, respectively. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts.

7. LEASE COMMITMENTS AND RENTAL EXPENSE

The Company is obligated under noncancelable operating leases for various facilities and equipment.

As of October 31, 1998, future minimum lease commitments under noncancelable operating leases are as follows:

Years ending (in thousands of dollars)	
1999	$ 34,708
2000	26,622
2001	20,165
2002	14,238
2003	10,611
Thereafter	44,601
Total minimum lease commitments	$ 150,945

Rental expense for the years ended October 31, is summarized as follows:

(in thousands of dollars)	1996	1997	1998
Minimum rentals under noncancelable leases	$ 50,834	$ 52,997	$ 61,648
Contingent rentals	29,470	32,031	26,071
Short-term rental agreements	11,364	12,201	11,379
	$ 91,668	$ 97,229	$ 99,098

Contingent rentals are applicable to leases of parking lots and garages and are based on percentages of the gross receipts attributable to the related facilities.

8. COMMITMENTS AND CONTINGENCIES

The Company and certain of its subsidiaries have been named defendants in certain litigation arising in the ordinary course of business. In the opinion of management, based on advice of legal counsel, such matters should have no material effect on the Company's consolidated financial statements taken as a whole.

9. REDEEMABLE CUMULATIVE PREFERRED STOCK

On June 23, 1993, the Company authorized 6,400 shares of preferred stock having a par value of $0.01 per share. These shares designated as Series B 8% Senior Redeemable Cumulative Preferred Stock (Series B Preferred Stock) shall be entitled to one vote per share on all matters upon which common stockholders are entitled to vote and have a redemption price of $1,000 per share, together with accrued and unpaid dividends thereon. Redemption of the Series B Preferred Stock is at the option of the holders for any or all of the outstanding shares after September 1, 1998 or at the option of the Company after September 1, 2002. The total redemption value of the shares outstanding at October 31, 1997 and 1998 in an amount of $6,400,000 is classified on the Company's balance sheet as redeemable cumulative preferred stock. In the event of any liquidation, dissolution or winding up of the affairs of the Company, holders of the Series B Preferred Stock shall be paid the redemption price plus all accrued dividends to the date of liquidation, dissolution or winding up of affairs before any payment to other stockholders.

On September 1, 1993, the Company issued 6,400 shares of its Series B Preferred Stock in conjunction with the acquisition of System Parking. The acquisition agreement provided that one-half, or 3,200 shares, of the Series B Preferred Stock be placed in escrow and will be released upon certain earnout requirements. As of October 31, 1998, none of these shares have been released.

Dividends of $128,000 are due and payable each quarter and are deducted from net income in determining net income per common share.

10. CAPITAL STOCK

The Company is authorized to issue 500,000 shares of preferred stock, of which 50,000 shares have been designated as Series A Junior Participating Preferred Stock of $.01 par value. None of these preferred shares have been issued.

On June 18, 1996, the Company's Board of Directors approved a two-for-one stock split, payable to shareholders of record as of the close of business on July 15, 1996. A total of 9,669,000 shares of common stock were issued in connection with the stock split. The stated par value of the shares was not changed from $0.01. A total of $96,690 was reclassified from the Company's additional paid in capital account to the Company's common stock account. All share and per share amounts have been restated to retroactively reflect the stock split.

In March 1998, the Company's Board of Directors adopted a stockholder rights plan to replace an existing rights plan that expired on April 22, 1998. The new plan provides for a dividend distribution of one preferred stock purchase right (a "Right") for each outstanding share of common stock, distributed to

stockholders of record on April 22, 1998. The Rights will be exercisable only if a person or group acquires 20% or more of the Company's common stock (an "Acquiring Person") or announces a tender offer for 20% or more of the common stock. Each Right will entitle stockholders to buy one-thousandth of a share of newly created Participating Preferred Stock, par value $.01 per share, of the Company at an initial exercise price of $175 per Right, subject to adjustment from time to time. However, if any person becomes an Acquiring Person, each Right will then entitle its holder (other than the Acquiring Person) to purchase at the exercise price common stock (or, in certain circumstances, Participating Preferred Stock) of the Company having a market

value at that time of twice the Right's exercise price. These Rightsholders would also be entitled to purchase an equivalent number of shares at the exercise price if the Acquiring Person were to control the Company's Board of Directors and cause the Company to enter into certain mergers or other transactions. In addition, if an Acquiring Person acquired between 20% and 50% of the Company's voting stock, the Company's Board of Directors may, at its option, exchange one share of the Company's common stock for each Right held (other than Rights held by the Acquiring Person). Rights held by the Acquiring Person will become void. The Rights Plan excludes from its operation The Theodore Rosenberg Trust and The Sydney J. Rosenberg Trust, and certain related persons, and, as a result, their holdings will not cause the Rights to become exercisable or nonredeemable or trigger the other features of the Rights. The Rights will expire on April 22, 2008, unless earlier redeemed by the Board at $0.01 per Right.

As discussed in Note 1, the Company continues to account for its stock-based awards using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", and its related interpretations. Accordingly, no compensation expense has been recognized in the financial statements for employee stock awards because the exercise price at date of grant equals or exceeds the market price on that date.

Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation", requires the disclosure of pro forma net earnings and earnings per share had the Company adopted the fair value method as of the beginning of fiscal 1996. Under SFAS 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models. The use of these models requires subjective assumptions, including future stock price volatility and expected time to exercise, which can have a significant effect on the calculated values. The Company's calculations were made using the Black-Scholes option pricing model with the following weighted average assumptions: expected life 6.4 years, 9.8 years and 11.4 years from the date of grant in fiscal 1996, 1997 and 1998, respectively; expected stock price volatility of 19.5%, 19.5% and 25.3%, respectively; expected dividend yields of 2.6%, 2.6% and 1.5%; and risk free interest rates of 6.8%, 6.5% and 6.0% in fiscal 1996, 1997 and 1998, respectively.

The Company's calculations are based on a single option valuation approach and forfeitures are recognized as they occur. If the computed fair values of the fiscal 1996, 1997 and 1998 awards had been amortized to expense over the vesting period of the awards, pro forma net earnings would have been $19,948,000 ($0.96 per share) for fiscal 1996, $24,376,000 ($1.09 per share) for fiscal 1997 and $27,496,000 ($1.17 per share) in fiscal 1998. The impact of outstanding stock options granted prior to fiscal 1996 has been excluded from the pro forma calculation; accordingly, the fiscal 1996, 1997 and 1998 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all future applicable stock grants.

Although most of the options granted under the "Price-Vested" Performance Stock Option Plan adopted in 1996 were granted in 1997, the recognition of expense in the SFAS 123 footnote for this Plan increased from $724,296 in 1997 to $5,879,059 in 1998. This accounts for the majority of the increase in the total recognition from all plans from $4,682,235 in 1997 to $10,513,464 in 1998. This large increase results from the requirements contained in SFAS 123. The options from this Plan were granted with a ten-year term. If, during the first four years, the stock price achieved and maintained a set price for ten out of thirty consecutive trading days, the options associated with the price would vest. The prices established were $25, $30, $35 and $40, with 25% of the options vesting at each price point. If, at the end of four years, any of the stock price performance targets were not achieved, then the remaining options would vest at the end of eight years from the date the options were granted. SFAS 123 requires that the projected value of the options be determined on the grant date and recognized over the period in which the options are earned (the vesting period). For these options, the projected value of the options was determined and that value was to be recognized over the eight-year vesting period unless vesting occurred at an earlier date. In 1998 ABM stock achieved and maintained for the requisite ten-day period, the first three price targets. As a result, 75% of the options are now vested, and the projected value of that 75% less the amount recognized in 1997 for those options recognized in this year's footnote. Of the remaining 25% of the originally granted options yet to be vested, one-eighth was recognized last year and one-eighth recognized this year. The remaining amount will be recognized over the next six years unless sooner vested by the stock achieving a price of $40 per share and maintaining that price for ten out of 30 consecutive trading days.

"AGE-VESTED" CAREER STOCK OPTION PLAN ADOPTED IN 1984, AS AMENDED

In 1984, the Company adopted a stock option plan whereby 680,000 shares were reserved for grant. In March of 1996, another 1,000,000 shares were reserved for grant under the plan. As amended December 20, 1994, options which have been granted at fair market value are 50% exercisable when the option holders reach their 61st birthday and the remaining 50% will vest on their 64th birthday. To the extent vested, the options may be exercised at any time prior to one year after termination of employment. Options which terminate without being exercised may be reissued.

Transactions under this plan are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance October 31, 1995	655,000	7.64
Terminated	(16,000)	11.25
Balance October 31, 1996	639,000	7.55
Granted (Weighted average fair value of $6.65)	6,000	19.44
Terminated	(22,000)	11.25
Balance October 31, 1997	623,000	7.53
Granted (Weighted average fair value of $13.79)	573,000	30.01
Terminated	(12,000)	18.82
Balance October 31, 1998	1,184,000	$18.29

	Outstanding			Exercisable	
Range of Prices	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$5.72 - 8.72	446,000	4	$ 5.92	140,000	$ 6.04
$11.25 - 13.28	164,000	8	$ 11.32	24,000	$ 11.25
$19.44	6,000	13	$ 19.44	--	--
$29.41 - $36.94	568,000	12	$ 30.01	66,000	$ 29.41

"TIME-VESTED" INCENTIVE STOCK OPTION PLAN ADOPTED IN 1987, AS AMENDED

In 1987, the Company adopted a stock option plan under which 1,200,000 shares were reserved for grant until December 31, 1996. In March 1994, this plan was amended to reserve an additional 1,000,000 shares. In March 1996, the plan was amended again to reserve another 2,000,000 shares. Options which terminate without being exercised may be reissued.

Transactions under this plan are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Balance October 31, 1995	1,730,000	8.19
Granted (Weighted average fair value of $4.93)	928,000	18.59
Exercised	(195,000)	7.96
Terminated	(65,000)	9.32
Balance October 31, 1996	2,398,000	12.21
Granted (Weighted average fair value of $4.55)	89,000	19.83
Exercised	(108,000)	8.70
Terminated	(64,000)	13.28
Balance October 31, 1997	2,315,000	12.41
Granted (Weighted average fair value of $10.20)	266,000	32.28
Exercised	(486,000)	7.35
Terminated	(83,000)	15.16
Balance October 31, 1998	2,012,000	$16.40

Outstanding				Exercisable	
Range of Prices	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$8.49 - 13.32	862,000	4.9	$ 8.98	804,000	$ 8.91
$17.44 - 26.94	919,000	8.1	$ 19.16	412,000	$ 18.92
$29.41 - 36.59	231,000	9.3	$ 33.09	34,000	$ 32.49

"PRICE-VESTED" PERFORMANCE STOCK OPTION PLAN ADOPTED IN 1996

In December 1996, the Company adopted a stock option plan under which 1,500,000 shares have been reserved. The options expire 10 years after the date of grant and any options which terminate without being exercised may be reissued. Each option will have a pre-defined vesting price which provides for accelerated vesting if the fair market value of the Company's common stock is equal to or greater than the pre-defined vesting price for 10 trading days in any period of 30 consecutive trading days. Vested options will become exerciseable only after the first anniversary of its grant date. Any option that has not vested prior to the fourth anniversary of its grant date will vest on the eighth anniversary of its grant date.

Transactions under this plan are summarized as follows:

	Number of Options	Weighted Average Exercise Price
Granted 12/17/96 (Weighted average fair value of $6.32)	1,120,000	$20.40
Terminated	(40,000)	20.00
Balance October 31, 1997	1,080,000	20.41
Granted (Weighted average fair value of $14.95)	140,000	36.59
Exercised	(40,000)	20.00
Balance October 31, 1998	1,180,000	$22.35

Outstanding				Exercisable	
Range of Prices	Number of Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$20.00 - 25.59	1,040,000	8.3	$ 20.43	770,000	$ 20.44
$36.59	140,000	9.4	$ 36.59	70,000	$ 36.59

For purposes of the SFAS No. 123 calculation, the weighted average fair value per option was $6.32 and $14.95 for fiscal 1997 and 1998, respectively, which will be amortized over eight years unless accelerated as previously described.

EMPLOYEE STOCK PURCHASE PLAN ADOPTED IN 1985, AS AMENDED

In 1985, the Company adopted an employee stock purchase plan that is offered to all employees of the Company, under which sale of 5,000,000 shares of its common stock has been authorized. In March of 1996, the sale of an additional 1,200,000 shares under this plan was authorized. The purchase price of the shares under the plan is the lesser of 85% of the fair market value at the commencement of each plan year or 85% of the fair market value on the date of purchase. Employees may designate up to 10% of their compensation for the purchase of stock. During 1996, 1997 and 1998, 562,000, 520,000 and 562,000 shares of stock were issued under the plan for an aggregate purchase price of $6,437,000, $7,841,000 and $10,873,000, respectively. At October 31, 1998, 294,000 shares remained unissued under the plan.

11. INCOME TAXES

The provision for income taxes is made up of the following components for each of the years ended October 31:

(in thousands of dollars)	1996	1997	1998
Current			
Federal	$ 17,368	$ 18,685	$ 22,415
State	2,521	2,809	5,647
Foreign	52	8	37
Deferred			
Federal	(3,250)	(1,619)	(4,149)
State	(306)	(158)	(372)
	$ 16,385	$ 19,725	$ 23,578

Income tax expense attributable to income from operations differs from the amounts computed by applying the U.S. statutory rates to pretax income from operations as a result of the following for the years ended October 31:

	1996	1997	1998
Statutory rate	35.0%	35.0%	35.0%
State and local taxes on income, net of federal tax benefit	3.8%	3.4%	5.6%
Tax credits	(0.1)%	(0.9)%	(2.7)%

Nondeductible expenses and other -- net	4.3%	4.5%	3.1%
	43.0%	42.0%	41.0%

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at October 31, are presented below:

(in thousands of dollars)	1997	1998
Deferred tax assets:		
Self-insurance claims	$ 29,217	$ 28,767
Bad debt allowance	(1,374)	1,073
Deferred and other compensation	5,161	6,103
Intangible amortization	2,314	2,853
State taxes	1,103	1,105
Other	1,988	3,122
Total gross deferred tax assets	38,409	43,023
Deferred tax liabilities:		
Union pension contributions	(4,907)	(5,161)
Depreciation	(9)	152
Total gross deferred tax liabilities	(4,916)	(5,009)
Net deferred tax assets	$ 33,493	$ 38,014

Management has determined the total net deferred tax asset will more likely than not be realized.

At October 31, 1998, ABM has a capital loss carryover of $1,135,516, which can be carried forward to offset capital gains, if any, to reduce future federal income taxes through October 31, 2001.

12. ACQUISITIONS AND DIVESTITURES

All acquisitions have been accounted for using the purchase method of accounting; operations of the companies and businesses acquired have been included in the accompanying consolidated financial statements from their respective dates of acquisition. The excess of the purchase price over fair value of the net assets acquired is generally included in goodwill. Most purchase agreements provide for contingent payments based on the annual pretax income for subsequent periods ranging generally from three to five years. Any such future payments are generally capitalized as goodwill when paid. Cash paid for acquisitions, including any contingent amounts based on subsequent earnings, were approximately $10 million in 1998. In addition, common shares, with a fair market value of approximately $1.3 million at the date of issuance, were issued in 1998 under the contingent payment provisions of a prior year acquisition. Acquisitions and dispositions made during the fiscal year 1998 are discussed below:

Effective November 14, 1997, the Company, through one of its subsidiaries, acquired contracts and certain operating assets of Cleaning Products, Inc. of Houston, Texas. The terms of purchase for this acquisition were a cash payment for certain operating assets at closing, plus annual contingent payments based on a percentage of revenues to be made over a period of five years. This acquisition contributed approximately $1.2 million in revenues in fiscal year 1998.

Effective June 1, 1998, the Company, through one of its subsidiaries, acquired the operations and selected assets of Lighting Maintenance, Inc. (LMI) and Fecht Electric Company. Both LMI and Fecht are based in Chicago, Illinois and perform lighting, sign and electrical maintenance and repair. The terms of the purchase for this acquisition were a cash downpayment made at the time of the closing plus annual contingent payments based on operating profits to be made over five years. In 1998 this acquisition contributed approximately $1.5 million in revenues.

Effective March 1, 1998, the Company acquired janitorial contracts and selected assets of Maintenance Center Building Services, with customers located in Boston, Massachusetts. The terms of the purchase for this acquisition were a cash downpayment made at the time of the closing plus a commission expense based on a percentage of revenues for a period of five years. In fiscal 1998 this acquisition contributed approximately $2.8 million in revenues.

Effective September 1, 1998, the Company acquired janitorial contracts and selected assets of Professional Corporate Services of Phoenix, Arizona. The terms of purchase for this acquisition were a cash payment for net assets at closing, plus annual contingent payments based on the operating profit to be made over a period of five years. This acquisition contributed approximately $700,000 in revenues in fiscal year 1998.

13. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts reported in the balance sheet for cash and cash equivalents approximate fair value due to the short-maturity of these instruments.

Financial instruments included in investments and long-term receivables have no quoted market prices and, accordingly, a reasonable estimate of fair market value could not be made without incurring excessive costs. However, the Company believes by reference to stated interest rates and security held, the fair value of the assets would not differ significantly from the carrying value.

The fair value of the Company's long-term debt approximates carrying value based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities.

The Company believes that it is not practical to estimate a fair market value different from the redeemable cumulative preferred stock's carrying value of $6.4 million, as this security was issued in conjunction with an acquisition and has numerous features unique to this security as described in Note 9. However, the Company believes the carrying value would not differ significantly from the fair value.

14. QUARTERLY INFORMATION (UNAUDITED)

(in thousands, except net income per common share)

OPERATIONS	FISCAL QUARTER FIRST	SECOND	THIRD	FOURTH	YEAR
1997					
Revenues and other income	$291,638	$294,309	$308,471	$358,054	$ 1,252,472
Gross profit	38,887	41,054	43,733	52,720	176,394
Net income	4,840	5,849	7,486	9,064	27,239
Net income per common share:					
Basic	0.24	0.29	0.36	0.44	1.33
Diluted	0.22	0.26	0.34	0.40	1.22
1998					
Revenues and other income	$358,747	$369,034	$381,036	$393,010	$ 1,501,827
Gross profit	46,253	48,506	52,292	56,353	203,404
Net income	5,735	7,105	9,526	11,564	33,930
Net income per common share:					
Basic	0.27	0.33	0.44	0.53	1.58
Diluted	0.25	0.30	0.40	0.49	1.44

15. SEGMENT INFORMATION

The operations of the Company are divided into the following three business segments of the facility services industry for financial reporting purposes:

/ / JANITORIAL DIVISIONS: Provides janitorial cleaning services as well as janitorial supplies and equipment to its customers. Services provided include floor cleaning and finishing, wall and window washing, furniture polishing, rug cleaning, dusting, and other building cleaning services. In addition, this segment markets janitorial supplies and equipment which include cleaning equipment, cleaners, disinfectants, floor cleaners, floor finishes, glass cleaners, and paper products.

/ / PUBLIC SERVICE DIVISIONS: Operates approximately 1,500 parking lots and garages which are either leased from or operated for third parties. This segment also provides uniformed security guards and special investigative and security consulting services. Finally, this segment provides "bundled" facility services for its customers.

/ / TECHNICAL DIVISIONS: Provides a wide range of elevator, engineering, lighting, and HVAC (heating, ventilation and air conditioning) services through its four Divisions. This includes on-site operating engineers to operate, maintain and repair electrical, mechanical, and plumbing systems primarily for high-rise office buildings. It also provides installation, repair and maintenance of elevators and escalators, indoor and outdoor lighting fixtures, and HVAC equipment, as well as energy management consulting services.

SEGMENT INFORMATION (in thousands of dollars)

FOR THE YEAR ENDED OCTOBER 31, 1996	JANITORIAL DIVISIONS	PUBLIC SERVICE DIVISIONS	TECHNICAL DIVISIONS	CORPORATE	ELIMINATIONS	CONSOLIDATED TOTALS
Revenues and other income	$607,355	$226,312	$252,854	$ 404	$	1$,086,925
Intersegment revenues	12,829	65	350		(13,244)	--
Total Revenues	$620,184	$226,377	$253,204	$ 404	$(13,244)	1$,086,925
Operating profit	$ 29,006	$ 9,626	$ 15,469	$(13,415)	$	$ 40,686
Interest, expense	(29)	(11)	4	(2,545)		(2,581)
Income before income taxes	$ 28,977	$ 9,615	$ 15,473	$(15,960)	$	$ 38,105
Identifiable assets	$157,656	$ 90,129	$ 85,872	$ 46,113	$	$379,770
Depreciation expense	$ 3,565	$ 2,176	$ 2,080	$ 589	$	$ 8,410
Amortization expense	$ 2,506	$ 2,085	$ 650	$ 0	$	$ 5,241
Capital expenditures	$ 5,607	$ 2,902	$ 1,858	$ 384	$	$ 10,751
FOR THE YEAR ENDED OCTOBER 31, 1997						
Revenues and other income	$713,366	242,943	295,653	510		1,252,472
Intersegment revenues	13,430	108	1,152		(14,690)	0
Total Revenues	$726,796	$243,051	$296,805	$ 510	$(14,690)	1$,252,472
Operating profit	$ 34,173	$ 9,961	$ 20,155	$(14,650)		$$49,639
Interest, expense	(24)	(13)	1	(2,639)		(2,675)
Income before income taxes	$ 34,149	$ 9,948	$ 20,156	$(17,289)	$	$ 46,964
Identifiable assets	$206,456	$ 91,893	$120,858	$ 45,044	$	$464,251
Depreciation expense	$ 3,869	$ 2,446	$ 2,372	$ 634	$	$ 9,321
Amortization expense	$ 3,537	$ 2,431	$ 829	$ 0	$	$ 6,797
Capital expenditures	$ 4,882	$ 4,257	$ 2,966	$ 1,167	$	$ 13,272
FOR THE YEAR ENDED OCTOBER 31, 1998						
Revenues and other income	$889,432	253,912	357,954	529		1,501,827
Intersegment revenues	12,901	116	943		(13,960)	0
Total Revenues	$902,333	$254,028	$358,897	$ 529	$(13,960)	1$,501,827
Operating profit	$ 46,330	$ 10,994	$ 23,771	$(20,122)	$	$ 60,973
Interest, expense	(19)	(9)	1	(3,438)		(3,465)
Income before income taxes	$ 46,311	$ 10,985	$ 23,772	$(23,560)	$	$ 57,508
Identifiable assets	$223,463	$ 96,936	$135,983	$ 44,981	$	$501,363
Depreciation expense	$ 4,608	$ 2,531	$ 2,450	$ 1,109	$	$ 10,698
Amortization expense	$ 5,166	$ 2,544	$ 1,185	$ 0	$	$ 8,895
Capital expenditures	$ 8,174	$ 1,820	$ 1,721	$ 0		$ 11,715

Intersegment revenues are recorded at prices negotiated between the entities.

SCHEDULE II

ABM Industries Incorporated and Subsidiaries

CONSOLIDATED VALUATION ACCOUNTS

Years ended October 31, 1996, 1997 and 1998
(in thousands of dollars)

	BALANCE BEGINNING OF YEAR	CHARGES TO COSTS AND EXPENSES	DEDUCTIONS NET OF RECOVERIES	OTHER ADDITIONS (REDUCTIONS)	BALANCE END OF YEAR
Allowance for Doubtful Accounts					
Years ended October 31:					
1996	$ 3,755	$ 2,039	($ 1,352)	$ 0	$ 4,442
1997	4,442	2,988	(1,507)	0	5,923
1998	5,923	2,821	(1,983)	0	6,761

ITEM 9. DISAGREEMENTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item is incorporated by reference to the information set forth under the caption "Election of Directors" contained in the Proxy Statement to be used by the Company in connection with its 1999 Annual Meeting of Stockholders. See also the cover page of this Form 10-K and item 1.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to the information set forth under the caption "Executive Compensation" contained in the Proxy Statement to be used by the Company in connection with its 1999 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this item is incorporated by reference to the information set forth under the caption "Principal Stockholders" contained in the Proxy Statement to be used by the Company in connection with its 1999 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated by reference to the information set forth under the captions "Executive Compensation" and "Certain Relationships and Related Transactions" contained in the Proxy Statement to be used by the Company in connection with the 1999 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) The following documents are filed as part of this Form 10-K:

1. and 2. Consolidated Financial Statements and Consolidated Financial Statement Schedule.

The following consolidated financial statements of ABM Industries Incorporated and subsidiaries are included in Item 8:

Independent Auditors' Report

Consolidated Balance Sheets -- October 31, 1997 and 1998

Consolidated Statements of Income -- Years ended October 31, 1996, 1997 and 1998

Consolidated Statements of Stockholders' Equity -- Years ended October 31, 1996, 1997 and 1998

Consolidated Statements of Cash Flows -- Years ended October 31, 1996, 1997 and 1998

Notes to Consolidated Financial Statements -- October 31, 1998.

The following consolidated financial statement schedule of ABM Industries Incorporated and subsidiaries is included in Item 8.

Schedule II -- Consolidated Valuation Accounts -- Years ended October 31, 1996, 1997 and 1998.

All other schedules are omitted because they are not applicable or because the required information is included in the consolidated financial statements or the notes thereto.

The individual financial statements of the registrant's subsidiaries have been omitted since the registrant is primarily an operating company and all subsidiaries included in the consolidated financial statements are wholly-owned subsidiaries.

3. Exhibits:

Exhibit Number		Description
3.1	[j]	Certificate of Incorporation, as amended.
3.2	[a]	Restated Bylaws, as amended effective September 19, 1995.
4.1	[k]	Credit Agreement, dated June 25, 1997, between Bank of America National Trust and Savings Association and the Company.
4.2	[n]	First Amendment to Credit Agreement dated as of October 21, 1997.
4.5	[c]	Business Loan Agreement dated February 13, 1996.
10.2	[j]*	1985 Employee Stock Purchase Plan as amended effective December 19, 1995.
10.3	[b]*	Supplemental Medical and Dental Plan.
10.4	[j]*	1984 Executive Stock Option Plan as amended effective December 19, 1995.
10.7	[f]*	Executive Employment Agreement with Sydney J. Rosenberg.
10.9	[f]*	Short Form Deed of Trust and Assignment of Rents (dated December 17, 1991) between the Company and John F. Egan, together with the related Promissory Note (dated January 1, 1992).
10.13	[j]*	1987 Stock Option Plan as amended effective December 19, 1995.
10.16	[d]	Rights Agreement, dated as of March 17, 1998, between the Company and ChaseMellon Shareholder Services, L.L.C., as Rights Agent.
10.19	[e]*	Service Award Plan.
10.20	[f]*	Executive Employment Agreement with William W. Steele.
10.21	[f]*	Amended and Restated Retirement Plan for Outside Directors.
10.22	[f]*	Amendment No. 1 to Service Award Plan.
10.23	[g]*	Form of Outside Director Retirement Agreement (dated June 16, 1992).
10.24	[g]*	Executive Employment Agreement with John F. Egan.
10.25	[g]*	Executive Employment Agreement with Jess. E. Benton, III.
10.27	[h]	Guaranty of American Building Maintenance Industries, Inc.
10.28	[i]*	Deferred Compensation Plan.
10.29	[i]*	Form of Existing Executive Employment Agreement Other Than Those Named Above.
10.30	[l]*	Executive Employment Agreement with Martinn H. Mandles, as amended by Amendments One and Two.
10.31	[l]*	Amendment of Corporate Executive Employment Agreement with William W. Steele.
10.32	[l]*	First and Second Amendments of Corporate Executive Employment Agreement with John F. Egan.
10.33	[l]*	Amendment of Corporate Executive Employment Agreement with Sydney J. Rosenberg.
10.34	[l]*	First and Second Amendments of Corporate Executive Employment Agreement with Jess E. Benton, III.
10.35	[l]*	Form of Amendments of Corporate Executive Employment Agreements with Other Than Those Named Above.
10.36	[m]*	Form of Indemnification for Directors
10.37	[n]*	Second Amendment of Corporate Executive Employment Agreement with William W. Steele.
10.38	[n]*	Second Amendment of Corporate Executive Employment Agreement with Sydney J. Rosenberg
10.39	[n]*	Third Amendment of Corporate Executive Employment Agreement with Martinn H. Mandles
10.40	[p]*	1996 ABM Industries Incorporated Long-Term Senior Executive Stock Option Plan.
10.40	[o]*	Amendment of Corporate Executive Employment Agreement with Martinn H. Mandles
10.41	[o]*	Amendment of Corporate Executive Employment Agreement with Jess E. Benton III
10.42	*	Executive Employment Agreement with Henrik Slipsager
10.43	*	Second Amendment of Division Executive Employment Agreement with Henrik Slipsager
10.44	*	Third Amendment of Division Executive Employment Agreement with Henrik Slipsager
10.45	*	Amendment of Division Executive Employment Agreement with Henrik Slipsager
21.1		Subsidiaries of the Registrant.
23.1		Consent of Independent Certified Public Accountants.
27.1		Financial Data Schedule.

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[a] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1995.

[b] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1984.

[c] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended January 31, 1996.

[d] Incorporated by reference to exhibit 4.1 to the Company's report on Form 8-K dated March 17, 1998.

[e] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1990.

[f] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1991.

[g] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report

on Form 10-Q for the fiscal quarter ended July 31, 1992.

[h] Incorporated by reference to the exhibit bearing the same numeric reference which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 31, 1993.

[i] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1993.

[j] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended April 30, 1996.

[k] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 31, 1997.

[l] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1994.

[m] Incorporated by reference to exhibit 10.20 which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended April 30, 1991.

[n] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's annual report on Form 10-K for the fiscal year ended October 31, 1996.

[o] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended July 31, 1998.

[p] Incorporated by reference to the exhibit bearing the same numeric description which was filed as an exhibit to the Company's quarterly report on Form 10-Q for the fiscal quarter ended April 30, 1997.

* Management contract, compensatory plan or arrangement.

(B) REPORTS ON FORM 8-K:

No reports on Form 8-K have been filed during the last quarter of the period covered by this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ABM INDUSTRIES INCORPORATED

By: /s/ William W. Steele

William W. Steele
President, Chief Executive Officer and Director
January 27, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

/s/ William W. Steele

William W. Steele
President, Chief Executive Officer and Director
(Principal Executive Officer)
January 27, 1999

/s/ Martinn H. Mandles

Martinn H. Mandles
Chairman of the Board, Chief Administrative Officer and Director
January 27, 1999

/s/ David H. Hebble

David H. Hebble
Vice President & Chief Financial Officer
(Principal Financial Officer)
January 27, 1999

/s/ Vernon E. Skelton

Vernon E. Skelton
Controller & Chief Accounting Officer
(Principal Accounting Officer)
January 27, 1999

/s/ Maryellen B. Cattani

Maryellen B. Cattani
Director
January 27, 1999

/s/ Linda Chavez

Linda Chavez
Director
January 27, 1999

/s/ John F. Egan

John F. Egan
Vice President and Director
January 27, 1999

/s/ Luke S. Helms

Luke S. Helms
Director
January 27, 1999

/s/ Charles T. Horngren

Charles T. Horngren
Director
January 27, 1999

/s/ Henry L. Kotkins, Jr.

Henry L. Kotkins, Jr.
Director
January 27, 1999

/s/ Theodore Rosenberg

Theodore Rosenberg
Chairman of the Executive Committee and Director
January 27, 1999

/s/ William E. Walsh

William E. Walsh
Director
January 27, 1999

EXHIBIT 10.42

DIVISION EXECUTIVE EMPLOYMENT AGREEMENT

THIS DIVISION EXECUTIVE EMPLOYMENT AGREEMENT ("Agreement") is made as of January 1, 1997 by and between HENRIK SLIPSAGER ("Executive"), and AMERICAN BUILDING MAINTENANCE CO. OF NEW YORK ("Company").

WHEREAS, Company is engaged in the janitorial and related service businesses, and

WHEREAS, Executive is experienced in the administration, operation and marketing of such services, and

WHEREAS, Company has invested significant time and money to develop proprietary trade secrets and other confidential business information, as well as invaluable goodwill among its customers, sales prospects and employees, and

WHEREAS, Executive desires to be employed by Company, and to utilize such proprietary trade secrets, other confidential business information and goodwill, and

WHEREAS, Company has disclosed or will disclose to Executive such proprietary trade secrets and other confidential business information which Executive will utilize in the performance of this Agreement;

NOW THEREFORE, Executive and Company agree as follows:

A. EMPLOYMENT: Company hereby agrees to employ Executive, and Executive hereby accepts such employment, on the terms and conditions set forth in this Agreement.

B. TITLE: Executive's title shall be an Executive Vice President of the Company.

C. DUTIES & RESPONSIBILITIES: Executive shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned from time-to-time by the President of the Company or his designee or successor to whom Executive shall report and be accountable. It is understood and agreed that in as much as Executive shall receive only one half (1/2) of his regular Salary for the months of January and February, 1997 that Executive shall only be expected to devote one half (1/2) of his full-time duties to the Company during said two (2) month period.

D. TERM OF AGREEMENT: Employment hereunder shall commence on January 1, 1997 for a term of twenty two (22) months ("Term"), unless sooner terminated pursuant to Paragraph O hereof. Notwithstanding anything to the contrary contained in this Agreement, at the expiration of the Term, this Agreement and Executive's employment shall continue on an "at-will" basis ("Extended Term") meaning that during the Extended Term either party may terminate this Agreement and Executive's employment, with or without cause at any time, by giving the other party not less than thirty (30) days written notice. During the Extended Term Paragraph M of this Agreement shall be inapplicable and of no force and effect. Company has the option, without terminating this Agreement or Executive's employment hereunder, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof for any or all of such thirty (30) day period in lieu of the aforementioned notice.

E. PRINCIPAL OFFICE: During the Term, and Extended Term if any, of this Agreement, Executive shall be based at a Company office located in Metropolitan New York City ("County of Employment"), New York ("State of Employment").

INITIALS: EXECUTIVE ______________________ COMPANY ____________

F. COMPENSATION: Company agrees to compensate Executive, and Executive agrees to accept as compensation in full, for Executive's assumption and performance of duties and responsibilities pursuant to this Agreement:

1. SALARY: A base salary paid in equal installments no less frequently than semi-monthly at the annual rates set forth in Paragraph X1 hereof.

2. FRINGE BENEFITS: The then current fringe benefits generally provided by Company to all of its Executives. Such benefits may include but not be limited to the use of a Company-leased car or a car allowance, group health benefits, long-term disability benefits, group life insurance, sick leave, vacation, and a service award plan. Each of these fringe benefits is subject to the applicable Company policy at all times. Company reserves the right to add, increase, reduce or eliminate any fringe benefit at any time, but no such benefit or benefits shall be reduced or eliminated as to Executive unless generally reduced or eliminated as to comparable executives within the Company.

G. PAYMENT OR REIMBURSEMENT OF BUSINESS EXPENSES: Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with Company business, and approved in writing by the person with the title set forth in Paragraph C hereof, upon presentation to that person by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in excess of Twenty-Five Dollars ($25) each.

H. BUSINESS CONDUCT: Executive shall make reasonable best efforts to comply with all applicable laws pertaining to the performance of this Agreement, and with all lawful and ethical rules, regulations, policies, procedures and instructions of Company, including but not limited to the following:

1. GOOD FAITH: Executive shall not act in any way contrary to the best interest of Company.

2. BEST EFFORTS: During all full-time employment hereunder, Executive shall devote full working time and attention to Company, and shall not at any time be directly or indirectly employed by, own, operate, assist or otherwise be involved, invested or associated in any business that is similar or competitive to any business of Company; except that Executive may own up to five (5%) per cent of any such publicly-held business(es), provided that Executive: (a) shall give Company notice(s) of such ownership in accordance with Paragraph W hereof, and (b) shall not at any time be directly or indirectly employed by or operate, assist, or otherwise be involved or associated with any such business(es).

3. VERACITY: Executive shall make no claims or promises to any employee, supplier, contractor, customer or sales prospect of Company that are unauthorized by Company or are in any way untrue.

4. DRIVER'S LICENSE: Executive shall have and carry a valid driver's license issued by the State of Employment hereunder and a driver's permit issued by the Company whenever Executive is driving any motor vehicle in connection with Company business. Executive agrees to immediately notify Company in writing if Executive's driver's license is lost, expired, restricted, suspended or revoked for any reason whatsoever.

I. NO CONFLICT: Executive represents to Company that Executive is not bound by any

INITIALS: EXECUTIVE _____________________ COMPANY ____________

contract with a previous employer or with any other business that might prevent Executive from entering into this Agreement or disclosing information about any previous employer or any other business to Company, or might otherwise interfere with Executive's employment hereunder; with the exception that Executive acknowledges that his former employer, ISS, Inc., allows that Executive is free to enter the employ of a competitor, but contends that Executive continues to be bound, until June 27, 1997 under the provisions of a prior employment agreement which provides:

(i) that until such time, Executive shall not directly or indirectly solicit any of the customers served by ISS, Inc., at the time of Executive's termination of employment with ISS, Inc., nor solicit any person to leave the employ of ISS, Inc., or any of its subsidiaries; and

(ii) that Executive will not divulge any confidential information of ISS, Inc.

Company and Executive agree that Executive shall not take any action while employed by Company which would directly or indirectly violate either the provisions of (i) or (ii) above.

J. COMPANY PROPERTY: Company shall, from time to time, entrust to the care, custody and control of Executive certain of Company's property, such as motor vehicles, equipment, supplies and documents. Such documents may include but shall not be limited to customer lists, financial statements, cost data, price lists, invoices, forms, mailing lists, contracts, reports, manuals, personnel files or directories, correspondence, business cards, copies or notes made from Company documents and documents compiled or prepared by Executive for Executive's use in connection with Company business. Executive specifically acknowledges that all such documents are the property of Company, notwithstanding their preparation, care, custody, control or possession by Executive at any time(s) whatsoever.

K. GOODWILL & PROPRIETARY INFORMATION: In connection with Executive's employment hereunder:

1. Executive agrees to utilize and further Company's goodwill ("Goodwill") among its customers, sales prospects and employees, and agrees that Company may disclose to Executive and Executive may disclose to Company, proprietary trade secrets and other confidential information not in the public domain ("Proprietary Information") including but not limited to specific customer data such as: (a) the identity of Company's customers and sales prospects, (b) the nature, extent, frequency, methodology, cost, price and profit associated with their services and products purchased from Company, (c) any particular needs or preferences regarding their service or supply requirements, (d) the names, office hours, telephone numbers and street addresses of their purchasing agents or other buyers, (e) their billing procedures, (f) their credit limits and payment practices and (g) their organization structure.

2. Executive agrees that such Proprietary Information and Goodwill have unique value to Company, are not generally known or readily available to Company's competitors, and could only be developed by others after investing significant time and money. Company would not make such Proprietary Information and Goodwill available to Executive unless Company is assured that all such Proprietary Information and Goodwill will be held in trust and confidence by Executive. Executive hereby acknowledges that to use this Proprietary Information and Goodwill except for the benefit of Company would be improper and unfair to Company.

L. RESTRICTIVE COVENANTS: In recognition of Paragraph K hereof, Executive hereby agrees that during the Initial Term and the Extended Term, if any, of this Agreement, and thereafter for as long as it shall be enforceable:

INITIALS: EXECUTIVE ______________________ COMPANY ____________

1. Except in the proper performance of this Agreement, Executive shall not directly or indirectly solicit or otherwise encourage or arrange for any employee to terminate employment with Company.

2. Except in the proper performance of this Agreement, Executive shall not directly or indirectly disclose or deliver to any other person or business, any Proprietary Information obtained directly or indirectly by Executive from, or for, Company.

3. Executive shall not seek, solicit, divert, take away, obtain or accept the patronage of any customer or sales prospect of Company through the direct or indirect use of any Proprietary Information of Company, or by any other unfair or unlawful business practice.

4. Executive agrees that for a reasonable time after the termination of this Agreement, which Executive and Company hereby agree to be one (1) year, Executive shall not directly or indirectly, for Executive or for any other person or business, seek, solicit, divert, take away, obtain or accept any site-specific customer account or sales prospect of Company with whom Executive had direct business involvement on behalf of Company within the one (1) year period prior to termination of this Agreement.

M. MODIFICATION OF EMPLOYMENT: At any time during the Term of this Agreement, a majority of the Board of Directors of Company shall have the absolute right, with or without cause and without terminating this Agreement or Executive's employment hereunder, to modify the nature of Executive's employment for the remainder of the Term of this Agreement, from that of a full-time employee to that of a part-time employee ("Modification Period"). The Modification Period shall commence immediately upon Company giving Executive written notice of such change.

1. Upon commencement of the Modification Period: (a) Executive shall immediatelyresign as a full-time employee of Company and as an officer or director of Company if applicable, (b) Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof and (c) Company shall pay Executive all previously earned and vested but as yet unpaid salary, prorated bonus or other contingent compensation, reimbursement of business expenses and fringe benefits.

2. During the Modification Period: (a) Company shall continue to pay Executive's monthly salary pursuant to Paragraph F1 hereof, and to the extent available under the Company's group insurance policies, continue to provide Executive with the same group health and life insurance (subject to Executive continuing to pay the employee portion of any such premium) to which Executive would be entitled as a full-time employee, with the understanding and agreement that such monthly salary and group insurance, if available, shall constitute the full extent of Company's obligation to compensate Executive, (b) Executive shall not be eligible or entitled to receive or participate in any bonus or fringe benefits other than the aforementioned group insurance, if available, (c) in the alternative, Executive may exercise rights under COBRA to obtain medical insurance coverage as may be available to Executive, (d) Executive shall be deemed a part-time employee and not a full-time employee of Company, (e) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person with the title set forth in Paragraph C hereof, except that failure to render such services by reason of any physical or mental illness or disability other than Total Disability or death as set forth in Paragraph O3 hereof, or unavailability because of absence from the State of Employment hereunder, shall not affect Executive's right to receive such salary and (f) Company shall pay directly or reimburse Executive in accordance with the provisions of

Paragraph G hereof for reasonable business expenses of Company incurred by Executive in connection with such services requested by the person with the title set forth in Paragraph C hereof.

3. The Modification Period shall continue until the earlier of: (a) Total Disability or death as set forth in Paragraph O4 hereof, (b) termination of this Agreement by Company for "just cause" as hereinafter defined, (c) Executive accepting employment or receiving any other compensation from operating, assisting or otherwise being involved, invested or associated with any business that is similar to or competitive with any business in which Company is engaged on the commencement date of the Modification Period or (d) expiration of the then current term of this Agreement.

N. INTENTIONALLY OMITTED

O. TERMINATION OF EMPLOYMENT:

1. Termination of employment which either party schedules for the expiration of the Term or any Extended Term (pursuant to the notice set forth in Paragraph D hereof) shall be effective with or without cause for termination.

2. Except as provided in Paragraph O1 respecting termination, effective with or without cause which is scheduled at the expiration of the Term or Extended Term, at any time during the Term of this Agreement, Company shall have the right to terminate Executive's employment hereunder without notice subject only to a good faith determination by a majority of the Board of Directors of Company of "just cause." "Just cause" includes but is not limited to any theft or other dishonesty, or any material: (a) neglect of employment duties, (b) inability or unwillingness to perform employment duties, (c) insubordination, (d) abuse of alcohol or other drugs, (e) breach of this Agreement, (f) other material misconduct, unethical or unlawful activity or (g) other conduct that is harmful to Company.

3. With or without cause, Executive may terminate employment hereunder by giving Company ninety (90) days prior written notice.

4. Employment hereunder shall automatically terminate upon the total disability ("Total Disability") or death of Executive. Total Disability shall be deemed to occur on the ninetieth (90th) consecutive or non-consecutive calendar day within any twelve (12) month period that Executive is unable to perform the duties set forth in Paragraph C hereof because of any physical or mental illness or disability. Company shall pay to Executive or his estate, as applicable, all prorated salary, bonus or other contingent compensation, reimbursement of business expenses and fringe benefits which would have otherwise been payable to Executive under this Agreement, through the end of the month in which Total Disability or death occurs.

5. Upon termination of employment hereunder, Executive shall immediately resign as an employee of Company and as an officer or director of Company, if applicable. Executive shall promptly return all Company property in Executive's possession to Company, including but not limited to, any motor vehicles, equipment, supplies and documents set forth in Paragraph J hereof. Company shall pay Executive, when due, all previously earned and vested but as yet unpaid salary, prorated bonus or other contingent compensation, reimbursement of business expenses and fringe benefits.

6. Nothing contained in this Agreement shall entitle Executive to receive a bonus or other

INITIALS: EXECUTIVE _____________________ COMPANY ____________

incentive or contingent compensation, if any are otherwise payable to Executive, from Company based on any sales or profits made by Company after termination of employment hereunder.

P. GOVERNING LAW: This Agreement shall be interpreted and enforced in accordance with the laws of the State of Employment hereunder.

Q. ARBITRATION CLAUSE:

1. Except for the interpretation and enforcement of injunctive relief pursuant to Paragraph L hereof (which, at Company's option, shall be subject to litigation in any court having proper jurisdiction), any claim or dispute related to or arising from this Agreement (whether based in contract or tort, in law or equity) including, but not limited to, claims or disputes between Executive and Company or its directors, officers, employees and agents regarding Executive's employment or termination of employment hereunder, or any other business of Company, shall be resolved by mandatory, final, binding arbitration in accordance with the rules of the American Arbitration Association; provided, however, that no party shall be entitled to an award of general or punitive damages hereunder.

2. Any such arbitration must be requested in writing within one (1) year from the date the party initiating the arbitration knew or should have known about the claim or dispute, or all claims arising from that dispute are forever waived. Any such arbitration (or court proceeding as applicable hereunder) shall be held in the County of Employment. Judgment upon the award rendered through such arbitration may be entered and enforced in any court having proper jurisdiction.

R. REMEDIES & DAMAGES:

1. The parties agree that, in the event of a material breach or threatened breach of Paragraph L hereof, the damage or imminent damage to the value of Company's business shall be inestimable, and therefore any remedy at law or in damages shall be inadequate. Accordingly, the parties hereto agree that Company shall be entitled to the immediate issuance of a restraining order or an injunction against Executive in the event of such breach or threatened breach, in addition to any other relief available to Company pursuant to this Agreement or under law.

2. Executive agrees that the actual amount of damages resulting from any breach of any of the provisions of Paragraph L hereof would be impractical or impossible to ascertain. It is therefore agreed that the damages resulting from any such breach which involves any customer of Company shall be liquidated damages, not a penalty, in an amount equal to four (4) times the lost monthly revenue to the Company based on the average monthly revenue which was payable by that customer to Company during the four (4) months immediately preceding the breach. This provision for liquidated damages is in addition to any other relief available to Company pursuant to this Agreement or under law.

3. To the full extent permitted under the laws of the State of Employment hereunder, Executive authorizes Company to escrow from Executive's compensation and from any other funds held for Executive's benefit by Company, any damages or losses sustained by Company as a result of any breach or other violation of this Agreement by Executive, pending arbitration between the parties as provided for herein.

S. NO WAIVER: Failure by either party to enforce any term or condition of this Agreement at any time shall not preclude that party from enforcing that provision, or any other provision of this Agreement, at any later time.

INITIALS: EXECUTIVE ____________________ COMPANY ____________

T. SEVERABILITY: The provisions of this Agreement are severable. If any arbitrator (or court as applicable hereunder) rules that any portion of this Agreement is invalid or unenforceable, the arbitrator's or court's ruling shall not affect the validity and enforceability of other provisions of this Agreement. It is the intent of the parties that if any provision of this Agreement is ruled to be overly broad, the arbitrator or court shall interpret such provision with as much permissible breadth as is allowable under law rather than to consider such provision void.

U. SURVIVAL: All terms and conditions of this Agreement which by reasonable implication are meant to survive the termination of this Agreement, including but not limited to, the Restrictive Covenants and Arbitration Clause herein, shall remain in full force and effect after the termination of this Agreement.

V. CONSTRUCTION: This Agreement was negotiated in good faith by the parties hereto, who hereby agree to share the responsibility for any ambiguities, uncertainties or inconsistencies herein. Paragraph headings are used herein only for ease of reference, and shall not in any way affect the interpretation or enforcement of this Agreement.

W. NOTICES:

1. Any notice required or permitted to be given pursuant to this Agreement shall be in writing and delivered in person, or sent prepaid by certified mail, bonded messenger or overnight express, to the party named at the address set forth below or at such other address as either party may hereafter designate in writing to the other party:

EXECUTIVE: HENRIK SLIPSAGER
____
____

COMPANY: AMERICAN BUILDING MAINTENANCE CO. OF NEW YORK
50 Fremont Street, 26th Floor
San Francisco, CA 94105
Attention: President, American Building Maintenance Co. of New York

COPY: ABM Industries Incorporated
50 Fremont Street, 26th Floor
San Francisco, CA 94105
Attention: General Counsel

2. Any such notice shall be assumed to have been received when delivered in person, or forty-eight (48) hours after being sent in the manner specified above.

X. SPECIAL PROVISIONS:

1. SALARY: Fourteen Thousand Five Hundred Eighty Four Dollars ($14,584.00) per month for January and February 1997; and Twenty Nine Thousand One Hundred Sixty Seven Dollars ($29,167.00) per month for the period March, 1997 through October, 1998.

2. SCOPE OF CERTAIN PROVISIONS: All references to Company in Paragraphs H, I, J, K, L, R and Y in this Agreement shall include Company, its parent and subsidiary corporations.

3. CONSULTANCY: Upon Executive's resignation from employment with Company,

INITIALS: EXECUTIVE --------------------- COMPANY ------------

Company shall pay to Executive, commencing no earlier than Executive's sixty-fifth (65th) birthday, consulting fees ("Consulting Fees") in equal installments of One Thousand Dollars ($1,000.00) per month for a period not to exceed one hundred twenty (120) months ("Consultancy"). Consulting Fees shall be earned by Executive, beginning January 1, 1997 on a pro-rata basis; that is, for each full year of employment completed by Executive after January 1, 1997, Executive shall receive Consulting Fees for twelve (12) months to the maximum of one hundred twenty (120) months.

a. During the Consultancy: (1) Executive shall provide Company with such occasional executive or managerial services as reasonably requested by the person with the title set forth in Paragraph C hereof, except that failure to render such services by reason of death or disability or unavailability because of absence from the County of Employment, shall not affect Executive's right to receive such Consulting Fees, (2) Company shall pay directly or reimburse Executive for reasonable business expenses of Company incurred by Executive in connection with such services requested by the person with the title set forth in Paragraph C hereof, upon presentation to that person by Executive within sixty (60) days after incurring such expense of an itemized request for payment including the date, nature, recipient, purpose and amount of each such expense, accompanied by receipts for all such expenses in excess of Twenty-Five Dollars ($25) each, (3) Company shall pay Executive's Consulting Fees pursuant to this Paragraph X3, with the understanding and agreement that such Consulting Fees shall constitute the full extent of Company's obligation to compensate Executive for such consulting services except as otherwise specifically provided in Paragraph X3 herein, (4) Executive shall not be eligible or entitled to receive or participate in any other Company fringe benefits, and (5) Executive shall be deemed an independent contractor and not an employee of Company.

b. If Executive dies before any or all payments to Executive of such Consulting Fees, all unpaid Consulting Fees shall be paid monthly to Executive's estate commencing with the month in which Executive would have reached Executive's sixty-fifth (65th) birthday.

4. OUTSIDE BOARDS OF DIRECTORS: Executive and Company agree that Executive may remain on the boards of directors of the following non-U.S. companies, on the following terms:

a. Service Management International A/S -- Executive's membership and involvement not to continue past September 1, 1997;

b. Chartec Laboratories A/S -- Executive's membership and involvement expected to last at least two (2) years;

c. Martin Group A/S -- Executive's membership and involvement expected to last indefinitely;

d. Oracle/Denmark A/S and other companies' boards -- Executive's membership and involvement are currently being terminated and shall be discontinued by Executive as soon as possible but in no event later than January 1, 1998;

e. Executive represents that his total involvement with the aforementioned activities shall not exceed ten (10) days in calendar year 1997. All such time taken shall be charged against Executive's vacation benefit payable by Company (or shall be unpaid leave in the event Executive lacks sufficient vacation benefits); and all such

activities shall be at Executive's sole cost and expense without reimbursement or payment, in whole or in part, by Company.

Y. ENTIRE AGREEMENT: Unless otherwise specified herein, this Agreement sets forth every contract, understanding and arrangement as to the employment relationship between Executive and Company, and may only be changed by a written amendment signed by both Executive and Company.

1. The parties intend that this Agreement speak for itself, and that no evidence with respect to its terms and conditions other than this Agreement itself may be introduced in any arbitration or judicial proceeding to interpret or enforce this Agreement.

2. It is specifically understood and accepted that this Agreement supersedes all oral and written employment agreements between Executive and Company prior to the date hereof, as well as all provisions of Company's Personnel Policy and Procedures Manual, including but not limited to, the termination, discipline and discharge provisions contained therein. Said Manual is not an Agreement between Executive and Company, nor shall it be binding on either party. The purpose and intent of said Manual are only to suggest guidelines for Company managers to apply as they see fit on a case by case basis.

Z. FULL KNOWLEDGE & UNDERSTANDING: Executive and Company hereby acknowledge that they have carefully read and fully understand all terms and conditions of this Agreement, and that they are voluntarily entering into this Agreement with full knowledge of the benefits and burdens, and the risks and rewards, contained herein.

IN WITNESS WHEREOF, Executive and Company have executed this Agreement as of the date set forth above:

EXECUTIVE: Signature: /s/ Henrik Slipsager

Date: November 3, 1996

COMPANY: By: ABM Co. of New York

Date: November 11, 1996

Signature: /s/ John F. Egan

Title: President

INITIALS: EXECUTIVE ---------------------- COMPANY ------------

EXHIBIT 10.43

September 18, 1997

Mr. Henrik Slipsager
ABM Janitorial Services
551 Fifth Avenue, Suite 400
New York NY 10176

RE: SECOND AMENDMENT ("AMENDMENT") OF DIVISION EXECUTIVE EMPLOYMENT AGREEMENT ("AGREEMENT")

Dear Henrik:

As you are aware, the Company has agreed to hereby amend your Agreement (previously amended effective October 27, 1996) by this letter Amendment, effective November 1, 1997, as follows:

D. TERM OF AGREEMENT shall be amended by deleting the first sentence thereof and replacing it with: "Employment hereunder shall commence on November 1, 1997 for a term of twenty four (24) months, ending October 31, 1999 ("Term"), unless sooner terminated pursuant to Paragraph O hereof."

The remainder of Paragraph D shall be unchanged.

X.1 SALARY shall be amended in its entirety to read:

"a. Effective until 10/31/97 Three Hundred Fifty Thousand Dollars ($350,000.00) per year (at the rate of $29,167 per month)

b. Effective on 11/1/97 and 11/1/98 and for each Fiscal Year of any Extended Term, if any, of this Agreement, the Salary set forth in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association ("ACA") Index for the Western Region ("ACA Index") with a six (6%) per cent maximum increase. The adjustment, if any, shall be based upon the projected ACA Index as published for the effective date of the proposed increase hereunder. There shall be no downward adjustment in Salary in the event the ACA Index shows a decrease from the prior Fiscal Year."

X.5 BONUS shall be added to the Agreement to read:

5. BONUS: Subject to proration in the event of modification or termination of employment hereunder, Executive shall be paid a bonus ("Bonus") based on the profit ("Profit") for each fiscal year, or partial fiscal year, of employment hereunder commencing November 1st and ending October 31st ("Fiscal Year") during the Term, and during the Extended Term, if any, of this Agreement.

(a) Such Bonus for each Fiscal Year shall be 0.2842% percent (.002842) of the Profit of the Northeast, Mid-Atlantic and Southeast Regions of the Janitorial Division of Company and the Northeast Region of the Engineering Division.

(b) Profit is defined as the consolidated income before income taxes of the Northeast, Mid-Atlantic and Southeast Regions of the Janitorial Division of Company and the Northeast Region of the Engineering Division, excluding: (1) gains or losses on sales or exchanges of real property, (2) gains or losses on sales or exchanges of all or substantially all of the stock or assets of a subsidiary corporation or any other business unit of Company or any subsidiary corporation of Company's parent corporation, (3) gains or losses on the discontinuation of any business unit of Company or any subsidiary corporation of Company's parent corporation, (4) any so called corporate charges imposed by the Company's parent corporation, as a percentage of sales, (5) the prior year portion of any year-end insurance reserve adjustments and (6) the discretionary portion of any Company contributions made to any profit sharing, service award or similar plans.

(c) Subject to proration in the event of modification or termination of employment hereunder, Executive's maximum Bonus for each year shall be fifty per cent (50% of, or 0.5 times) the Salary for that year as set forth in Paragraph F1 herein.

(d) Executive shall have the right to obtain an advance against such Bonus at the end of each month of each Fiscal Year in an amount equal to fifty per cent (50% of, or 0.5 times) the projected amount of such Bonus based on the Profit at that time.

(e) Either the independent public accounting firm or the accounting department of the Company's parent corporation shall determine the Profit and Bonus for each Fiscal Year. Company shall pay Executive the Bonus for the Fiscal Year (or the balance thereof after any advances) when such accounting firm or department has made such determination but no later than ninety (90) days after the end of each Fiscal Year. The Bonus for any partial Fiscal Year shall be prorated for the fraction of the Fiscal Year for which such Bonus is payable. Absent bad faith or material error, the conclusions of such accounting firm or department with respect to the amounts of the Profits and Bonuses shall be conclusive upon Executive and Company.

Please sign all three (3) copies of this amendment letter and return two (2) copies to Harry Kahn, Vice President and General Counsel, at the ABM Legal Department in San Francisco.

Salary and Bonus increases will not be processed until both signed copies are received by Harry Kahn.

Sincerely,

/s/ John F. Egan

Jack Egan

JFE/dbc

I agree to the foregoing.

/S/ HENRIK SLIPSAGER   Dated: OCTOBER 3, 1997

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Henrik Slipsager

EXHIBIT 10.44

June 16, 1998

Mr. Henrik Slipsager
ABM Janitorial Services
551 Fifth Avenue, Suite 400
New York NY 10176

RE: THIRD AMENDMENT ("AMENDMENT") OF DIVISION EXECUTIVE
EMPLOYMENT AGREEMENT ("AGREEMENT")

Dear Henrik:

Your employment Agreement, which was last previously amended effective November 1, 1997 is hereby modified as follows, effective March 17, 1998:

PARAGRAPH B. TITLE shall be amended in its entirety to read:

"Executive's title shall be an Executive Vice President of Company and Senior Vice President of ABM Industries Incorporated, Company's parent corporation ("ABM")."

PARAGRAPH C. DUTIES & RESPONSIBILITIES shall be amended in its entirety to read:

"Executive shall report to and be accountable to and shall be expected to assume and perform such executive or managerial duties and responsibilities as are assigned to Executive from time-to-time by the President of the Company (with regard to Company matters) and by the President of ABM (with regard to ABM matters) or their respective designees or successors."

PARAGRAPH D. TERM OF AGREEMENT shall be amended in its entirety to read:

"Employment hereunder shall commence 3/17/1998 and shall continue until 10/31/2000 ("Initial Term") unless sooner terminated pursuant to Paragraph O hereof, or later extended pursuant to Paragraph N hereof ("Extended Term")."

PARAGRAPH N. EXTENSION OF EMPLOYMENT shall be added, as follows:

"Absent at least ninety (90) days written notice of termination from either party to the other party prior to the expiration of the Initial Term or any Extended Term of the Agreement, employment hereunder shall continue for an Extended Term of two years ("Extended Term") by which Executive and Company mean that all terms and conditions of this Agreement during the Extended Term shall remain in full force and effect except that the highest base Salary specified in paragraph X1 shall be

increased annually as provided in Paragraph X.1(b) each year during the Extended Term.

Company has the option, without terminating this Agreement or Executive's employment hereunder, of placing Executive on a leave of absence at the full compensation set forth in Paragraph F hereof for any or all of such ninety (90) day period in lieu of the aforementioned notice."

PARAGRAPH X.1 SALARY shall be amended in its entirety to read:

"a. Effective 3/17/98 until 10/31/98, at the annual rate of Three Hundred Sixty-Six Thousand Four Hundred Fifty Dollars ($366,450) payable at the monthly rate of $30,537.50.

b. Effective on 11/1/98 and 11/1/99 and for each Fiscal Year of any Extended Term, if any, of this Agreement, the Salary set forth in Paragraph X.1(a) will be adjusted upward annually to reflect the percentage increase change in the American Compensation Association ("ACA") Index for the Western Region ("ACA Index") with a six (6%) per cent maximum increase. The adjustment, if any shall be based upon the projected ACA Index as published for the effective date of the proposed increase hereunder. There shall be no downward adjustment in Salary in the event the ACA Index shows a decrease from the prior Fiscal Year."

PARAGRAPH X.5(A) BONUS shall be amended by increasing the percentage of the Profit from 0.2842% (.002842) to 0.7045% (.007045). In all other respects Paragraph X.5 shall remain unchanged.

PARAGRAPH X.3 CONSULTANCY shall be amended by increasing the monthly Consulting Fee from $1,000.00 to $1,250.00. In all other respects Paragraph X.3 shall remain unchanged.

In all other respects, the Agreement, as previously amended, shall remain unchanged.

Please sign all three (3) originals of the Amendment and return two (2) to Harry Kahn, at the ABM Legal Department.

Sincerely,

/s/ William W. Steele

William W. Steele

I agree to the foregoing.

/s/ Henrik Slipsager Dated: July 2, 1998
- ------------------------------ ----------------------
Henrik Slipsager

EXHIBIT 10.45

June 30, 1998

Mr. Henrik Slipsager
ABM Janitorial Services
551 Fifth Avenue, Suite 400
New York NY 10176

RE: AMENDMENT OF DIVISION EXECUTIVE EMPLOYMENT AGREEMENT --
INCREASE IN SUPPLEMENTAL EXECUTIVE RETIREMENT PENSION ("SERP")

Dear Henrik:

I am pleased to inform you that the Executive Officer Compensation and Stock Option Committee of ABM's Board of Directors has approved an increase in the monthly benefit payable to you to $2,083.00 under this plan. Accordingly, the maximum benefit, subject to vesting over the ten year period (commencing January 1, 1997) payable to you shall increase to $250,000.00.

This letter shall, in this regard, amend your Executive Employment Agreement, as follows:

> The monthly Consulting Fees benefit set forth in paragraph X.3 CONSULTANCY shall be $2083.00.

Please sign and date all three (3) originals and return two (2) of them to me.

Very truly yours,

/s/ William W. Steele

William W. Steele

I hereby agree to the foregoing amendment.

/s/ Henrik Slipsager Dated: August 3, 1998

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Henrik Slipsager

Exhibit 21.1

SUBSIDIARIES OF REGISTRANT
as of 10/31/98

Name	State of Incorporation	Percentage of Voting Securities Owned by Immediate Parent
ABM Industries Incorporated	Delaware	Registrant
(*) ABM Engineering Services Company	California	100%
ABM Facility Services Company	California	100%
ABM Family of Services	California	100%
ABM Janitorial Services - Northern California	California	100%
ABM Janitorial Services - Southern California+	California	100%
ABM Janitorial Services Co., Ltd.	British Columbia	100%
Accurate Janitor Service, Inc. +	California	100%
American Building Maintenance Co. - West	California	100%
American Building Maintenance Co. of Boston	California	100%
American Building Maintenance Co. of Georgia	California	100%
American Building Maintenance Co. of Illinois	California	100%
American Building Maintenance Co. of New York	California	100%
American Building Maintenance Co. of Utah+	California	100%
American Building Service Company+	California	100%
American Plant Protection, Inc.	California	100%
American Public Services	California	100%
American Security and Investigative Services, Inc.	California	100%
ABMI Investigative Services+	California	100%
ABMI Security Services, Inc.	California	100%
American Commercial Security Services, Inc.	California	100%
Ampco System Parking	California	100%
Amtech Elevator Services	California	100%
Amtech Energy Services	California	100%
Amtech Lighting Services	California	100%
Amtech Lighting Services of Illinois	California	100%
Amtech Lighting & Electrical Services.	California	100%
Amtech Reliable Elevator Company of Texas+	Texas	100%
Beehive Parking, Inc.	Utah	100%
Bonded Maintenance Company	Texas	100%
Bradford Building Services, Inc.	California	100%
Canadian Building Maintenance Co., Ltd.	British Columbia	100%
CommAir Mechanical Services	California	100%
Commercial Air Conditioning of Northern California, Inc. +	California	100%
Commercial Property Services, Inc.	California	100%
Easterday Janitorial Supply Company	California	100%
Servall Services Inc.	Texas	100%
Supreme Building Maintenance, Ltd.	British Columbia	100%
System Parking, Inc.	California	100%
Towel and Linen Service, Inc.+	California	100%

(*) Subsidiary relationship to registrant or to subsidiary parents shown by progressive indentation.

\+ Inactive companies.

Exhibit 23.1

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Stockholders and Board of Directors
ABM Industries Incorporated:

We consent to incorporation by reference in the following Registration Statements on Form S-8 of ABM Industries Incorporated of our report dated December 14, 1998, relating to the consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 1997 and 1998, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the years in the three-year period ended October 31, 1998, and related financial statement Schedule II, which report appears in the October 31, 1998, annual report on Form 10-K of ABM Industries Incorporated.

Registration No.	Form	Plan
2-86666	S-8	Executive Stock Option Plan
2-96416	S-8	1985 Employee Stock Purchase Plan
33-14269	S-8	1987 Stock Option Plan
333-48857	S-8	1996 Stock Option Plan

/s/ KPMG LLP

San Francisco, California
January 26, 1999

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1,000

YEAR
OCT-31-1998
OCT-31-1998
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1.44