

CONSOLIDATED BALANCE SHEETS

October 31 In thousands, except share amounts	2002	2001
Assets		
Cash and cash equivalents	\$ 19,427	\$ 3,052
Trade accounts receivable (less allowances of \$6,605 and \$9,420)	318,376	367,201
Inventories	30,055	25,974
Deferred income taxes	30,002	26,806
Prepaid expenses and other current assets	39,925	42,508
Total current assets	437,785	465,541
Investments and long-term receivables	14,952	13,871
Property, plant and equipment (less accumulated depreciation of \$70,522 and \$65,951)	36,266	42,936
Goodwill (less accumulated amortization of \$73,264)	167,916	113,199
Deferred income taxes	33,542	35,400
Other assets	14,478	12,153
	\$704,939	\$683,100
Liabilities		
Current portion of long-term debt	\$ —	\$ 10,877
Trade accounts payable	51,585	50,671
Income taxes payable	6,579	6,816
Accrued liabilities:		
Compensation	62,412	62,854
Taxes—other than income	13,923	20,409
Insurance claims	50,969	48,193
Other	41,622	36,179
Total current liabilities	227,090	235,999
Long-term debt (less current portion)	—	942
Retirement plans	23,791	21,483
Insurance claims	67,388	63,499
Total liabilities	318,269	321,923
Stockholders' equity		
Preferred stock, \$0.01 par value; 500,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 50,397,000 and 48,778,000 shares issued at October 31, 2002 and 2001, respectively	504	488
Additional paid-in capital	151,135	130,998
Accumulated other comprehensive loss	(789)	(763)
Retained earnings	259,452	230,454
Cost of treasury stock (1,400,000 shares at October 31, 2002)	(23,632)	—
Total stockholders' equity	386,670	361,177
	\$704,939	\$683,100

CONSOLIDATED STATEMENTS OF INCOME

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONDENSED)

Years ended October 31, 2002, 2001 and 2000 In thousands	Common Shares	Stock Amount	Treasury Shares	Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance October 31, 1999	44,814	448	—	—	93,112	(635)	184,026	276,951
Net income							44,343	44,343
Foreign currency translation						(18)		(18)
Dividends:								
Common stock							(14,027)	(14,027)
Preferred stock							(512)	(512)
Stock purchases	(766)	(8)			(8,382)			(8,390)
Stock issued	1,950	20			17,942			17,962
Balance October 31, 2000	45,998	460	—	—	102,672	(653)	213,830	316,309
Net income							32,826	32,826
Foreign currency translation						(110)		(110)
Dividends:								
Common stock							(15,770)	(15,770)
Preferred stock							(432)	(432)
Stock issued	2,780	28			28,326			28,354
Balance October 31, 2001	48,778	488	—	—	130,998	(763)	230,454	361,177
Net income							46,728	46,728
Foreign currency translation						(26)		(26)
Dividends:								
Common stock							(17,730)	(17,730)
Stock purchases			(1,400)	(23,632)				(23,632)
Stock issued	1,619	16			20,137			20,153
Balance October 31, 2002	50,397	504	(1,400)	(23,632)	151,135	(789)	259,452	386,670

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

SEGMENT INFORMATION (CONDENSED)

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

INDEPENDENT AUDITORS' REPORT

Board of Directors
ABM Industries Incorporated

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

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

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

KPMG LLP

San Francisco, California
December 16, 2002