



For Further Information:
Waste Management, Inc.
Analysts: Greg Nikkel - 713.265.1358
Media: Lynn Brown - 713.394.5093
Web site: <http://www.wm.com>

WMI #07-07

Waste Management Announces First Quarter 2007 Earnings

Earnings Per Diluted Share Increase 24%

Company Raises Full-Year 2007 Earnings Guidance

HOUSTON – April 27, 2007 – Waste Management, Inc. (NYSE: WMI) today announced financial results for its first quarter ended March 31, 2007. Net income for the quarter was \$222 million, or \$0.42 per diluted share, compared with \$186 million, or \$0.34 per diluted share in the prior year period, a 24% increase in earnings per diluted share.

Income from operations as a percent of revenue improved by 160 basis points to 15.1% in the first quarter of 2007. Revenues for the quarter were \$3.19 billion as compared with \$3.23 billion in the year ago period as the Company continued to execute its strategy to divest underperforming operations and accounts. First quarter 2007 revenues were up \$24 million on a year-over-year basis, excluding the divestiture of underperforming operations representing \$65 million of revenues.

The Company noted a \$6 million after tax, or \$0.01 per diluted share, restructuring charge in the current quarter's results.

“Our first quarter 2007 financial performance exceeded our expectations and demonstrated that our pricing and operational excellence programs continue to positively impact our results. We again accomplished our primary financial goals of earnings growth, margin expansion and strong free cash flow,” said David P. Steiner, Chief Executive Officer of Waste Management.

“Internal revenue growth from yield in our commercial collection line of business was 5.3% in the quarter, the highest level we have achieved in the recent past. The internal revenue growth from yield in our commercial, industrial and residential lines of business was 4.8%. The execution of our strategy to review low margin accounts and either increase prices or cull those accounts from our business contributed to the lower volumes in our collection line of business. That strategy worked very well in the first quarter, as the volume loss in our collection line of business was about 5.2%, but the income from operations in our collection business grew nearly 16%.

“The internal revenue growth from yield at our landfills and transfer stations improved in the first quarter of 2007, and we expect that to continue as we implement our disposal pricing excellence program throughout the Company.”

Steiner also noted, “We achieved additional positive results from improved operations during the first quarter of this year. We lowered our operating costs by \$66 million during the first quarter of 2007, which is a 3.1% improvement in absolute dollars when compared with the prior year quarter. Operating expenses as a percent of revenue in the first quarter of 2007 stood at 63.8%, a 120 basis point improvement when compared to the first quarter of 2006. This marks the seventh consecutive quarter in which our year-over-year operating costs as a percent of revenue have improved. Our ongoing operational excellence initiatives in the areas of labor management, maintenance and safety were primary contributors to this improvement.

“Net cash provided by operating activities and free cash flow were both strong for the quarter. We returned \$613 million to shareholders in the form of our \$0.24 per share quarterly dividend and our share repurchase program. We also showed marked improvement in the recycling segment of our business due to higher recycling commodity prices and our operational improvements. Our recycling segment contributed over \$0.01 per diluted share to the year-over-year improvement in net income during the first quarter of 2007.”

Key Highlights for the First Quarter of 2007

- Income from operations was \$481 million, or 15.1% of revenue, an increase of approximately 160 basis points compared with the prior year first quarter.
- Internal revenue growth from yield on base business of 3.3%. Including the positive impact of higher recycling commodity prices, internal revenue growth from yield was 5.3%.
- Internal revenue growth from volume was a negative 4.8%. The volume component included a 5.2% reduction in collection volumes, but only a 1.3% reduction in landfill volumes.
- Higher fuel surcharge revenue contributed 0.1% to internal revenue growth.
- Divestitures caused a 2.1% decline in revenues in the quarter, while acquisitions contributed 0.2% to higher revenues.
- Operating expenses were 63.8% of revenue, down from 65.0% of revenue in the same period in 2006.
- Selling, general and administrative expenses were 11.1% of revenue, down from 11.4% in the first quarter of 2006.
- Net cash provided by operating activities of \$538 million, down from \$623 million in the first quarter of 2006 due to \$101 million in year-over-year changes in working capital. Capital expenditures of \$272 million, compared with \$231 million in the first quarter of 2006.
- Free cash flow^(a) of \$335 million, compared with \$410 million in the first quarter of 2006.
- \$613 million in cash returned to shareholders in the form of \$487 million in common stock repurchases and \$126 million in dividend payments.
- The effective tax rate in the quarter was 33.0%, which reflects an estimated phase-out of approximately 30% of our Section 45K tax credits due to higher actual and projected crude oil prices. Section 45K tax credits generated nearly an additional \$0.02 per diluted share benefit to net income in the first quarter of 2007 compared with the first quarter of 2006.

Steiner concluded, “We are off to a very good start for the year. Our solid results during the first quarter of this year reflect the success of the continuation of our pricing and operational excellence strategies. Our first quarter success gives us confidence that we will achieve our earnings expectations for the remaining three quarters of 2007. As a result, we now project our full-year 2007 earnings to be within the range of \$2.03 to \$2.07 per diluted share, as adjusted for certain items^(a). In the first quarter we had an expected change in working capital and higher

capital expenditures, but those are due primarily to timing issues and we do not expect them to affect our ability to generate between \$1.30 to \$1.40 billion of free cash flow for the full-year 2007.”

- (a) This earnings release contains a discussion of free cash flow and projected earnings per diluted share, as adjusted for certain items, which are non-GAAP measures as defined in Regulation G of the Securities Exchange Act of 1934, as amended, and is not intended to replace the most comparable GAAP measure that is also presented in this press release. The Company reports its financial results in compliance with GAAP, but believes that also providing non-GAAP measures provides investors additional, meaningful comparisons of current results to prior periods’ results by excluding items that the Company does not believe reflect its fundamental business performance.

The full year adjusted earnings of \$2.03 to \$2.07 per diluted share projected by the Company excludes the first quarter 2007 impact of restructuring charges of \$6 million after tax. GAAP net earnings per diluted share for the remaining three quarters of the year may include restructuring charges, asset impairment and unusual items charges, gains or losses from divestitures, the resolution of income tax items, and other items that are not currently determinable, but may be significant. The full year 2007 adjusted earnings of \$2.03 to \$2.07 per diluted share projected today excludes the impact of any such items that may occur. GAAP net earnings per diluted share projected for the full year would require inclusion of the projected impact of any expected items. Due to the uncertainty of the amount and timing of any such items, we do not believe we have the information available to provide full year GAAP net earnings per diluted share and the quantitative reconciliation to our current adjusted earning per diluted share projection.

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 Company includes the non-GAAP financial measure of free cash flow in its disclosures because it uses that measure in the management of its business and because it believes that investors are interested in the cash produced by the Company from non-financing activities that is available for uses such as the Company’s acquisitions, its share repurchase program, its scheduled debt reduction and the payment of dividends.

Quantitative reconciliations of each of the non-GAAP measures presented herein to the most comparable GAAP measures are included in the accompanying schedules. Investors are urged to take into account GAAP measures as well as non-GAAP measures in evaluating the Company.

The Company has scheduled an investor and analyst conference call for later this morning to discuss the results of today’s earnings announcement. The information in this press release should be read in conjunction with the information on the conference call. The call will begin at 10:00 a.m. Eastern time, 9:00 a.m. Central time, and is open to the public. To listen to the conference call, which will be broadcast live over the Internet, go to the Waste Management Website at <http://www.wm.com>, and select “1Q2007 Earnings Report Webcast.” 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 3382502.” US/Canada Dial-In Number: (877) 710-6139. Int’l/Local Dial-In Number: (706) 643-7398. For those unable to listen to the live call, a replay will be available 24 hours a day beginning at approximately 11:00 a.m. Central time on April 27 through 5:00 p.m. Central time on May 11. 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 reservation code 3382502.

Waste Management, Inc., based in Houston, Texas, is the leading provider of comprehensive waste management services in North America. Through its 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 in the United States. 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." The forward-looking statements that the Company makes are the Company's expectations, opinion, view or belief at the point in time of issuance but may change at some future point in time. By issuing estimates or making statements based on current expectations, opinions, views or beliefs, the Company has no obligation, and is not undertaking any obligation, to update such estimates or statements or to provide any other information relating to such estimates or statements. Outlined below are some of the risks that the Company faces and that could affect our financial statements for 2007 and beyond and that could cause actual results to be materially different from those that may be set forth in forward-looking statements made by the Company. However, they are not the only risks that the Company faces. There may be additional risks that we do not presently know or that we currently believe are immaterial which could also impair our business. We caution you not to place undue reliance on any forward-looking statements, which speak only as of their dates. The following are some of the risks that we face:

- *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 yield on base business;*
- *we may be unable to maintain or expand margins if we are unable to control costs;*
- *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 due to our operational improvement programs; and divesting under-performing assets and purchasing accretive businesses, any of which could negatively affect our revenues and margins;*
- *weather conditions cause our quarter-to-quarter results to fluctuate, and extremely harsh weather or natural disasters may cause us to temporarily shut down operations;*
- *inflation and resulting higher interest rates as well as other general and local economic conditions may negatively affect the volumes of waste generated, our financing costs and other expenses;*
- *possible changes in our estimates of site remediation requirements, final capping, closure and post-closure obligations, compliance and regulatory developments may increase our expenses;*
- *regulations, including regulations to limit greenhouse gas emissions, may negatively impact our business by, among other things, restricting our operations, increasing costs of operations or requiring additional capital expenditures;*
- *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 or cross-border waste or certain categories of waste can increase our expenses and reduce our revenues;*
- *fuel price increases or fuel supply shortages may increase our expenses, including our tax expense if Section 45K credits are phased out due to continued high crude oil prices, or restrict our ability to operate;*
- *increased costs 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;*
- *fluctuating commodity prices may have negative effects on our operating revenues and expenses;*
- *trends requiring recycling, waste reduction at the source and prohibiting the disposal of certain types of wastes 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 been chosen to be represented by unions, which*

could lead to union-initiated work stoppages, including strikes, 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 may decrease our efficiencies and increase our costs to operate;*
- *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; and*
- *we may reduce or eliminate our dividend or share repurchase program or we may need to raise additional capital if cash flows are less than we expect or capital expenditures are more than we expect, and we may not be able to obtain any needed capital on acceptable terms.*

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, 2006.

###

[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 [here](#)