



Waste Management, Inc.

BofA Merrill Lynch Global Industries Conference

December 16, 2010



Cautionary Statement

Certain statements provided in this presentation are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are often identified by the words, “will,” “may,” “should,” “continue,” “anticipate,” “believe,” “expect,” “plan,” “forecast,” “project,” “estimate,” “intend” and words of similar nature, and such statements generally contain projections about accounting and finances; plans and objectives for the future; projections or estimates about assumptions relating to our performance; or our opinions, views or beliefs about the effects of current or future events, circumstances or performance. 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. Some of these risks and uncertainties are described in greater detail in Waste Management’s Form 10-K for the year ended December 31, 2009, as filed with the Securities and Exchange Commission.

Non-GAAP Financial Measures

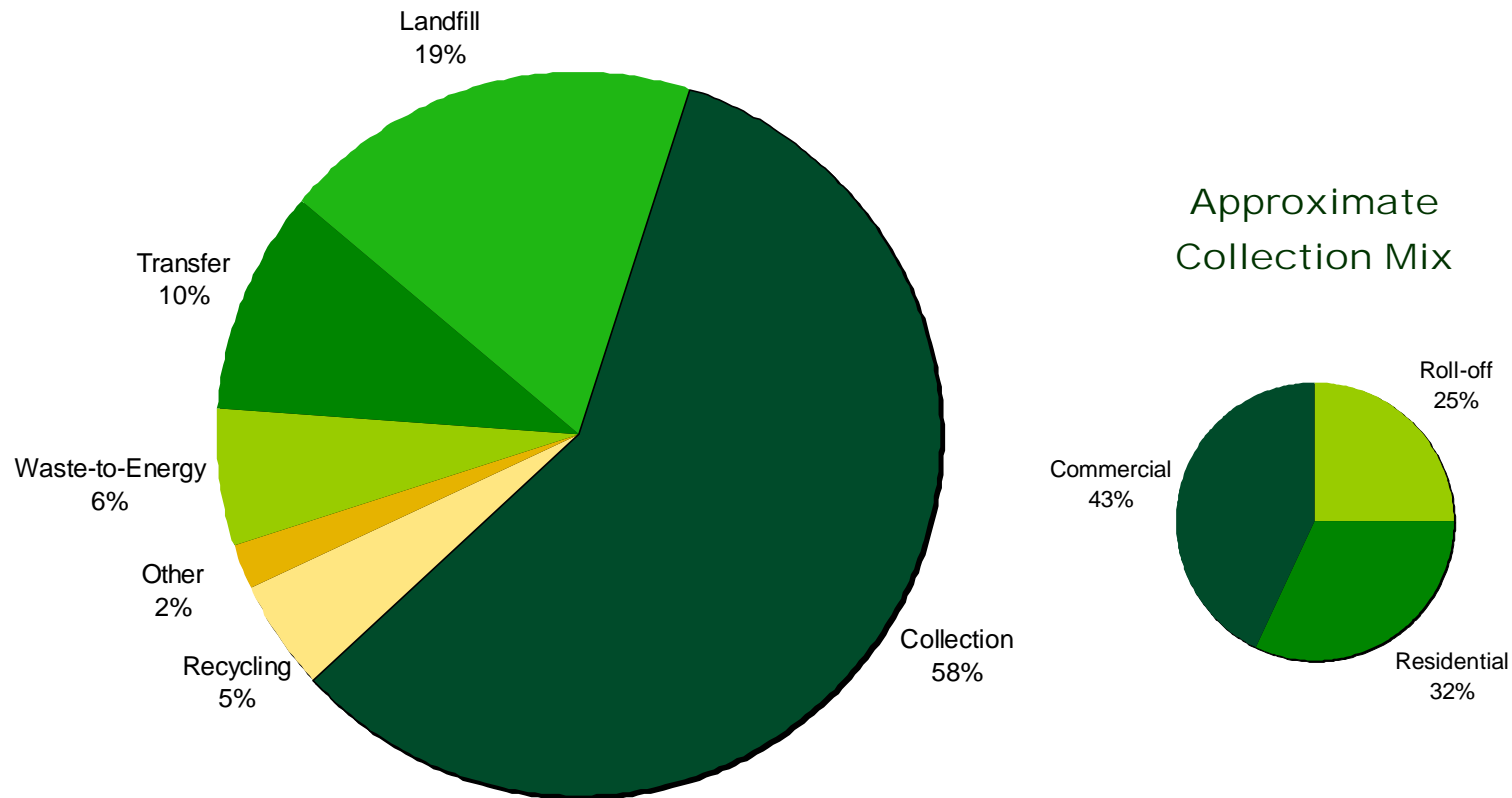
This presentation contains non-GAAP financial measures under Regulation G of the Securities Exchange Act of 1934, as amended. The Company believes that these non-GAAP financial measures are useful to investors to assess the Company's performance, results of operations and cash available for the Company's capital allocation program. These non-GAAP measures are meant to supplement, not replace, comparable GAAP measures, and such non-GAAP measures may be different from similarly titled measures used by other companies. A reconciliation of these non-GAAP financial measures to their most directly comparable financial measures calculated and presented in accordance with generally accepted accounting principles can be found in the Annex at the end of this presentation and under the Investor Relations tab on our website: www.wm.com.



Key Industry Strengths

- Disciplined pricing
- Improving return on invested capital is a primary focus
- A significant portion of revenue has annuity-like characteristics
- Capital expenditures are controllable and predictable
- Cash flow is strong and predictable

WM 2009 Revenue Mix by Line of Business



Revenue base is well diversified

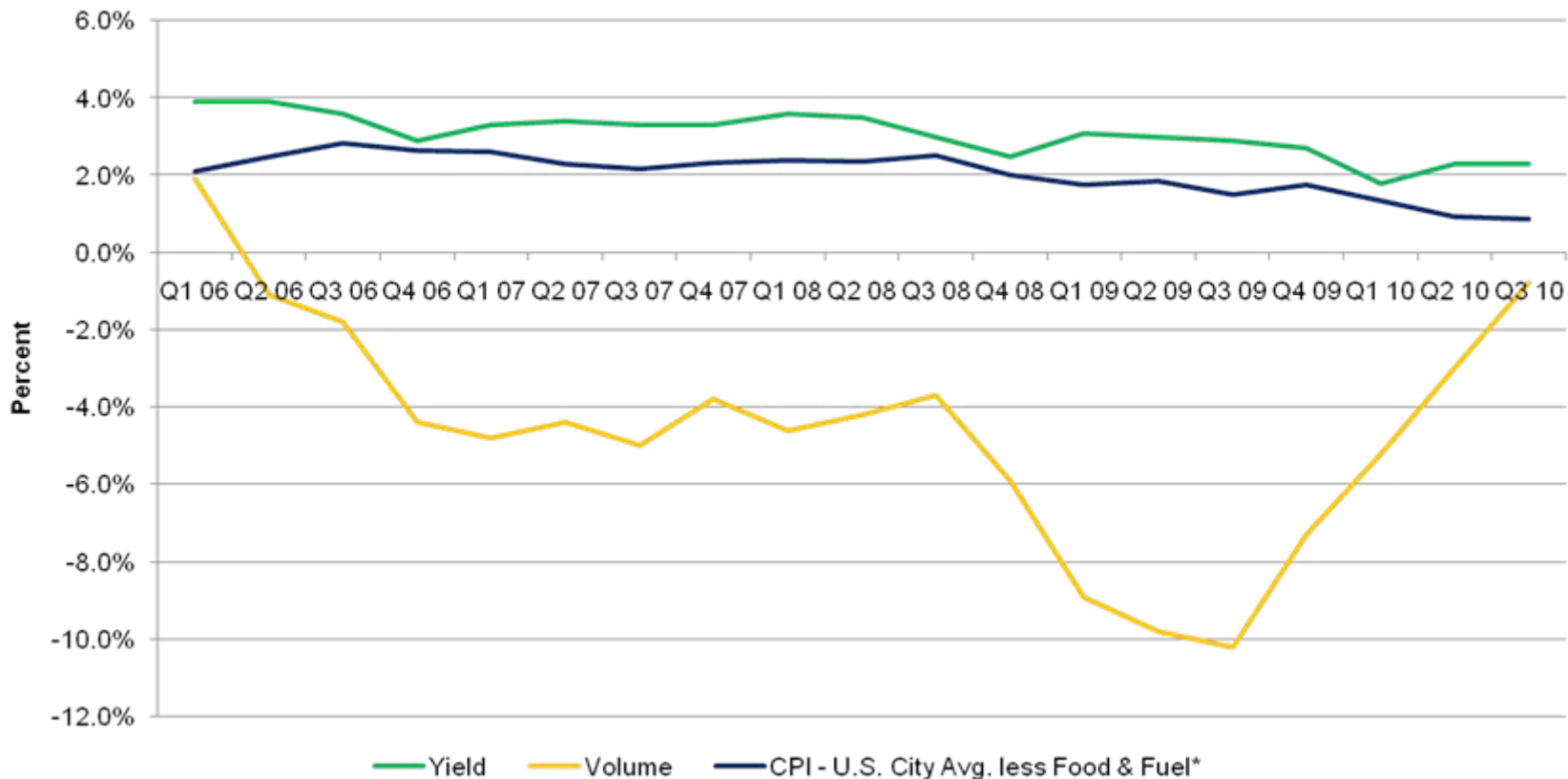
Based on 2009 Gross Revenues

Our Strategy

- Continue to focus on price, targeting 50 to 100 basis points above CPI
- Know more about our customers and how to service them better than anyone else in the industry, through the use of customer focused segmentation and technology
- Manage the waste stream to extract more value from the material than anyone else in the industry

Yield and Volume Trends

Collection and Disposal Operations



* Source: United States Department of Labor - Bureau of Labor Statistics

Strategic Growth Plan

GROW OUR MARKETS

- Customer focused growth through segmentation
 - *Commercial property*
 - *Manufacturing & industrial*
 - *Retail & food*
 - *Construction*
 - *Municipal*
 - *Healthcare*
 - *Core accounts*
- Acquisitions
- Recycling – single stream

GROW OUR CUSTOMER LOYALTY

- Improved customer engagement
- Self-service capabilities
- Lower cost of service

GROW INTO NEW MARKETS

- Waste-to-energy opportunities
- Organic growth initiatives
 - *Processing & conversion technologies*
 - Organics
 - Non-organics
 - *Bagster dumpster in a bag*
- Other forms of recycling

Why Customer Focused Growth through Segmentation is Right for WM

- Customer focused growth through segmentation presents an opportunity to drive significant incremental value by:
 - **Improving sales effectiveness** with focused and specialized reps that understand customer needs, i.e. one point of contact
 - **Increasing penetration** within the most profitable segments by establishing better relationships with customers within segments
 - **Better aligning pricing strategies** with segment-specific economics and Customer Lifetime Value
 - **Expanding the market size** by identifying and adding new service offerings
 - **Differentiating WM offerings** to better meet the specific segment needs

Medical Waste Value Driver - Waste Categorization

Waste Generation



How We Extract Value from Material

- Waste-to-energy (energy from waste)
- Curbside and commercial recycling
- Landfill-gas-to-energy or to fuel
- C&D recycling
- Roof shingle recycling
- Greenopolis
 - *Recycling kiosks and on-line rewards*
- WM LampTracker®
 - *Florescent light bulb recycling*
- ThinkGreenFromHome.com
 - *Batteries and universal waste recycling*
- MicroGREEN
 - *Expansion technology for plastics*
- eCycling
 - *Electronics recycling*
- New technologies in organics processing
 - *Garrick Corporation*
 - Organic compost for retail market
 - *Harvest Power*
 - Aerobic and anaerobic digestion
 - *Terrabon L.L.C.*
 - Waste-to-fuel conversion technology
 - *Enerkem, Inc.*
 - Gasification and catalysis technology
 - *S4 Energy Solutions*
 - Plasma gasification technology

Why Invest in Waste-to-Energy?

- Waste-to-energy (WTE) is a core competency with attractive growth opportunities
- WTE has high margins and returns
 - *Income from operations margin* of almost 28% in 2009*
 - *Minimum internal rate of return criteria for new projects is 11%*
- Long-term contracts on new projects provide an annuity-like revenue stream
- WTE has strong and stable cash flow
- Merchant energy sales price volatility due to correlation with natural gas prices is being mitigated with hedges
- Capital expenditures are modest over the near-term and very manageable over the long-term. For our new U.S. opportunities our customer is funding the construction

* This GAAP measure may also be referred to as EBIT margin



Financial Performance and Outlook



How We Measure Ourselves

- Returns are our primary focus
 - *In 2005 we made return on invested capital our key long-term focus, changing our Long-Term Incentive plan accordingly*
 - *At 10.3% in 2009, our return on invested capital is the best in the industry**
- Improving margins in each of our businesses
 - *Improving margins is a requirement in our Annual Incentive Plan targets*

* See the annex at the end of this presentation for a reconciliation of this non-GAAP financial measure to the most directly comparable GAAP measure

Margin Leverage with Volume Changes

Collection and Landfill

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

* This GAAP measure may also be referred to as EBIT margin

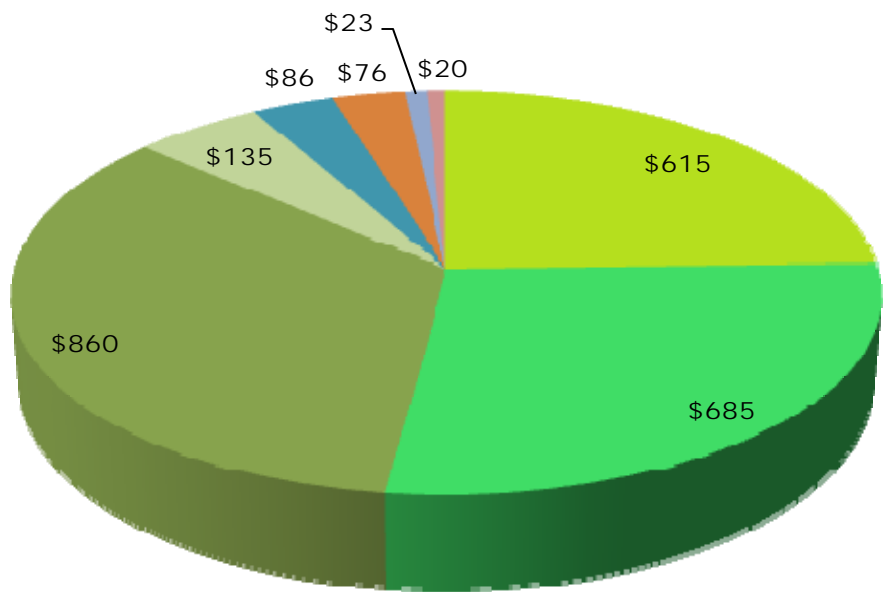
New Project Return Criteria

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

2010 Use of Cash from Operations and Proceeds from Divestitures of Businesses*



(Dollars in Millions)

- Dividends - \$615**
- Common share repurchases - up to \$685***
- Maintenance capital - \$860
- Growth capital - solid waste - \$135
- Growth capital - landfill gas to energy - \$86
- Growth capital - single stream recycling - \$76
- Growth capital - organic growth initiatives - \$23
- Growth capital - healthcare solutions - \$20

Full Year 2010 Use of Cash from Operations and Proceeds from Divestitures of Businesses*

Net cash provided by operating activities	\$ 2,400
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	100
Dividends	(615)
Common share repurchases up to	(685)
Capital expenditures	(1,200)
	\$ -

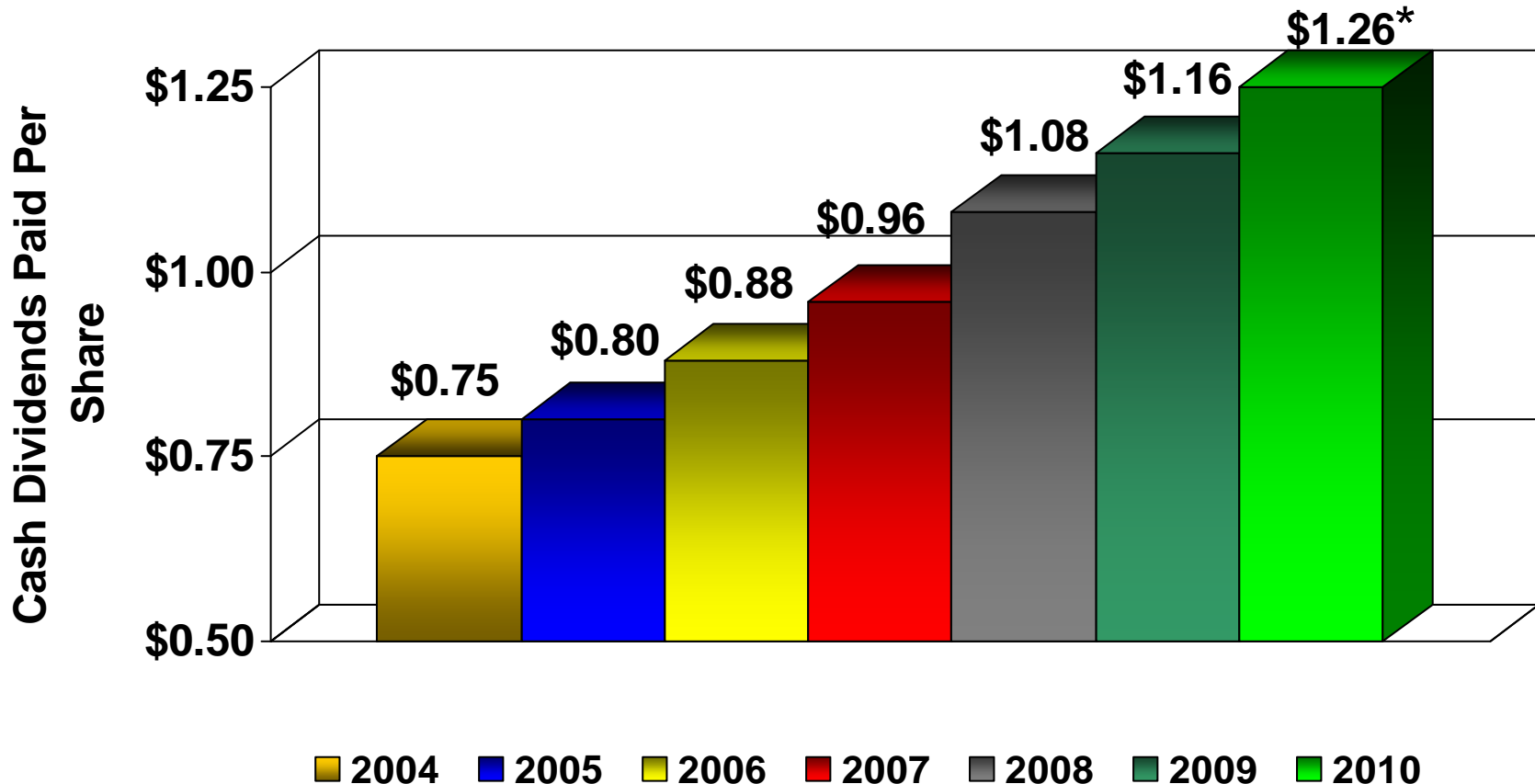
* The reconciliation illustrates a projection of use of cash, assuming full year 2010 Net cash provided by operating activities of \$2.4 billion and Proceeds from divestitures of businesses of \$100 million, and this projection is not intended to be representative of how we may elect to finance any expenditures. The amounts used in the reconciliation are subject to many variables, some of which are not in our control and therefore are not necessarily indicative of actual results

** 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

*** Common share repurchases may be up to \$685 million dollars

Cash Dividends Paid Per Share Annually

Yield of 3.7% at a \$34 share price



* The Board of Directors approved an 8.6% increase in the quarterly dividend rate to \$0.315 on December 17, 2009. The Company paid a quarterly cash dividend of \$0.315 per share on March 19, 2010, June 18, 2010 and September 24, 2010. The Board reserves the right to declare and pay future cash dividends

Q4 2010 Guidance

- Earnings per diluted share, as adjusted, in the range of \$0.54 to \$0.56*
- Internal revenue growth from yield of 2.3%, similar to 3Q 2010
- Internal revenue growth from volume expected to be slightly positive, compared with Q4 2009
- Full year 2010 free cash flow in the range of \$1.2 billion and \$1.3 billion**
- Full year 2010 capital expenditures of approximately \$1.2 billion

* Not anticipated to be GAAP net earnings per diluted share. Fourth quarter EPS are likely to be adjusted to exclude the effects of items management believes are not representative of our results of operations, but which are not currently determinable. Such items may be significant.

** See the annex at the end of this presentation for explanation and reconciliation of this non-GAAP financial measure



Annex
Reconciliation of Certain
Non-GAAP Measures



Reconciliation of Certain Non-GAAP Measures

<u>WM Return on Invested Capital Margin Calculation</u>	<u>\$ millions</u>
<u>Numerator - Year ended December 31, 2009</u>	
Adjusted Income from operations*	\$2,028
Less: Adjusted provision for income tax*	(564)
Total Numerator	\$ 1,464
<u>Denominator (Average Previous 4 Qtrs)</u>	
Current portion of long-term debt	\$ 607
Long-term debt, less current portion	7,931
Noncontrolling interests	300
Stockholders' equity	6,118
Less: Cash	(807)
Total Denominator	\$ 14,149
Return on Invested Capital Margin	10.3%

* Adjusted income from operations and adjusted provision for income tax. See remainder of this Annex for the reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measure

Reconciliation of Certain Non-GAAP Measures

	<u>Year Ended</u> <u>December 31, 2009</u>
	<u>\$ millions</u>
<i>Adjusted Income from Operations</i>	
As reported:	
Income from operations	\$ 1,887
Adjustments to Income from Operations:	
Expense from divestitures, asset impairments and unusual items, net	82
Restructuring	50
Multi-employer pension withdrawal costs	9
	<hr/>
As adjusted:	
Income from operations	<u><u>\$ 2,028</u></u>

Reconciliation of Certain Non-GAAP Measures

Tax Expense	Year Ended
	December 31, 2009
	\$ millions
<i>Adjusted Provision for Income Taxes</i>	
Provision for Income Taxes, as reported	\$ 413
Adjustments to Provision for Income Taxes:	
Tax items	95
Expense from divestitures, asset impairments and unusual items, net	32
Restructuring	20
Multi-employer pension withdrawal costs	4
Provision for Income Taxes, as adjusted	\$ 564

Reconciliation of Certain Non-GAAP Measures

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’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 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 following reconciliation illustrates two scenarios that show our projected Free Cash Flow range. The amounts used in the reconciliation are subject to many variables, some of which are not under our control and, therefore, are not necessarily indicative of actual results.

Full Year 2010 Free Cash Flow Reconciliation (Dollars in Millions)	Scenario 1	Scenario 2
	<hr/>	<hr/>
Net cash provided by operating activities	\$ 2,350	\$ 2,400
Capital expenditures	(1,200)	(1,200)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	<hr/> 50	<hr/> 100
	<hr/><hr/>\$ 1,200	<hr/><hr/>\$ 1,300



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