Financial Performance and Outlook

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Cost Structure by Line of Business

Fixed And Variable Costs On Incremental Volume Changes

Definition of terms used:

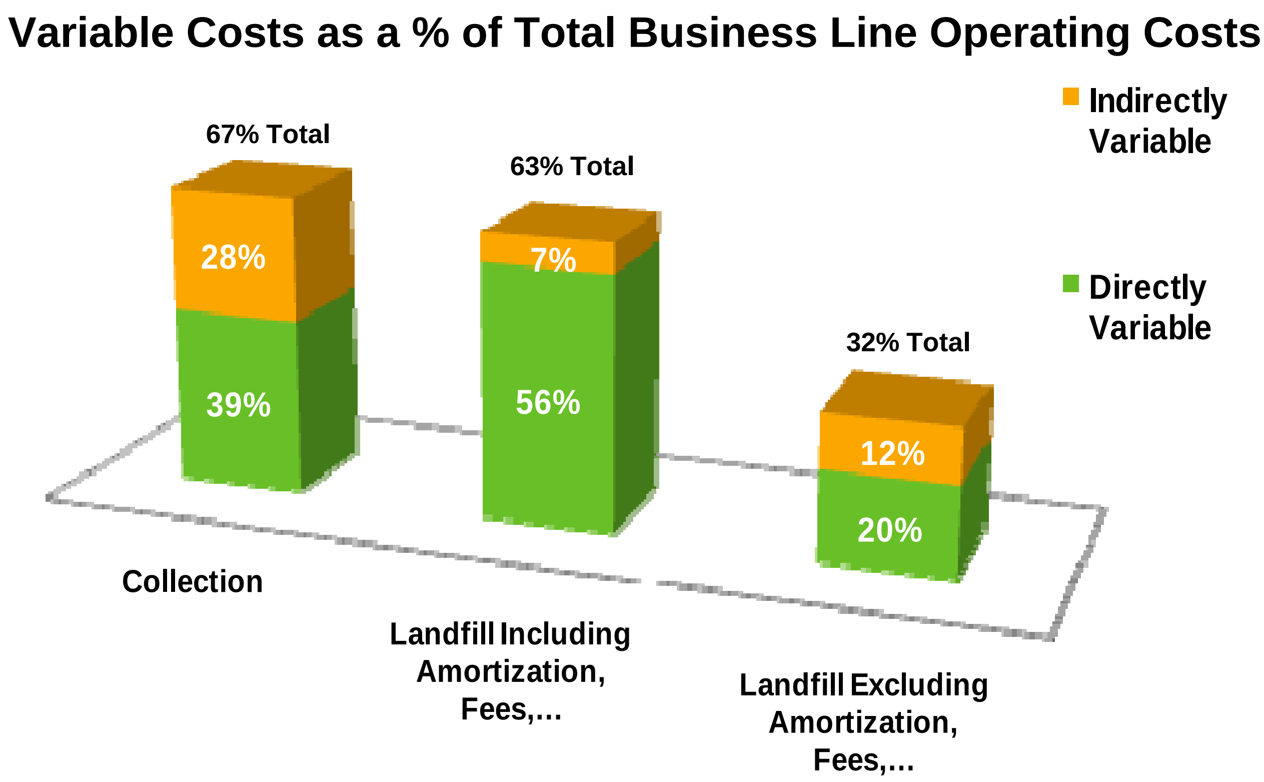
- **Fixed Costs** – Those costs that remain constant, regardless of a change in volume
- **Variable Costs**
  - **Directly Variable Costs**– Those costs that change automatically with volume changes. No active management of these costs is needed. Examples are the fees and taxes paid at landfills based on tonnage disposed
  - **Indirectly Variable Costs**– Those costs that change with volume changes but require active management to make the change. An example would be labor cost in the industrial line of business. This business is clearly seasonal and it takes active management of headcount and hours to ensure that productivity is maximized as the volume changes

Cost Structure by Line of Business

Variable cost categories:

Collection
- Wages
- Fuel
- Parts

Landfill
- OT Wages
- Fuel



Margin Leverage with Volume Changes

Collection and Landfill

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Weighted Average Incremental Income from Operations Margin by Line of Business

Total collection and landfill assumes an equivalent volume change in both the collection and landfill lines of business

	% of Collection & Landfill Revenue	Business Line Incremental Margin	% Incremental Margin on Volume
Landfill - Third party	**16%**	**50%**	**8%**
Collection - Including LF margin	**84%**	**30%**	**25%**
% of Total Collection & Landfill	**100%**		**33%**

Note: The incremental margin for the landfill ranges from 45% to 50% and for the collection operations ranges from 25% to 35%. The margins shown in the table are chosen from these ranges to illustrate the calculations

WM Renewable Energy Supplemental Data – Income Statement

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Year to Date December 31, 2009
($ in 000's)

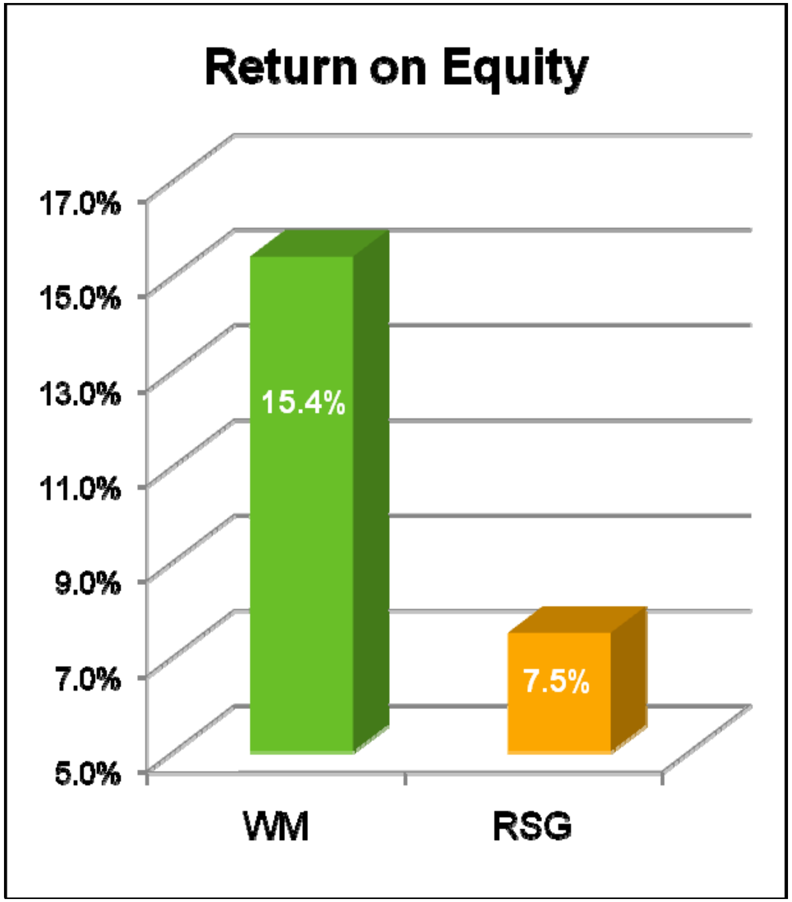
	Wheelabrator	Landfill Gas to Energy	Growth Opportunities	Total	% Rev
Total External Operating Revenue	718,462	89,427	-	807,889	86.8%
Total Intercompany Operating Revenue	122,932	-	-	122,932	13.2%
Total Operating Revenue	841,395	89,427	-	930,821	100.0%
Total Operating Expenses	454,280	37,582	1,150	493,011	53.0%
Total Sales Gen & Admin Expenses	64,453	3,775	4,386	72,614	7.8%
Total Depr Depletion & Amort Expense	87,385	17,341	20	104,746	11.3%
Total Merger & Unusual Items	442	-	-	442	0.0%
Total Costs & Expenses	606,561	58,698	5,556	670,814	72.1%
Income From Operations	234,834	30,729	(5,556)	260,007	27.9%

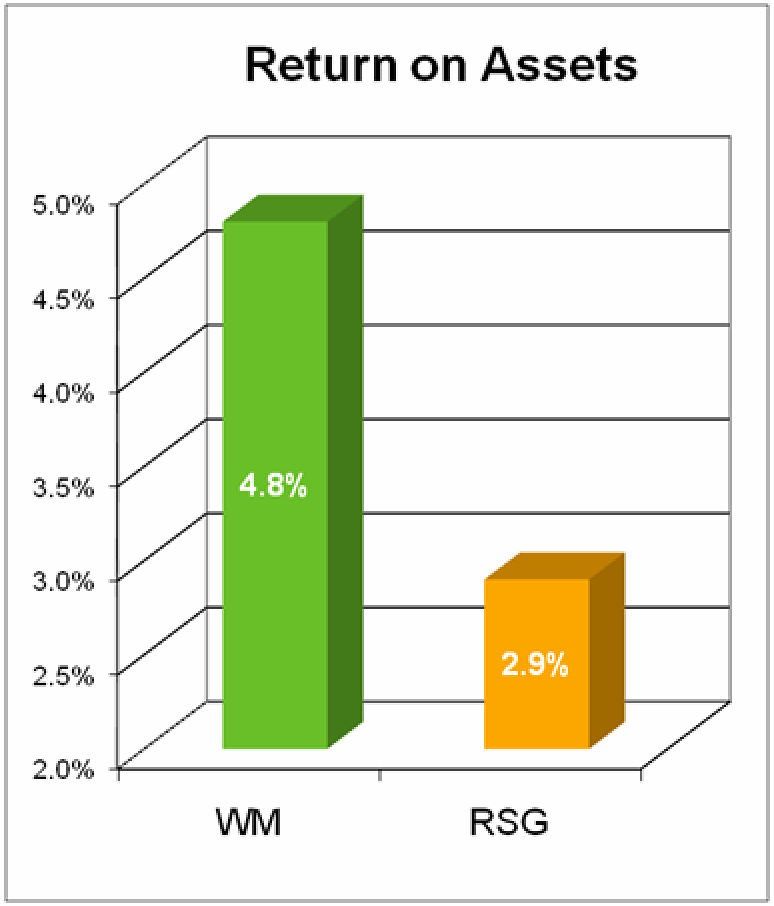
Growth opportunities include landfill-gas-to-liquids projects, landfill-gas-to-LNG projects, organics-to-fuel projects, and engineered fuels projects

How We Measure Ourselves

- Improving margins in each of our businesses
  – Improving margins is a requirement in our Annual Incentive Plan targets
- Focus on returns
  – In 2005 we made returns our key long-term focus, changing our Long Term Incentive plan accordingly
  – Return on Invested Capital is the principle measure

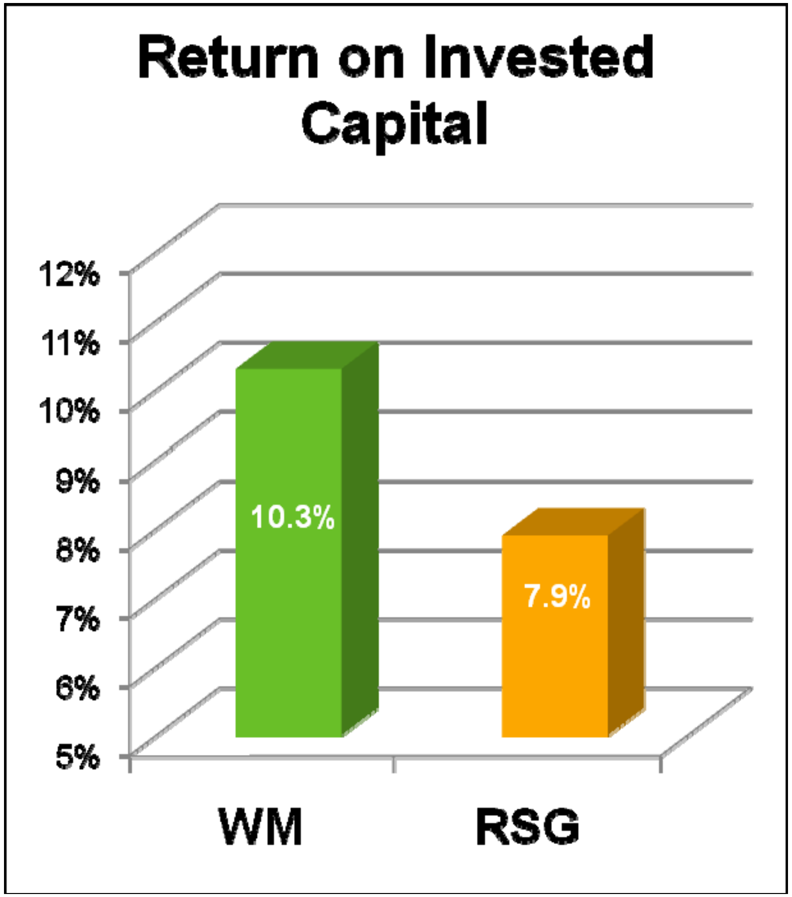
Return Comparisons*





* Return on equity and return on assets. See slides 6 and 7 in the accompanying file named 10 – WM Investor Day – Non-GAAP Reconciliation for the calculation of this non-GAAP financial measure

Return Comparisons*



* Return on invested capital. See slide 5 in the accompanying file named 10 – WM Investor Day – Non-GAAP Reconciliation for the calculation of this non-GAAP financial measure

New Project Return Criteria

Minimum Internal Rate of Return by Business Type

• Collection and Landfill	12%
• Recycling	15%
• Waste-to-Energy	11%
• Organic Growth	17%

Note: Return requirements are adjusted based on the risk profile of the investment

Financial Strategies

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- Maintain our investment grade ratings
  - EBIT to Interest ratio was 4.3 to 1 at December 31, 2009
  - Debt to EBITDA ratio was 2.86 to 1 at December 31, 2009
- Maintain debt/total capitalization ratio of approximately 60%
  - Ratio at December 31, 2009 was 57.4%
- Maintain strong liquidity position
  - Balanced debt maturities over next ten years
  - Continue to access capital markets for refinancings
- Balanced use of substantial free cash flow
  - Return value to shareholders through dividends and share repurchases
  - Invest in the business through capital expenditures and acquisitions
  - Debt repayment as appropriate

2010 Guidance

- Earnings per diluted share of between $2.09 and $2.13
- A benefit from recycling commodity prices of between $0.04 and $0.08 per diluted share
- No net impact from electricity sales prices
- We expect revenue and expense headwinds for 1Q 2010 from the severe winter weather, but the amount is unknown at this point

2010 Guidance
Expenses

- Resumption of merit increases for exempt employees will add approximately $40 million of costs
- Increased information technology expenses of $35 million to upgrade outdated information technology equipment and applications
- Additional interest expense of $65 million because of interest on the $600 million of senior notes issued in November 2009, and higher fees and rates to renew the revolving line of credit

2010 Guidance

- Internal revenue growth from yield of between 2.5% to 3.0% and from volume of between -1% and -3%; 1Q 2010 expected to be below this range
- Capital expenditures of approximately $1.2 billion
- Free cash flow in the range of $1.2 billion to $1.3 billion

2010 Growth Capital

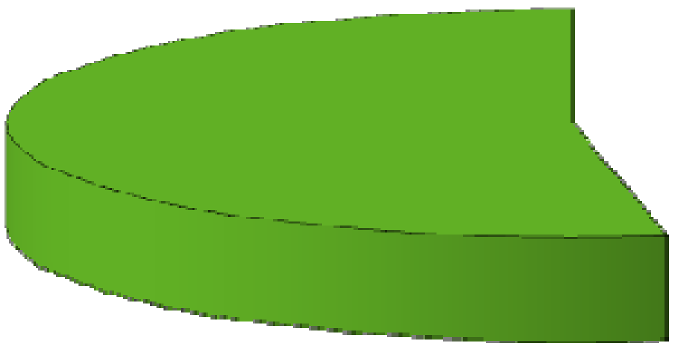
- $135 million in core solid waste
- $86 million in renewable energy methane gas plants
- $76 million in recycling single stream
- $23 million in organic growth initiatives
- $20 million in healthcare solutions

2010 Investments and Acquisitions

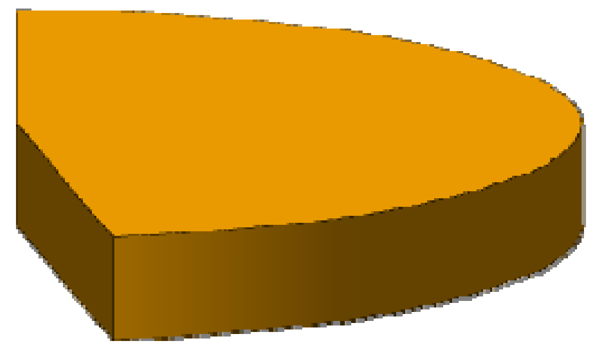
- $150 million to purchase a waste-to-energy plant in Virginia from the Southeastern Public Service Authority
- $150 million to purchase a 40% interest in Shanghai Environment Group, a company dedicated to developing waste-to-energy facilities in China
- $250 million to $350 million for other acquisitions, primarily solid waste

2010 Capital Allocation

Common Stock Repurchases
Up to $685 million



Dividends
$615 million*



* Expected annual payment of $1.26 per share in cash dividends over the course of the year. Each dividend must be separately declared by the Board of Directors

5 Year Growth Targets

- We assume that over the next 5 years the economy will steadily but slowly improve
- Compounded annual revenue growth rate of between 3% and 5% driven by price and volume. Additional revenue growth from acquisitions, spending on average between $200 million and $300 million each year
- Compounded annual earnings per diluted share growth rate of between 8% and 12%, with the earlier years at the lower end of the range
- Capital expenditures between 9% and 11% of revenue
- Free cash flow growth in line with operating earnings growth
- ROIC improving 50 to 100 basis points per year

WM Investor Day Non-GAPP Reconciliations.pdf