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Waste Management Announces Second Quarter 2010 Earnings

Second Quarter Revenue Increases Seven Percent

Yield and Volume Show Improving Trends

HOUSTON – July 29, 2010 – Waste Management, Inc. (NYSE: WM) today announced financial results for its second quarter ended June 30, 2010. Revenue for the second quarter of 2010 was \$3.16 billion compared with \$2.95 billion for the same 2009 period, an increase of \$206 million, or 7.0%. Net income^(a) for the quarter was \$246 million, or \$0.51 per diluted share, compared with \$247 million, or \$0.50 per diluted share, for the second quarter of 2009.

The Company noted certain items that impacted results in the 2010 and 2009 second quarters. Excluding these items, net income would have been \$261 million, or \$0.54 per diluted share, in the second quarter of 2010 compared with \$256 million, or \$0.52 per diluted share, in the second quarter of 2009.^(b)

Results in the second quarter of 2010 included a net decrease of \$0.03 per diluted share from:

- \$47 million of after-tax net benefit from the previously disclosed settlement of a lawsuit and the resolution of a brief labor dispute in Seattle, Washington.
- A \$37 million non-cash tax expense principally related to additional estimated deferred state taxes.
- A non-cash, after-tax charge of \$25 million due to increases in environmental remediation reserves for two closed landfill sites. These reserves relate to operations of predecessor companies at landfills that were closed in the 1970s.

Results in the second quarter of 2009 included a net decrease of \$0.02 per diluted share from the combined effects of charges related to the restructuring announced in February 2009 and to the withdrawal from a Teamsters' under-funded multi-employer pension plan.

In addition to the above, the Company had a non-cash charge of \$10 million, or approximately \$0.01 per diluted share, in the second quarter of 2010, arising from the accounting effect of lower ten-year Treasury rates, which are used to discount remediation reserves at the Company's landfills.

David P. Steiner, Chief Executive Officer of Waste Management, commented, “Business conditions continued to improve during the second quarter of 2010. Revenue increased seven percent compared with the second quarter of 2009 and volume comparisons continued to show improving trends.

“Our internal revenue growth from yield for our collection and disposal business was 2.3%, an improvement compared with the first quarter of 2010. Through our disciplined focus on pricing we overcame much of the first half effect of low and even negative consumer price indices, which are used to adjust prices in our municipal and franchise contracts.”

Steiner continued, “Internal revenue growth from volume declined by 2.9% in the second quarter of 2010, compared with the prior year period. This is the third consecutive quarter in which volume declines have moderated. As we look at volumes for the remainder of 2010, we expect the positive recent trends to continue and for year-over-year volume comparisons to be positive for the second half of 2010.”

Key Highlights for the Second Quarter 2010

- Revenue increased by 7.0%, or \$206 million.
- Internal revenue growth from yield for the Company’s collection and disposal operations was 2.3%.
- Internal revenue growth from volume was negative 2.9%.
- Operating expenses increased \$210 million in the second quarter. Adjusted for the operating items excluded in calculating the Company’s as-adjusted earnings, operating expenses increased by \$178 million.^(b) This increase resulted primarily from \$77 million of increased cost of goods sold related to recycling commodity rebates, \$29 million for increased fuel costs primarily related to higher fuel prices, and \$15 million related to foreign currency translation. In addition, adjustments to long-term remediation reserves resulting from changes in the ten-year Treasury rates, which are used to calculate the present value of the Company’s environmental remediation reserves, caused a \$32 million cost increase between the two periods. This one item accounted for 110 basis points of the 120 basis point change in our adjusted income from operations margin.^(b)
- Selling, general and administrative expenses remained unchanged as a percentage of revenue at 10.9%. In the quarter, these expenses increased by \$22 million compared with the second quarter of 2009, due principally to advertising expenses for the national rollout of the Company’s new Bagster product and expenses for growth initiatives and information technology upgrades.
- Average recycling commodity prices were approximately 78% higher for the second quarter of 2010 compared with the prior year period. This favorable year-over-year impact contributed approximately \$0.05 to earnings per diluted share in the second quarter of 2010, compared with the prior year period. Lower electricity sales prices received by the Company’s waste-to-energy operations caused a decline in earnings per diluted share of less than \$0.01 compared with the prior year period, consistent with the Company’s previously announced guidance.
- Free cash flow was \$275 million.^(b)
- Capital expenditures were \$220 million.
- The Company returned \$318 million to shareholders, consisting of \$152 million in dividends and \$166 million in common stock repurchases.
- The effective tax rate in the quarter was approximately 44.2%. Excluding the deferred state tax expense noted above, the Company’s tax rate for the second quarter was 36.2%.^(b)

Steiner added “We remain committed to returning cash to our shareholders while at the same time making investments that will increase future cash flows. In the second quarter, in addition to our common stock repurchases and dividends paid, we also completed about \$43 million of tuck-in and other acquisitions, and we closed on our previously announced \$150 million purchase from the Southeastern Public Service Authority of a waste-to-energy facility located in Portsmouth, Virginia.”

Steiner concluded, “Volume and pricing trends point to continuing improvement during the second half of 2010. We expect average commodity prices during the second half of 2010 to be above second-half 2009 commodity prices. Given these positive trends, we are confident that we are on track to meet our previously announced full-year 2010 earnings guidance range of \$2.09 to \$2.13 per diluted share. We also continue to expect to generate free cash flow in the range of \$1.2 billion to \$1.3 billion for the year.”^(b)

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- (a) For purposes of this press release, all references to “Net income” refers to the financial statement line item “Net income attributable to Waste Management, Inc.”
- (b) This earnings release contains a discussion of non-GAAP measures, as defined in Regulation G of the Securities Exchange Act of 1934, as amended. The Company reports its financial results in compliance with GAAP, but believes that also discussing non-GAAP measures provides investors with (i) additional, meaningful comparisons of current results to prior periods’ results by excluding items that the Company does not believe reflect its fundamental business performance and are not representative or indicative of our results of operations and (ii) financial measures the Company uses in the management of its business. Accordingly, our net income, earnings per diluted share, projected earnings per diluted share, operating expenses, adjusted income from operations margin and effective tax rates have been presented in certain instances excluding special items noted in this press release.

The Company also discusses free cash flow and provides a projection of free cash flow, which is a non-GAAP measure, because it believes that it is indicative of our ability to pay our quarterly dividends, repurchase common stock, fund acquisitions and other investments and, in the absence of refinancings, to repay our debt obligations. Free cash flow is not intended to replace “Net cash provided by operating activities,” which is the most comparable GAAP measure. However, we believe free cash flow gives investors useful insight into how we view our liquidity. Nonetheless, the use of free cash flow as a liquidity measure has material limitations because it excludes certain expenditures that are required or that we have committed to, such as declared dividend payments and debt service requirements.

The Company defines free cash flow as:

- Net cash provided by operating activities
- Less, capital expenditures
- Plus, proceeds from divestitures of businesses (net of cash divested), and other sales of assets.

The Company’s definition of free cash flow may not be comparable to similarly titled measures presented by other companies, and therefore not subject to comparison.

The quantitative reconciliations of each of the non-GAAP measures presented herein, other than projected earnings per diluted share, to the most comparable GAAP measures are included in the accompanying schedules. Non-GAAP measures should not be considered a substitute for financial measures presented in accordance with GAAP, and investors are urged to take into account GAAP measures as well as non-GAAP measures in evaluating the Company.

The Company’s projected full year earnings of \$2.09 to \$2.13 per diluted share are not GAAP net earnings per diluted share and are adjusted to exclude the effects of events or circumstances in 2010 that management believes are not representative or indicative of our results of operations. The full-year 2010 adjusted projected earnings reiterated today exclude (i) the second quarter impact of an after-tax charge of \$25 million due to increases in environmental remediation reserves for two closed landfill sites; (ii) a \$48 million after-tax benefit from a litigation settlement that occurred in April 2010 to settle all claims relating to a revenue management system; (iii) a \$1 million after-tax expense from resolution of a brief labor dispute in Seattle, Washington; and (iv) a \$37 million tax expense

principally related to additional estimated deferred state taxes. Additionally, projected GAAP net earnings per diluted share for the full year requires inclusion of the projected impact of future excluded items, including items that are not currently determinable, but may be significant, such as asset impairment and one-time items, charges, gains or losses from divestitures, resolution of income tax items or other items. Due to the uncertainty of the likelihood, amount and timing of any such items, we do not believe we have the information available to provide a quantitative reconciliation of adjusted projected full year earnings per diluted share to our current GAAP net earnings per diluted share.

The Company has scheduled an investor and analyst conference call for later this morning to discuss today's earnings announcement. The information in this press release should be read in conjunction with the information on the conference call. A live audio webcast of the conference call can be accessed at 10:00 a.m. Eastern Time, July 29, 2010 by logging onto www.wm.com and selecting "Events and Presentations" under the Investor Relations tab. You may also listen to the analyst conference call by telephone by contacting the conference call operator 5 to 10 minutes prior to the scheduled start time and asking for the "Waste Management Conference Call – Call ID 81116607." US/Canada Dial-In Number: (877) 710-6139. Int'l/Local Dial-In Number: (706) 643-7398. A replay will be available beginning at approximately 1:00 p.m. Eastern time on July 29th through 5:00 p.m. Eastern time on August 12th. To hear a replay of the call over the Internet, access the Waste Management Website at <http://www.wm.com>. To hear a telephonic replay of the call, dial (800) 642-1687 or (706) 645-9291 and enter conference code 81116607.

Waste Management, Inc., based in Houston, Texas, is the leading provider of comprehensive waste management services in North America. Through subsidiaries, the Company provides collection, transfer, recycling and resource recovery, and disposal services. It is also a leading developer, operator and owner of waste-to-energy and landfill gas-to-energy facilities. The Company's customers include residential, commercial, industrial, and municipal customers throughout North America.

The Company, from time to time, provides estimates of financial and other data, comments on expectations relating to future periods and makes statements of opinion, view or belief about current and future events. Statements relating to future events and performance are "forward-looking statements" and include statements regarding financial results, capital allocation and investments, strategic plans, future volume and pricing comparisons and trends, future recycling commodity prices, 2010 earnings per diluted share, 2010 free cash flow and market and industry conditions. You should view these statements with caution. These statements are not guarantees of future performance, circumstances or events. They are based on the facts and circumstances known to us as of the date the statements are made. All phases of our business are subject to uncertainties, risks and other influences, many of which we do not control. Any of these factors, either alone or taken together, could have a material adverse effect on us and could cause actual results to be materially different from those set forth in such forward-looking statement. We assume no obligation to update any forward-looking statement, including financial estimates, whether as a result of future events, circumstances or developments or otherwise.

The following are some of the risks that we face:

- *volatility and deterioration in the credit markets, inflation and other general and local economic conditions may negatively affect the volumes of waste generated;*
- *economic conditions may negatively affect parties with whom we do business, which could result in late payments or the uncollectability of receivables as well as the non-performance of certain agreements, including expected funding under our credit agreement, which could negatively impact our liquidity and results of operations;*
- *competition may negatively affect our profitability or cash flows, our price increases may have negative effects on volumes, and price roll-backs and lower than average pricing to retain and attract customers may negatively affect our average yield on collection and disposal business;*
- *our existing and proposed service offerings to customers may require that we develop or license, and protect, new technologies; and our inability to obtain or protect new technologies could impact our services to customers and development of new revenue sources;*
- *we may be unable to maintain or expand margins if we are unable to control costs or raise prices;*
- *we may not be able to successfully execute or continue our operational or other margin improvement plans and programs, including: pricing increases; passing on increased costs to our customers; reducing costs; and divesting under-performing assets and purchasing accretive businesses, any failures of which could negatively affect our revenues and margins;*

- *weather conditions cause our quarter-to-quarter results to fluctuate, and harsh weather or natural disasters may cause us to temporarily shut down operations;*
- *possible changes in our estimates of costs for site remediation requirements, final capping, closure and post-closure obligations, compliance and regulatory developments may increase our expenses;*
- *regulations may negatively impact our business by, among other things, restricting our operations, increasing costs of operations or requiring additional capital expenditures;*
- *climate change legislation, including possible limits on carbon emissions, may negatively impact our results of operations by increasing expenses related to tracking, measuring and reporting our greenhouse gas emissions and increasing operating costs and capital expenditures that may be required to comply with any such legislation;*
- *if we are unable to obtain and maintain permits needed to open, operate, and/or expand our facilities, our results of operations will be negatively impacted;*
- *limitations or bans on disposal or transportation of out-of-state, cross-border, or certain categories of waste, as well as mandates on the disposal of waste, can increase our expenses and reduce our revenue;*
- *fuel price increases or fuel supply shortages may increase our expenses or restrict our ability to operate;*
- *increased costs or the inability to obtain financial assurance or the inadequacy of our insurance coverages could negatively impact our liquidity and increase our liabilities;*
- *possible charges as a result of shut-down operations, uncompleted development or expansion projects or other events may negatively affect earnings;*
- *fluctuations in commodity prices may have negative effects on our operating results;*
- *trends requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of waste could have negative effects on volumes of waste going to landfills and waste-to-energy facilities;*
- *efforts by labor unions to organize our employees may increase operating expenses and we may be unable to negotiate acceptable collective bargaining agreements with those who have chosen to be represented by unions, which could lead to labor disruptions, including strikes and lock-outs, which could adversely affect our results of operations and cash flows;*
- *negative outcomes of litigation or threatened litigation or governmental proceedings may increase our costs, limit our ability to conduct or expand our operations, or limit our ability to execute our business plans and strategies;*
- *problems with the operation of our current information technology or the development and deployment of new information systems could decrease our efficiencies and increase our costs;*
- *the adoption of new accounting standards or interpretations may cause fluctuations in reported quarterly results of operations or adversely impact our reported results of operations;*
- *we may reduce or suspend capital expenditures, acquisition activity, dividend declarations or share repurchases if we suffer a significant reduction in cash flows; and*
- *we may be unable to incur future indebtedness on terms we deem acceptable or to refinance our debt obligations, including near-term maturities, on acceptable terms and higher interest rates and market conditions may increase our expenses.*

Additional information regarding these and/or other factors that could materially affect results and the accuracy of the forward-looking statements contained herein may be found in Part I, Item 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009.

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[Click here to see financial tables](#). NOTE: The financial tables are in PDF format, and Adobe Acrobat Reader is required to view them. If you do not have Adobe Acrobat Reader, download it at <http://www.adobe.com>.