



Traditional values. Visionary thinking.

2006 ABM Industries Annual Report to the Stockholders

# Traditional values. Visionary thinking.

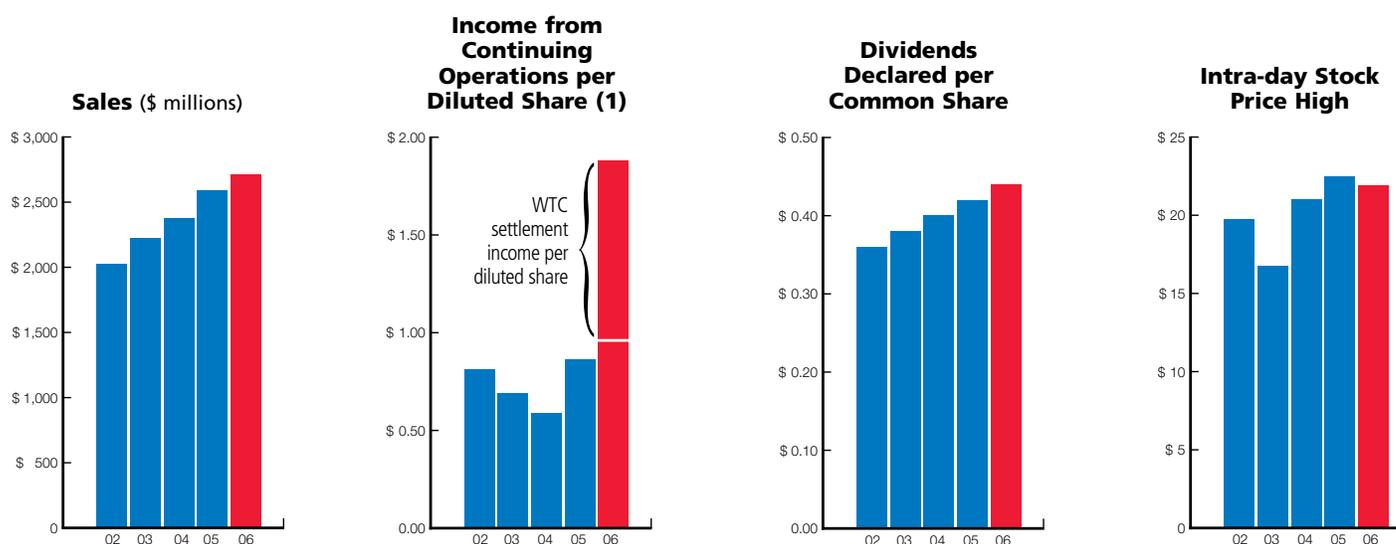
*“As we stand here today, a Fortune 1000, New York Stock Exchange listed company with \$2.7 billion in sales, we must always keep in mind the values that allowed us to reach this level of success. These values – integrity, trade competence, respect for people, whether they are customers, employees, stockholders or the general public, and recognition of our responsibilities to these people – will always be the cornerstones of our operations and planning*

*But “Traditional Values” does not imply traditional structure or traditional processes and methods. The world of today has changed in many ways from the world that Morris Rosenberg faced in 1909. Corporate outsourcing was an undeveloped concept, single sourcing on a regional or national level was not practical, technology and communications were limited and the demands placed on organizations by government regulation were far less extensive. Had the past “visionaries” of ABM not recognized the need to evolve, it is unlikely that we would exist as a company today. Indeed most of the companies that ABM considered major national competitors as recently as the 1980’s do not exist today.”*

*— Henrik C. Slipsager  
President and Chief Executive Officer*

## Table of Contents

<b>Five-Year Selected Financial Data</b>	<b>1</b>
<b>President’s Letter</b>	<b>2</b>
<b>Operations Reports</b>	
ABM Janitorial Services	<b>18</b>
ABM Security Services	<b>20</b>
Ampco System Parking	<b>22</b>
ABM Facility Services	<b>24</b>
Amtech Lighting Services	<b>26</b>
<b>Financial Reports</b>	<b>28</b>
<b>Board and Executive Officers</b>	<b>33</b>



(1) Income from Continuing Operations per Diluted Share for the fiscal year ended October 31, 2006 is \$1.88, which includes \$0.91 from the settlement of the World Trade Center (WTC) insurance claims.

## Five-year Selected Financial Data

Year ended October 31 (In thousands, except per share data and ratios)	2006	2005	2004	2003	2002
Sales and other income	\$ 2,712,668	\$ 2,586,566	\$ 2,375,149	\$ 2,222,367	\$ 2,021,698
Income from continuing operations	\$ 93,205	\$ 43,554	\$ 29,644	\$ 34,598	\$ 41,489
Net income	\$ 93,205	\$ 57,941	\$ 30,473	\$ 90,920	\$ 44,354
Income from continuing operations per common share					
Basic	\$ 1.90	\$ 0.88	\$ 0.61	\$ 0.71	\$ 0.84
Diluted	\$ 1.88	\$ 0.86	\$ 0.59	\$ 0.69	\$ 0.81
Average common and common equivalent shares					
Basic	49,054	49,332	48,641	49,065	49,116
Diluted	49,678	50,367	50,064	50,004	51,015
Dividends declared per common share	\$ 0.44	\$ 0.42	\$ 0.40	\$ 0.38	\$ 0.36
Stockholders' equity	\$ 541,247	\$ 475,926	\$ 442,161	\$ 430,022	\$ 372,194
Common shares outstanding	48,635	49,051	48,707	48,367	48,997
Stockholders' equity per common share	\$ 11.13	\$ 9.70	\$ 9.08	\$ 8.89	\$ 7.60
Working capital	\$ 312,456	\$ 246,379	\$ 230,698	\$ 244,671	\$ 214,876
Net operating cash flows from continuing operations	\$ 130,367	\$ 44,799	\$ 64,412	\$ 50,746	\$ 95,583
Current ratio	1.98	1.90	\$ 1.91	\$ 1.95	\$ 1.94
Total assets	\$ 1,016,274	\$ 903,710	\$ 842,524	\$ 804,306	\$ 712,550
Trade accounts receivable – net	\$ 383,977	\$ 345,104	\$ 307,237	\$ 278,330	\$ 285,827
Goodwill	\$ 247,888	\$ 243,559	\$ 225,495	\$ 186,857	\$ 162,057
Property, plant and equipment – net	\$ 32,185	\$ 34,270	\$ 31,191	\$ 31,738	\$ 35,533
Capital expenditures	\$ 14,065	\$ 17,738	\$ 11,460	\$ 11,535	\$ 7,212
Depreciation	\$ 14,981	\$ 13,918	\$ 13,024	\$ 13,673	\$ 13,674

# The President's Perspective

*Dear Stockholders, Employees and Other Friends of ABM:*

Fiscal 2006 was an excellent year for ABM. We entered the year facing challenges in the first quarter, most of them lingering issues from fiscal 2005. However I am pleased to say that over the course of 2006 the Company demonstrated steady growth and improvement, not only delivering solid financial results, but establishing or continuing trends in all business segments that are very strong and bode well for an exciting and successful fiscal 2007. We continue to strive for improved margins, as demonstrated by the results that many of the business units have reported, and continue to focus on the strategic initiatives that will position us to remain in the forefront of our industry. Our organic growth is stronger than it has been in years and we continue to increase dividends.

The Company reported income from continuing operations during the fiscal year which ended October 31, 2006 of \$93.2 million (\$1.88 per diluted share) on sales and other income of \$2.71 billion, compared to \$43.6 million (\$0.86 per diluted share) on sales and other income of \$2.59 billion for last year. The increase in income includes the \$45.1 million for the settlement of the World Trade center insurance claims.

## The Year in Review

ABM Janitorial Services, long a cornerstone of the ABM family, continued its strong performance by delivering double digit bottom line growth in fiscal 2006 as part of a continuing performance trend. There was substantial success penetrating customer bases requiring specialized or more technical services, such as high-tech, pharmaceutical and financial services. Janitorial Services also continued to develop and roll out innovative new programs, such as the QMS 24-7 quality program and our Green Care program. Fiscal 2006 saw an increase in major national engineering subcontracting awards. ABM Facility Services through its engineering unit, ABM Engineering Services, posted double digit top and bottom line growth for the third year in a row. ABM Engineering is the only facility maintenance company to have achieved and maintained ISO certification for all services nationally. At Ampco System Parking the anticipated growth that began with the overall improvement of the economy in 2004 has continued through fiscal 2005 and 2006 and they are well positioned for an excellent year in 2007. Ampco continues to be an industry pioneer and leader in its investment in both people and technology through programs such as SCORE4, a sophisticated automated fee collection system (which optimizes revenue and reporting technology) and SOP (our newest training tool and reference guide for managers). The Security segment began fiscal 2006 with continuing challenges tied to the issues identified with

our subsidiary – Security Services of America (SSA). Our efforts to consolidate operations, restructure contracts, close branches, and realign management, restored momentum, which enabled this operation to return to profitability by the second half of the year. Amtech Lighting Services experienced a difficult year. However, they were able to build positive momentum through the year and end on a high note, with individual successes building to create the largest backlog of work in the history of the Company at year's close. This milestone is a significant sign of health that serves to heighten my optimism for a return to solid performance in 2007 for Amtech Lighting.

In summary, for 2006 we achieved double digit growth in four out of five of our operating segments. We ended the year with a strong fourth quarter and through a number of key programs, enhanced our leadership position and competitive stature within the facility services industry. In my tenure as president and CEO, I have never felt better about the future of our company.

## Transitions

In March of 2006, Martinn Mandles resigned as Chairman of the Board of Directors of ABM Industries Incorporated. Martinn remains a member of the Board of Directors. He is succeeded as Chairman by Maryellen Herringer, a member of and valuable contributor to the Board of Directors since 1993. I congratulate Maryellen and look forward to her continued guidance and support.

This is also a time of significant change for many other long term leaders of ABM. Tom Barnett, President of Ampco System Parking and an ABM executive for 35 years, retired this year. He was replaced by his long-time protégé, Rich Kindorf. Tom played a vital role in the growth of Ampco and ABM, we wish him the very best. James Scranton, President of ABM Engineering Services, made the decision to retire in fiscal 2007. Jim is another one of those leaders whose 30 plus years of service and contributions helped take us where we are today, and we are extremely grateful for that leadership. Jim will be replaced by Mike Latham in May of 2007. We expect Engineering to continue its rapid growth and to enhance its status as the premier third party provider of on-site engineers. To further the consolidation of American Commercial Security Services and SSA, we have named Larry Smith as the new President of the combined ABM Security businesses. Larry was formerly the Senior Vice President of American Building Maintenance Company, heading ABM's Janitorial business in the Southwest. Larry's strong customer relationship history coupled with his prior security experience will serve to help him as he expands these businesses, and I am confident of his success.

## Important Milestones and Moving into the Future

There is no doubt that the coming years will be exciting ones for ABM, and we have passed some important milestones that position us for that future. Certainly putting the World Trade Center insurance issues firmly behind us and settling those claims not only enhances our cash position but allows a greater degree of focus by senior management as we move ahead. Of great importance to us is our certification this year under Section 404 of the Sarbanes-Oxley Act. This is a key indicator of our stress on ethics and accountability. In business, as in personal life, entities are known by the company they keep and surrounding oneself with high caliber strategic partners is not only desirable today, it is critical. We wish to be known as the best of partners for all of our customers.

Another corner turned is our steadily improving competitiveness through the combined efforts of our internal Risk Management group, our field teams in the subsidiaries and a new and better managed third party administrator, all of which combine with new legislation to improve our insurance picture going forward. As I plan for the future I can tell you that we will continue to build organizations focused on organic growth. We will also be aggressive in our approach to acquisitions. As we look ahead it is also important to note that we must follow our customers as globalization accelerates. I am pleased to say that our Board of Directors approved a strategy that calls for customer driven international expansion.

## Thank you

I would very much like to thank our employees across the country for their contributions this past year. As is always the case, it is what you do that makes all things possible. I would also like to thank the Board of Directors and the stockholders for the support that I have received. A special note of thanks to our Chairman, Maryellen Herring, for her guidance and support.

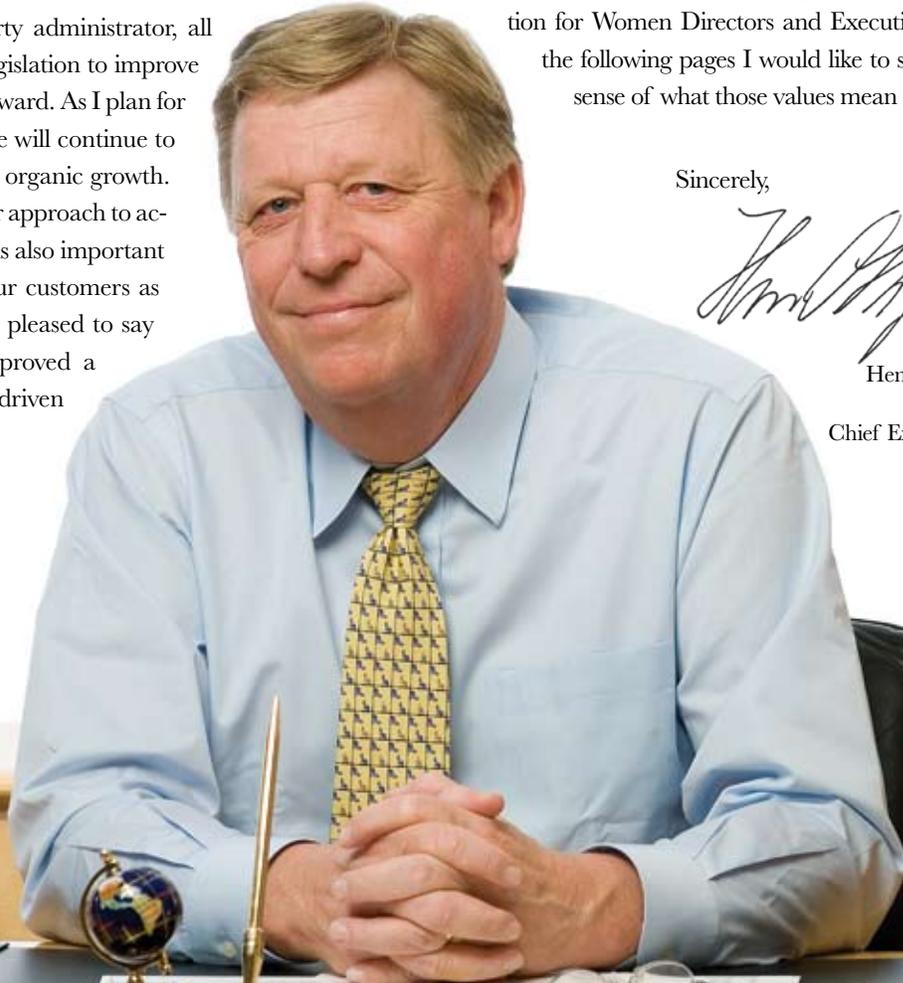
## Traditional Values. Visionary Thinking.

I have written often and at length from time to time about how this concept is important to all of us at ABM. But the true test is whether you see it in action. I hope that you recognize it in our willingness to invest in our people and processes, whether it is a new training program or the significant investment we are now making in IT technology. I hope you see it in the obvious pride we take in our ABM family. I also hope that you will take note when others applaud it, such as our recent recognition as a "Top 25" California Corporation for Women Directors and Executive Officers. On the following pages I would like to share with you a sense of what those values mean to us.

Sincerely,



Henrik C. Slipsager  
President and  
Chief Executive Officer



# Integrity



“Integrity is not a 90 percent thing, not a 95 percent thing; either you have it or you don’t.”

– Peter Scotese

In 1908 at the height of a devastating financial depression that hit the entire country and especially the city of San Francisco. Integrity and his good name was essentially all that ABM founder Morris Rosenberg had to keep him going. It was during this time that Morris built his business from a humble start – just a few simple tools and an unflinching belief that he could build a company unlike any other on a foundation of honesty and integrity.

The ABM Industries of today is proud to uphold Morris’ early tradition and uncompromising ethical standards. “Doing the right thing” is not just an option as we go about the daily operation of our business, from overseeing the financial reporting process in ABM’s corporate controller’s department to ABM employee-customer interactions at the subsidiary company level. We treat our customers and each other with a clearly defined sense of integrity.

Morris painstakingly built ABM’s business relationships one at a time, and we are proud to say that many of those original relationships still exist today, underscoring the fact that ABM remains 100 percent committed to his ideal of doing business with honesty, integrity and vision.

# Trade competence





“The quality of your work, in the long run, is the deciding factor on how much your services are valued by the world.”

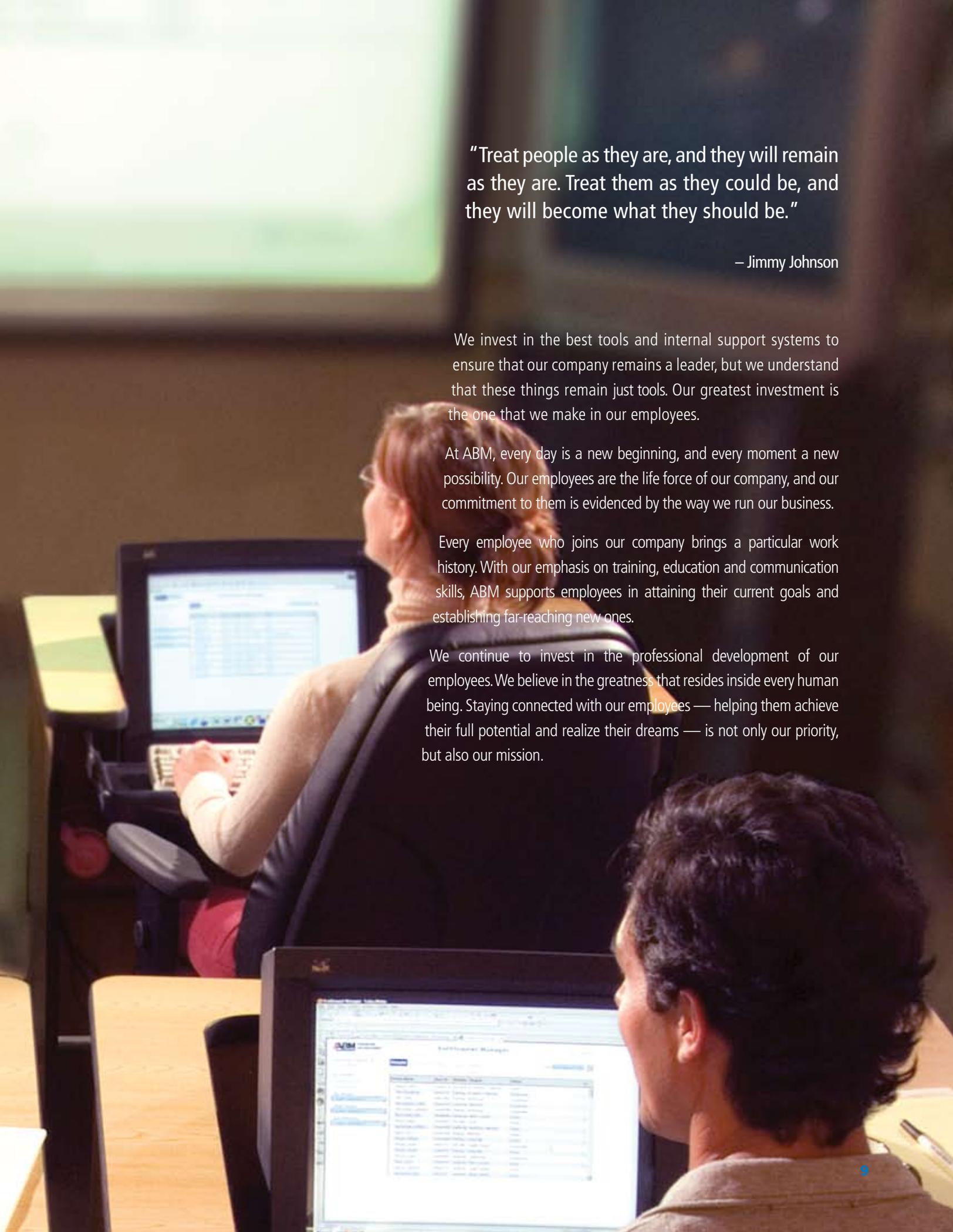
— Orison Swett Marden

The value we place on trade competence at ABM is unequivocally high. As a key provider of facility services to customers all over the United States, the continued success of our organization is directly linked to the professionalism and expertise of our service employees.

Being merely “competent” does not meet expectations at ABM. Being highly skilled and the best in all that we do are mandatory. For it is the overall quality of our work, day in and day out, that makes the difference to our customers. It is a difference that can be experienced whenever you come into contact with one of our trades people – from the sense of pride with which they perform their responsibilities to the confident attitude of a highly trained professional which they bring to every task. It is the ABM difference.

# Investment



A woman with reddish-brown hair, wearing a white turtleneck, is seated at a desk in the background, viewed from behind, working on a computer. In the foreground, a man with dark hair is also viewed from behind, looking at a computer monitor. The office environment is dimly lit, with a large screen or window in the background showing a bright, hazy light. The overall atmosphere is professional and focused.

“Treat people as they are, and they will remain as they are. Treat them as they could be, and they will become what they should be.”

– Jimmy Johnson

We invest in the best tools and internal support systems to ensure that our company remains a leader, but we understand that these things remain just tools. Our greatest investment is the one that we make in our employees.

At ABM, every day is a new beginning, and every moment a new possibility. Our employees are the life force of our company, and our commitment to them is evidenced by the way we run our business.

Every employee who joins our company brings a particular work history. With our emphasis on training, education and communication skills, ABM supports employees in attaining their current goals and establishing far-reaching new ones.

We continue to invest in the professional development of our employees. We believe in the greatness that resides inside every human being. Staying connected with our employees — helping them achieve their full potential and realize their dreams — is not only our priority, but also our mission.

# Respect for people



Every human being, of whatever origin, of whatever station, deserves respect. We must each respect others even as we respect ourselves.

— U Thant

Having a true sense of the inherent worth of every individual, even in a company with approximately 75,000 employees, is essential to ABM's long-term well being, as well as to the continued health of our world.

While a good company is built on quality service and a solid infrastructure, exceptional people can create a great company. From its very beginning nearly a century ago, our organization has operated from a place of deep respect for the employees

who work so purposefully to achieve the greater good for our customers and to bring out the best in each other.

We believe that corporations can positively change the world we live in, and that the very basis of human growth and progress comes from the respect we have for ourselves and for each other. We respect our employees for their diversity, creativity, vision and work ethic.



# Recognition of Responsibilities

“The price of greatness is responsibility.”

— Winston Churchill

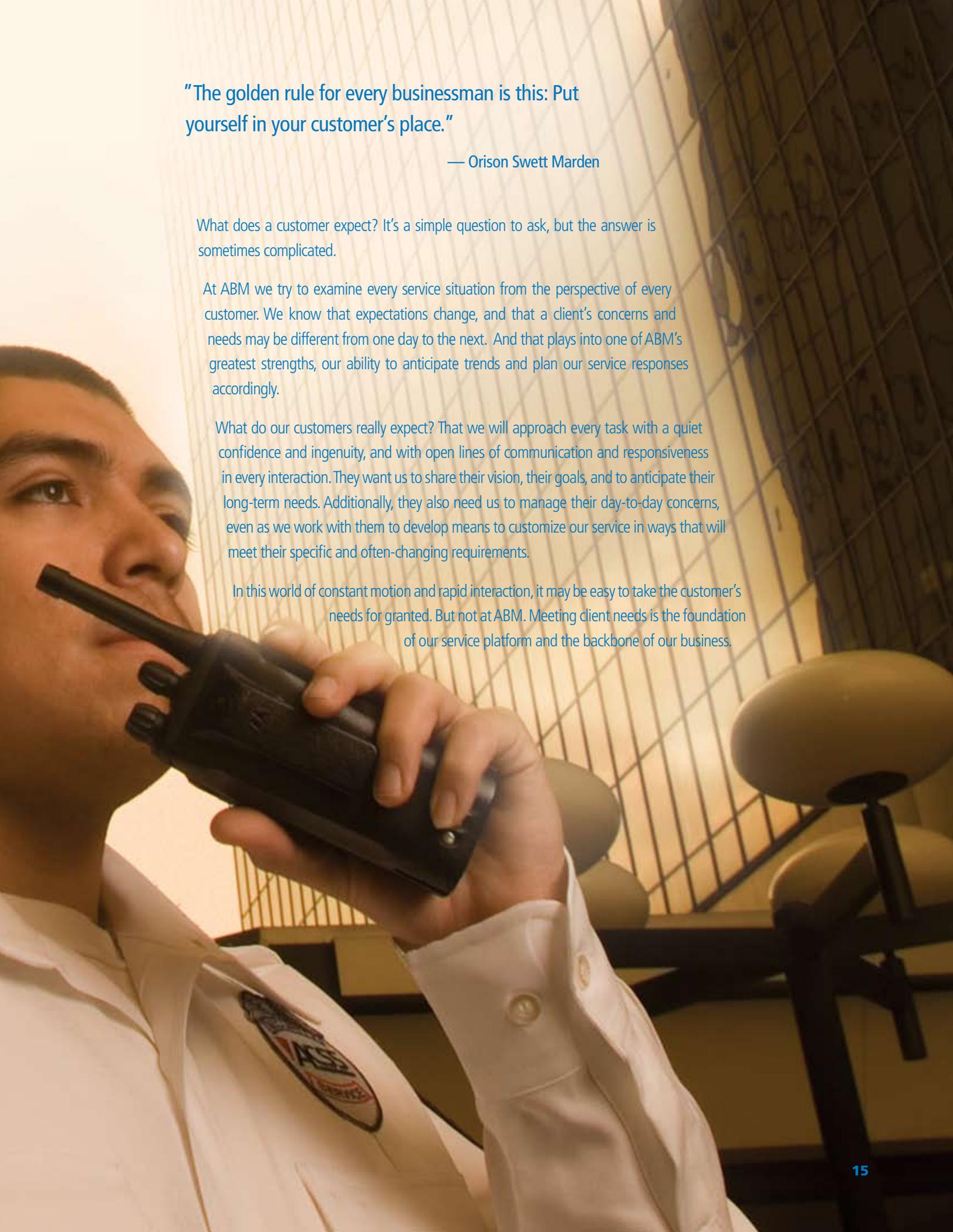
The larger an organization is, the greater the responsibilities. As one of the largest facility services providers listed on the New York Stock Exchange, ABM Industries’ list of responsibilities is detailed and ever expanding.

We are responsible not only for ensuring the satisfaction of our customers, but also for running a company that is fiscally and ethically sound. Also, as a provider of janitorial, engineering, parking, security, lighting and other facility services, we are responsible for the safety of thousands of employees. Recognizing these types of responsibilities and adapting our business plan to carry them out ensures not only our own success, but our customers’ success as well.



# Responsiveness



A man in a white uniform, likely a customer service representative, is shown in profile, holding a black walkie-talkie to his mouth. He has a thoughtful expression, looking upwards and to the right. The background is a blurred office setting with a grid-patterned wall and a desk with a chair.

“The golden rule for every businessman is this: Put yourself in your customer’s place.”

— Orison Swett Marden

What does a customer expect? It’s a simple question to ask, but the answer is sometimes complicated.

At ABM we try to examine every service situation from the perspective of every customer. We know that expectations change, and that a client’s concerns and needs may be different from one day to the next. And that plays into one of ABM’s greatest strengths, our ability to anticipate trends and plan our service responses accordingly.

What do our customers really expect? That we will approach every task with a quiet confidence and ingenuity, and with open lines of communication and responsiveness in every interaction. They want us to share their vision, their goals, and to anticipate their long-term needs. Additionally, they also need us to manage their day-to-day concerns, even as we work with them to develop means to customize our service in ways that will meet their specific and often-changing requirements.

In this world of constant motion and rapid interaction, it may be easy to take the customer’s needs for granted. But not at ABM. Meeting client needs is the foundation of our service platform and the backbone of our business.

# Operations Reports





## We've developed our service expertise by evolving and adapting to the changing needs of our customers over the course of nearly a century.

### Subsidiary Overview

With 50,000 employees operating from 111 branch offices located across the United States, ABM Janitorial Services provides innovative cleaning programs to a diverse customer population. Customers include Class A commercial office properties, high-tech industrial, pharmaceutical, college and university campuses, medical, data centers and financial institutions, among others.

While 2005 was a year marked by several acquisitions, in 2006 ABM Janitorial Services grew primarily from within, and in the process experienced a 20 percent profit growth; due mostly to successes with high-tech, pharmaceutical and financial market clients. These sales wins have outpaced losses experienced in our traditional, lower-margin client base, and are attributable in large measure to better risk management and lower insurance costs.

### Top Achievements

In June ABM Janitorial Services celebrated a multi-year, multi-million dollar contract renewal with Salt River Project (SRP) in Arizona, the nation's third-largest public power utility. The project covers comprehensive janitorial service and maintenance for more than 1 million square feet at multiple Salt River Project facilities throughout a 100-square mile radius in Phoenix, and dramatically illustrates our growth capability in unique, complex cleaning environments.

### Industry Trends

We continued to benefit from the industry trend of outsourcing facility services to a multiple-service provider. ABM Janitorial Services worked closely with ABM's other operating segments in providing a variety of custodial services in major markets, while utilizing proven, and qualified subcontractors in outlying areas. This has been a particularly strong trend in the manufacturing and telecommunications industries.

The consolidation of vendors and services into national accounts to achieve cost reductions was also a rising trend that we prepared for and embraced. Our extensive branch network remains the industry prototype, serving customers with an already established national supply and equipment vendor network as well as utilizing the essential distribution systems already in place. Customers benefited from our national buying power and established procedures to provide consistent, high-level service throughout our branch network.

In 2006 we continued our progress in another area of growing customer interest — the movement toward environmentally friendly cleaning programs. While companies are under increasing scrutiny to provide building tenants with enhanced indoor air quality through healthy cleaning solutions, ABM Janitorial Services introduced its innovative Green Care program. Green Care supports and emphasizes environmentally responsible cleaning, and utilizes high efficiency equipment, tools, supplies and eco-friendly cleaning methods.

### Greatest Strengths

We are working diligently to strategically utilize our vast geographic network of fully staffed branch and regional offices nationwide. This vast network is one of ABM Janitorial Services' major strengths in its' ability to provide customers with responsive local management, coupled with regional and national oversight. This structure allows for branch personnel to focus locally on service delivery and customer satisfaction, while regional and national personnel oversee contract management, customer relations and delivery of standardized training, safety and human resource programs.

### Exceptional Training

The ABM Quality Management System, QMS 24-7, is our proprietary, web-based quality control program. QMS automates work order management and periodic maintenance scheduling, communications and responses. The system allows for a quicker and more precise response to our clients' needs, monitors work completion and quality, and delivers carefully tailored customer reports. Inspection results are entered into the system, and customized quality control inspection reports showing results and trends are made available on-line, and can be downloaded as an Excel spreadsheet.

### Future Plans

Our sales objectives for 2006 were to focus on critical cleaning needs for our clients in manufacturing, high-tech and financial markets. This has paid off with larger contracts and higher margins. We will continue to bolster sales and operations expertise in these and other critical markets, with a concentration on clients with complex, and specialized cleaning needs, such as the pharmaceutical and education markets.

Based on years of experience gained by providing cleaning services in a variety of markets, ABM has developed best practice cleaning procedures and methods for all markets, from clean rooms in high-tech and pharmaceutical markets to warehouse and industrial specialization in the automotive field. We have the in-house expertise to produce a customized program, resulting in maximum efficiencies and cost containment for each market.



# We are qualified, capable, dependable and prepared to respond

## Subsidiary Overview

With more than 13,000 employees operating coast-to-coast in 34 states from 61 branch offices, ABM Security Services business achieved revenue in excess of \$300 million for fiscal year 2006. A key focus for ABM's security subsidiaries was to further grow its customer base and markets, which now include Class A commercial office buildings, office parks, high-tech campuses, agricultural centers, hospitals and medical centers, educational institutions, religious organizations, retail centers, patrol operations, industrial manufacturing, ports, residential communities, background screening, and investigation.

## Key Promotions

To further the consolidation of American Commercial Security Services and SSA Security, ABM named a new president of the combined ABM Security businesses, Larry T. Smith. Smith was formerly Senior Vice President of American Building Maintenance Company and headed ABM's Janitorial business in the Southwest. With strong ties to many ABM customers and prior experience in ABM's security business Smith will help expand the national footprint of ABM Security.

## Top Achievements

By unifying multiple security operations into a single cohesive unit, ABM security business invigorated its national sales opportuni-

"Our core strengths are the professional experience of our management team combined with the unique security programs we've designed to be flexible to meet the changing security requirements of our diverse customer base."

— Larry T. Smith  
President, ABM Security Services,  
American Security Services, and SSA Security



ties in 2006. With the goal of introducing national capability to local and regional customers, ABM Security helped guide localized client relationships into growth-oriented national security programs.

Larry T. Smith, President of ABM security business, notes "As companies lean more toward national procurement initiatives, we have increased our ability to compete nationally while we continue to successfully and efficiently deliver services on a local and more personal basis."

## Greatest Strengths

From helping customers survive and come back from national disasters such as hurricanes and floods to offering one of the most experienced management teams found in the security industry,



# to the unique requirements of our diverse security customers.

ABM Security Services further advanced its inherent core strengths in fiscal year 2006.

“Our national disaster responsiveness program, training capabilities, and the longevity and experience of our management team are strengths our customers have come to rely upon,” noted Smith. Additionally, by designing security programs that are customized to meet the unique needs of individual clients and markets, ABM Security continued to meet the changing security requirements of a diverse and evolving customer base.

## Technology Update

In fiscal year 2006, ABM Security Services introduced a new web-

based training program in collaboration with Private Security Television Network (PTSN) a professional training development company. This state-of-the-art program provides employees with 24-hour access to a comprehensive training library that is unmatched in the industry.

## Future Outlook

ABM Security Services business will continue to focus on organic sales growth in both current markets and in targeted new geographic areas through the expansion of existing services and the development of new services.

“Our first priority is to service our customers needs and to anticipate their evolving requirements,” concluded Smith.





“Our immediate plans are to continue to expand our base of operations strategically across the U.S. into non-saturated markets, where our business model and operating philosophy mirrors that of many of our national and regional customers.”

— Rich Kindorf  
President of Ampco  
System Parking

## From Florida to California, Ampco System Parking experienced the best sales growth in its history in fiscal 2006.

### Subsidiary Overview

More than 8,000 employees operate and manage parking facilities coast-to-coast for hundreds of Ampco System Parking customers, including airports, amusement parks, educational and financial institutions, government entities, hospitality, medical centers, multi-use developments, office buildings, shopping malls, and sports and entertainment venues.

Ampco System Parking collected more than \$440 million in revenue for customers this past fiscal year, producing a growth rate of 7 percent.

### Executive Promotions

Tom Barnett, President of Ampco System Parking and an ABM executive for 35 years, retired in 2006. Rich Kindorf, who had worked under Barnett for 23 years, succeeded him. In other management news, Ampco System Parking's Mark Muglich was promoted to Executive Vice President.

### Top Achievements

Ampco System Parking signed a multi-year, multi-million-dollar agreement with the City of Minneapolis to oversee off-street municipal parking operations in the city. With 30 parking facilities and more than 25,000 parking spaces, the Minneapolis operation is one of the largest municipally owned parking systems in the United States.

On the West Coast, Ampco System Parking was awarded a multi-year, multi-million-dollar contract with Sacramento International Airport. The contract covers parking management service and shuttle operations for the airport's more than 12,000 parking spaces.

The transportation segment of our business also expanded in the form of shuttle services to a major aerospace industry employer in El Segundo, California. Eight buses transport more than 550 employees a day across the 7-square-block campus. And in a service addition to the John Wayne Airport in Orange County, more than 1,800 employees are shuttled daily from an off-site lot to the terminal.

In the high-end retail market segment, Ampco System Parking was awarded the parking management contract for "The Ships at Midtown" in Miami, Florida. When completed, this mega-de-

velopment will include 600,000 square feet of retail space, 3,000 condominiums and 350 apartments. The fully automated 3,000-space parking structure will use the latest technology, including 20 pay stations.

### Industry Trends

Automated fee collection is another growing industry trend. We have responded by overseeing the conversion of existing cashier-based fee collection systems to automated parking fee collection systems, and by consulting in the redesign and conversion process of new parking garages in the development stage.

### Technology Update

Ensuring accurate and timely financial accountability has been critical to our success and is a key ingredient in the parking industry's provider-customer relationship. Ampco System Parking continued to enhance its proprietary software SCORE4 (Simplified Computer On-Site Revenue Entry) system, which propelled us to a leadership position in revenue optimization and reporting technology.

### Training Update

We completed a substantial updating in fiscal 2006 of the Company's key training tool, the Standard Operating Procedures (SOP) program. This comprehensive manual standardizes every procedure used in parking facility operation. From proper accounting and reporting procedures to revenue control systems and site-specific operations questions, the SOP functions as a study guide and reference manual for all facility managers.

### Future Outlook

"Our immediate plans are to continue to expand our base of operations strategically across the U.S. into non-saturated markets, where our business model and operating philosophy mirrors that of many of our national and regional customers," notes Rich Kindorf, President of Ampco System Parking.

"Secondarily, we will focus on expanding the transportation segment of our business through shared-ride services, on-airport shuttle services, campus shuttle services, and throughout the hospitality market."

Our long-term investment in critical training, safety and human resources programs and protocols support our employees, shareholders and customers.

### Subsidiary Overview

Serving thousands of sites across the U.S., ABM Facility Services delivered a unique combination of best-in-class maintenance services, support resources and management talent for a variety of properties and clients in 2006. With 16 branches covering properties in 40 states, key customer markets included corporate real estate, industrial and manufacturing sites, corporate facilities, banking branch offices, data centers and critical systems, government and public facilities, education, retail, healthcare, airports, hospitality, central plants and telecommunications.

Through a well-defined integrated facility services' solution that offered customers seven lines of services and access to 66,000 professionals nationally, ABM Facility Services realized business growth of 19 percent in fiscal year 2006. According to Steven Zaccagnini, Executive Vice President of ABM and President of ABM Facility Services, this robust growth was achieved through "strong sales efforts backed by a national network of operating managers."

### Key Promotions

Todd Richardson and Charles Booth were appointed Senior Vice Presidents of ABM Facility Services in early 2006. "With their respective, extensive expertise in sales, marketing and building maintenance, they further strengthen our Facility Services operation to continue delivering the high standards our customers have come to expect," said Zaccagnini.

### Top Trend

The facility services' industry, and in particular engineering maintenance services, saw an increase in major national subcontracting awards. ABM Facility's engineering unit, ABM Engineering Services, further expanded and developed a strong national team to address changing customer needs.

"Our facility management programs allow our clients to focus more on driving their core business while we run their facilities efficiently and keep them cost-competitive in today's marketplace," said Zaccagnini.

"Designing innovative, cost-effective consolidation solutions for clients is our core business, and one that is incredibly relevant."

### Greatest Strengths

Over the course of the year through a comprehensive national network of technical managers, subcontractors and state-of-the-art operating programs, location-specific client needs representing a variety of diverse client industries were fully met.

ABM Engineering Services continued to maintain its quality control International Organization for Standardization (ISO) certification status. In 2006, ISO continued to recognize ABM Engineering for its commitment to safety and quality. ABM Engineering is the only facility maintenance company to have achieved and maintained ISO certification for all operations nationally. ABM Engineering Services first received the designation in 1999.

### Technology Update

Technology enhancements were a key focus of ABM Facility Services' client-driven strategy. ABM Facility Services built upon an exceptionally strong grouping of proprietary web-based support programs, including the primary client-friendly technologies of web-based preventive maintenance and work order management systems, a National Service Center, a technical intranet site, cost accounting and reporting systems as well as live customer support.

### Future Outlook

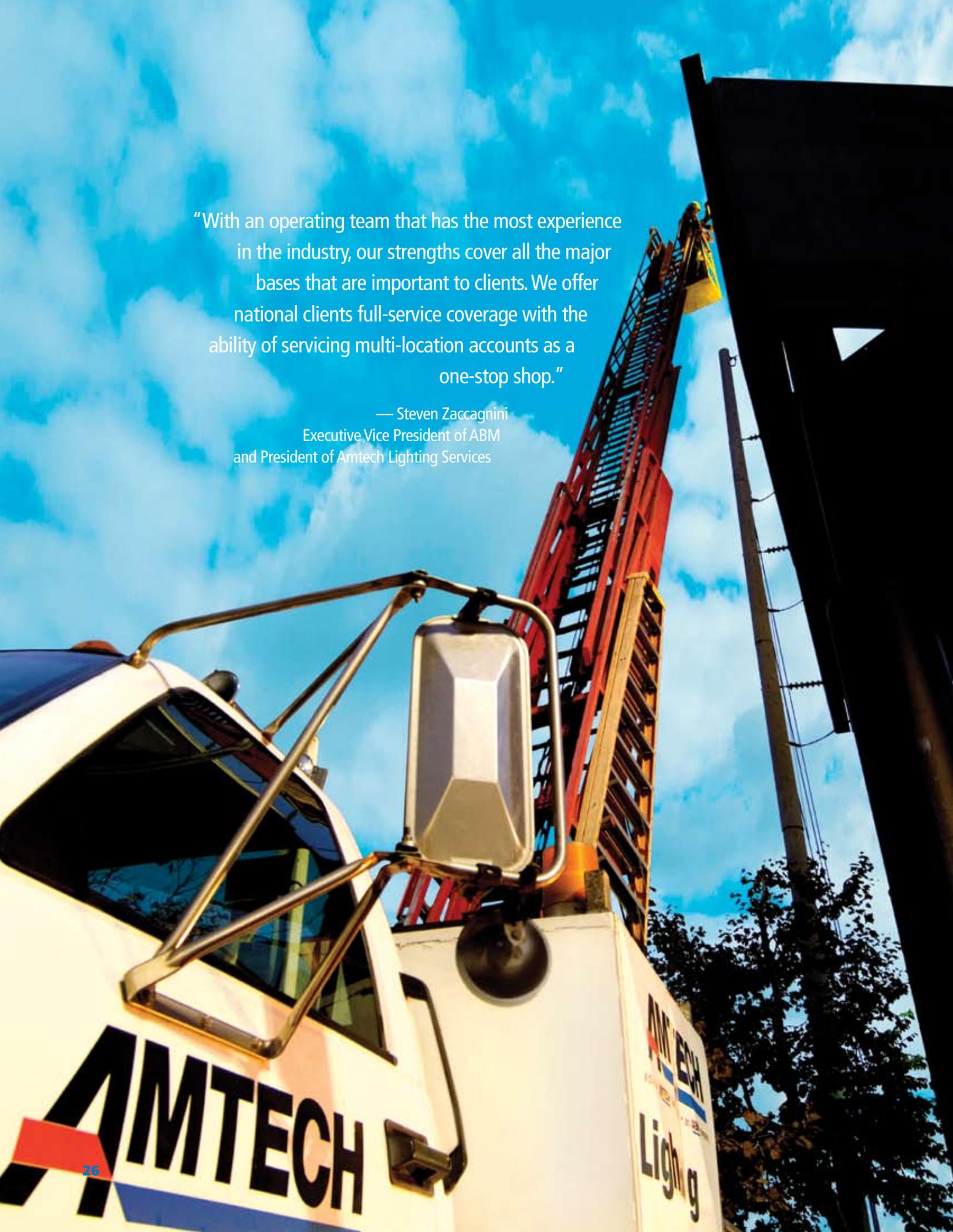
With a network of more than 25 regional and district managers ensuring comprehensive geographic coverage, ABM Facility Services is committed to expanding nationally. Anticipated additional office openings are planned for Dallas and Seattle.

Said Zaccagnini, "We remain committed to the long-term development of our management team and operations team. We anticipate our clients will continue to benefit from our investment in our employees, technology and customers."

“Designing an innovative, cost-effective consolidation solution for clients is an incredibly rewarding experience. Our facility management programs allow our clients to focus on driving their core business, while we run their facilities efficiently and keep them cost competitive in today’s marketplace.”

— Linda Peralta  
ABM Facility Services  
National Sales and Marketing





“With an operating team that has the most experience in the industry, our strengths cover all the major bases that are important to clients. We offer national clients full-service coverage with the ability of servicing multi-location accounts as a one-stop shop.”

— Steven Zaccagnini  
Executive Vice President of ABM  
and President of Amtech Lighting Services

## Our reputation for exhibiting trade excellence is a distinction we work diligently to maintain.

### Subsidiary Overview

With a growing customer base in commercial, industrial, retail, government municipalities, and college and university markets, Amtech Lighting Services continued to evolve in fiscal year 2006 with 27 full-service branches and 64 satellite operations nationally, and with well-established bases in the Northeast, Southeast, South Central and West Coast regions.

As one of the nation's leading lighting management companies, Amtech Lighting Services provides service for interior and exterior lighting maintenance, including signs and electrical repairs, for some 35,000 customers located throughout the United States.

### Top Achievements

Amtech Lighting reported several key achievements for the past fiscal year, such as the creation of a unique energy solution program, as well as completing hurricane disaster recovery services for several large clients.

To effectively address the current industry-wide concern with energy conservation and environmental stewardship, ABM and Amtech Lighting established "ABM Energy Solutions," a comprehensive provider of innovative energy services.

This program offers a variety of solutions that address the growing environmental concerns of every ABM subsidiary company as well as the concerns of ABM customers who are committed to taking a greater role in protecting the world's natural resources.

Other accomplishments include the completion of a detailed and extensive project for a national client that included servicing 8,000 individual locations. This was accomplished in just 120 days.

### Industry Trends

Energy costs continued to rise steadily in fiscal 2006, creating an urgent need for additional energy conservation programs and resources throughout the lighting industry. As cost awareness and concerns about global warming rose through our client population,

we focused our efforts on developing new programs that decreased our clients' total energy consumption through lighting technology upgrades. Some of these programs specifically tied into the Energy Policy Act of 2005, which allowed for tax deductions for energy-saving upgrades to commercial buildings, beginning January 1, 2006. The Act offers a partial lighting tax deduction based on qualified lighting upgrades that were put into place during the first two years of the Act.

Other technology-related changes for 2006 included an increased focus on LED applications. By partnering with several LED technology leaders, Amtech Lighting Services was able to successfully introduce and promote this resource to clients.

### Greatest Strengths

"With an operating team that has the most experience in the industry, our strengths cover all the major bases that are important to clients," notes Steven Zaccagnini, Executive Vice President of ABM and President of Amtech Lighting Services. "We offer national clients full-service coverage with the ability of servicing multi-location accounts as a one-stop shop.

"Additionally, we successfully manage national roll-out projects and assign dedicated account representatives to act as a vital communication resource to keep clients updated with daily progress reports."

### Future Outlook

Given the continuing rise in energy costs and concerns about the environment, Amtech Lighting plans to develop and present the best energy-efficient solutions to customers and to help them lower their energy consumption. We will continue to lead the way in new technology offerings and partner strategically with the manufacturers and distributors that offer the most suitable solutions for our clients' energy needs. In partnership with ABM Energy Solutions, we will deliver effective and responsible turnkey energy programs, using a broad spectrum of potential energy conservation measures.

# Financial Reports

## Consolidated Balance Sheets

October 31	2006	2005
In thousands, except per share data		
<b>Assets</b>		
Cash and cash equivalents	\$ 134,001	\$ 56,793
Trade accounts receivable (less allowances of \$8,041 and \$7,932)	383,977	345,104
Inventories	22,783	21,280
Deferred income taxes	43,945	46,795
Prepaid expenses and other current assets	47,035	44,690
Prepaid income taxes	—	6,791
Total current assets	631,741	521,453
Investments and long-term receivables	14,097	12,955
Property, plant and equipment (less accumulated depreciation of \$86,837 and \$80,370)	32,185	34,270
Goodwill (less accumulated amortization of \$67,557)	247,888	243,559
Other intangibles (less accumulated amortization of \$15,550 and \$13,478)	23,881	24,463
Deferred income taxes	42,120	46,426
Other assets	24,362	20,584
Total assets	\$1,016,274	\$ 903,710
<b>Liabilities</b>		
Trade accounts payable	\$ 66,336	\$ 47,605
Income taxes payable	36,712	2,349
Accrued liabilities:		
Compensation	78,673	72,034
Taxes – other than income	20,587	18,832
Insurance claims	66,364	71,455
Other	50,613	62,799
Total current liabilities	319,285	275,074
Retirement plans and other non-current liabilities	26,917	25,596
Insurance claims	128,825	127,114
Total liabilities	475,027	427,784
<b>Stockholders' equity</b>		
Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 55,663,472 and 54,650,514 shares issued at October 31, 2006 and 2005, respectively	557	547
Additional paid-in capital	225,796	206,369
Accumulated other comprehensive income (loss)	149	(68)
Retained earnings	437,083	365,455
Cost of treasury stock (7,028,500 and 5,600,000 shares at October 31, 2006 and October 31, 2005, respectively)	(122,338)	(96,377)
Total stockholders' equity	541,247	475,926
Total liabilities and stockholders' equity	\$1,016,274	\$ 903,710

## Consolidated Statements of Income (Condensed)

Years ended October 31	2006	2005	2004
In thousands, except per share data			
<b>Revenues</b>			
Sales and other income	\$2,712,668	\$ 2,586,566	\$ 2,375,149
Gain on insurance claim	80,000	1,195	—
	<b>2,792,668</b>	2,587,761	2,375,149
<b>Expenses</b>			
Operating expenses and cost of goods sold	2,421,552	2,312,687	2,157,637
Selling, general and administrative	207,116	204,131	166,981
Intangible amortization	5,764	5,673	4,519
Interest	495	884	1,016
	<b>2,634,927</b>	2,523,375	2,330,153
Income from continuing operations before income taxes	157,741	64,386	44,996
Income taxes	64,536	20,832	15,352
Income from continuing operations	93,205	43,554	29,644
Income from discontinued operations, net of income taxes	—	166	829
Gain on sale of discontinued operations, net of income taxes	—	14,221	—
<b>Net income</b>	<b>\$ 93,205</b>	\$ 57,941	\$ 30,473
<b>Net income per common share – Diluted</b>			
Income from continuing operations	\$ 1.88	\$ 0.86	\$ 0.59
Income from discontinued operations	—	—	0.02
Gain on sale of discontinued operations	—	0.29	—
	<b>\$ 1.88</b>	\$ 1.15	\$ 0.61

## Consolidated Statements of Stockholders' Equity (Condensed)

In thousands	Common Stock		Treasury Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Other Comprehensive Income (Loss)	Earnings	
<b>Balance November 1, 2003</b>	51,767	\$518	(3,400)	\$(53,986)	\$166,497	\$(268)	\$317,261	\$430,022
Net income	—	—	—	—	—	—	30,473	30,473
Foreign currency translation	—	—	—	—	—	160	—	160
Dividends:								
Common stock	—	—	—	—	—	—	(19,476)	(19,476)
Stock purchases	—	—	(600)	(11,073)	—	—	—	(11,073)
Stock issued	940	9	—	—	12,046	—	—	12,055
<b>Balance October 31, 2004</b>	52,707	\$527	(4,000)	\$(65,059)	\$178,543	\$(108)	\$328,258	\$442,161
Net income	—	—	—	—	—	—	57,941	57,941
Foreign currency translation	—	—	—	—	—	40	—	40
Dividends:								
Common stock	—	—	—	—	—	—	(20,744)	(20,744)
Stock purchases	—	—	(1,600)	(31,318)	—	—	—	(31,318)
Stock issued	1,944	20	—	—	27,826	—	—	27,846
<b>Balance October 31, 2005</b>	54,651	\$547	(5,600)	\$(96,377)	\$206,369	\$(68)	\$365,455	\$475,926
Net income	—	—	—	—	—	—	93,205	93,205
Foreign currency translation	—	—	—	—	—	217	—	217
Dividends:								
Common stock	—	—	—	—	—	—	(21,577)	(21,577)
Stock purchases	—	—	(1,428)	(25,961)	—	—	—	(25,961)
Stock issued	1,012	10	—	—	16,183	—	—	16,193
Share-based compensation expense	—	—	—	—	3,244	—	—	3,244
<b>Balance October 31, 2006</b>	55,663	\$557	(7,028)	\$(122,338)	\$225,796	\$149	\$437,083	\$541,247

## Consolidated Statements of Cash Flows

Years ended October 31 In thousands	2006	2005	2004
<b>Cash flows from operating activities:</b>			
Net income	\$ 93,205	\$ 57,941	\$ 30,473
Less income from discontinued operations	—	(14,387)	(829)
Income from continuing operations	93,205	43,554	29,644
<b>Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:</b>			
Depreciation and intangible amortization	20,745	19,591	17,543
Share-based compensation expense	3,244	—	—
Provision for bad debts	341	1,112	4,482
Gain on sale of assets	(829)	(419)	(225)
Decrease (increase) in deferred income taxes	7,156	(4,465)	(12,262)
Increase in trade accounts receivable	(38,922)	(31,844)	(35,369)
(Increase) decrease in inventories	(1,503)	(726)	9
(Increase) decrease in prepaid expenses and other current assets	(2,255)	(5,888)	6,643
Increase in other assets and long-term receivables	(4,982)	(2,132)	(3,074)
Increase (decrease) in net income taxes	41,154	(11,304)	5,935
Increase (decrease) in retirement plans and other non-current liabilities	1,321	(62)	1,483
(Decrease) increase in insurance claims	(3,380)	10,630	37,622
Increase in trade accounts payable and other accrued liabilities	15,072	26,752	11,981
Total adjustments to income from continuing operations	37,162	1,245	34,768
Net cash flows from continuing operating activities	130,367	44,799	64,412
Net operational cash flows from discontinued operations	—	(7,348)	(30,722)
Net cash provided by operating activities	130,367	37,451	33,690
<b>Cash flows from investing activities:</b>			
Additions to property, plant and equipment	(14,065)	(17,738)	(11,460)
Proceeds from sale of assets	2,253	1,775	795
Purchase of businesses	(10,002)	(26,884)	(54,152)
Proceeds from sale of business	—	32,250	—
Other	—	(2,505)	4,064
Net cash used in investing activities	(21,814)	(13,102)	(60,753)
<b>Cash flows from financing activities:</b>			
Common stock issued	16,193	21,137	10,034
Common stock purchased	(25,961)	(31,318)	(11,073)
Dividends paid	(21,577)	(20,744)	(19,476)
Net cash used in financing activities	(31,345)	(30,925)	(20,515)
Net increase (decrease) in cash and cash equivalents	77,208	(6,576)	(47,578)
Cash and cash equivalents beginning of year	56,793	63,369	110,947
<b>Cash and cash equivalents end of year</b>	<b>\$ 134,001</b>	<b>\$ 56,793</b>	<b>\$ 63,369</b>
<b>Supplemental data:</b>			
Cash paid for income taxes	\$ 13,166	\$ 43,901	\$ 52,723
Tax benefit from exercise of options	\$ 3,055	\$ 3,203	\$ 2,021
Cash received from exercise of options	\$ 13,138	\$ 21,137	\$ 10,034
Non-cash investing activities:			
Common stock issued for business acquired	\$ —	\$ 3,506	\$ —

## Segment Information (Condensed)

In thousands	Janitorial	Parking	Security	Engineering	Lighting	Corporate	Assets Held For Sale	Consolidated Totals
<b>Year ended October 31, 2006</b>								
Sales and other income	\$ 1,563,756	\$ 440,033	\$ 307,851	\$ 285,241	\$ 113,014	\$ 2,773	\$ —	\$ 2,712,668
Gain on insurance claim	—	—	—	—	—	80,000	—	80,000
Total revenues	\$ 1,563,756	\$ 440,033	\$ 307,851	\$ 285,241	\$ 113,014	\$ 82,773	\$ —	\$ 2,792,668
Operating profit	\$ 81,578	\$ 13,658	\$ 4,329	\$ 16,736	\$ 1,375	\$ (39,440)	\$ —	\$ 78,236
Gain on insurance claim	—	—	—	—	—	80,000	—	80,000
Interest expense	—	—	—	—	—	(495)	—	(495)
Income from continuing operations before income taxes	\$ 81,578	\$ 13,658	\$ 4,329	\$ 16,736	\$ 1,375	\$ 40,065	\$ —	\$ 157,741
Identifiable assets	\$ 416,097	\$ 86,541	\$ 104,174	\$ 69,467	\$ 100,576	\$ 239,419	\$ —	\$ 1,016,274
<b>Year ended October 31, 2005</b>								
Sales and other income	\$ 1,525,565	\$ 409,886	\$ 294,299	\$ 238,794	\$ 116,218	\$ 1,804	\$ —	\$ 2,586,566
Gain on insurance claim	—	—	—	—	—	1,195	—	1,195
Total revenues	\$ 1,525,565	\$ 409,886	\$ 294,299	\$ 238,794	\$ 116,218	\$ 2,999	\$ —	\$ 2,587,761
Operating profit	\$ 67,754	\$ 10,527	\$ 3,089	\$ 14,200	\$ 3,805	\$ (35,300)	\$ —	\$ 64,075
Gain on insurance claim	—	—	—	—	—	1,195	—	1,195
Interest expense	—	—	—	—	—	(884)	—	(884)
Income from continuing operations before income taxes	\$ 67,754	\$ 10,527	\$ 3,089	\$ 14,200	\$ 3,805	\$ (34,989)	\$ —	\$ 64,386
Identifiable assets	\$ 398,361	\$ 87,663	\$ 106,451	\$ 50,875	\$ 94,904	\$ 165,456	\$ —	\$ 903,710
<b>Year ended October 31, 2004</b>								
Sales and other income	\$ 1,442,901	\$ 384,547	\$ 224,715	\$ 209,156	\$ 112,074	\$ 1,756	\$ —	\$ 2,375,149
Operating profit	\$ 60,574	\$ 9,514	\$ 9,002	\$ 12,096	\$ 2,822	\$ (47,996)	\$ —	\$ 46,012
Interest expense	—	—	—	—	—	(1,016)	—	(1,016)
Income from continuing operations before income taxes	\$ 60,574	\$ 9,514	\$ 9,002	\$ 12,096	\$ 2,822	\$ (49,012)	\$ —	\$ 44,996
Identifiable assets	\$ 383,566	\$ 78,548	\$ 90,627	\$ 38,715	\$ 85,411	\$ 151,216	\$ 14,441	\$ 842,524

### Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
ABM Industries Incorporated:

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of ABM Industries Incorporated and subsidiaries as of October 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended October 31, 2006; and in our report dated December 21, 2006, we expressed an unqualified opinion on those consolidated financial statements.

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

As discussed in Note 1 to the consolidated financial statements included in the 2006 annual report on Form 10-K filed by the Company with the Securities and Exchange Commission, effective November 1, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

/s/ KPMG LLP



San Francisco, California

December 21, 2006

### Factors That May Affect Future Results

This Annual Report contains forward-looking statements that set forth management's anticipated results based on management's plans and assumptions. Any number of factors could cause the Company's actual results to differ materially from those anticipated. These risks and uncertainties include, but are not limited to: (1) a change in the frequency or severity of claims against the Company, a deterioration in claims management, the cancellation or non-renewal of the Company's primary insurance policies or a change in our customers' insurance needs; (2) a change in actuarial analysis that causes an unanticipated change in insurance reserves; (3) inadequate technology systems that cannot support the growth of the business; (4) acquisition activity slows or is unsuccessful; (5) labor disputes that lead to a loss of sales or expense variations; (6) a decline in commercial office building occupancy and rental rates lowers sales and profitability; (7) financial difficulties or bankruptcy of a major customer; (8) the loss of long-term customers; (9) intense competition that lowers revenue or reduces margins; (10) an increase in costs that the Company cannot pass on to customers; (11) natural disasters or acts of terrorism that disrupt the Company in providing services; (12) significant accounting and other control costs that reduce the Company's profitability; and (13) other issues and uncertainties that may include: new accounting pronouncements or changes in accounting policies, labor shortages that adversely affect the Company's ability to employ entry level personnel, low levels of capital investments by customers, which tend to be cyclical in nature, that adversely impact the results of the Company's Lighting segment, legislation or other governmental action that detrimentally impacts the Company's expenses or reduces sales by adversely affecting the Company's customers, unanticipated adverse jury determinations, judicial rulings or other developments in litigation to which the Company is subject, a reduction or revocation of the Company's line of credit that increases interest expense and the cost of capital, and the resignation, termination, death or disability of one or more of the Company's key executives that adversely affects customer retention or day-to-day management of the Company. Additional information regarding these and other risks and uncertainties the Company faces is contained in the Company's Annual Report on Form 10-K and in other reports it files from time to time with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise.

## Board of Directors

**Maryellen C. Heringer** (a, b)  
Chairman of the Board  
Attorney at Law

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

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

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

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

**Martinn H. Mandles**  
Former Chairman of the Board

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

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

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

## Executive Officers

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

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

**George B. Sundby**  
Executive Vice President and  
Chief Financial Officer

**Steven M. Zaccagnini**  
Executive Vice President  
and President,  
Facility Services and Lighting Services

**Erin M. Andre**  
Senior Vice President,  
Human Resources

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

**David L. Farwell**  
Senior Vice President, Chief of Staff  
and Treasurer

**Gary R. Wallace**  
Senior Vice President,  
Business Development and  
Chief Marketing Officer

**Maria De Martini**  
Vice President,  
Controller and  
Chief Accounting Officer

## Special Notices

**Listing:**  
New York Stock Exchange

**Ticker Symbol:**  
ABM

**Registrar and Transfer Agent**  
Mellon Investor Services LLC  
480 Washington Boulevard  
Jersey City, NJ 07310-1900  
Tel: (800) 850-3292  
Web Address:  
[www.melloninvestor.com/isd](http://www.melloninvestor.com/isd)

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

**10-K Report**  
Additional copies available to  
stockholders at no charge upon  
request to:  
ABM Corporate Communications  
Post Office Box 193224,  
San Francisco, CA 94119 or at  
[www.abm.com](http://www.abm.com)

**Stockholders**  
As of November 30, 2006, there  
were 3,669 registered holders of  
the Company's Common Stock, in  
addition to stockholders in street  
name.

**Annual Meeting**  
The Annual Meeting of Stockholders  
of ABM Industries Incorporated will  
be held on Tuesday, March 6, 2007, at  
10:00 a.m. in the Board Room  
Bank of America Center,  
555 California Street, 51st Floor  
San Francisco, CA 94104.

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

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



**ABM Industries**  
Incorporated

**ABM Corporate Headquarters**

160 Pacific Avenue, Suite 222  
San Francisco, CA 94111

Tel: 415-733-4000  
[www.abm.com](http://www.abm.com)

ABM-934

