
**SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 28, 2010

Waste Management, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware
**(State or Other Jurisdiction of
Incorporation)**

1-12154
(Commission File Number)

73-1309529
(IRS Employer Identification No.)

1001 Fannin, Suite 4000 Houston, Texas
(Address of Principal Executive Offices)

77002
(Zip Code)

Registrant's Telephone number, including area code: (713) 512-6200

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.

Waste Management, Inc. (the “Company”) issued a press release this morning announcing its financial results for the quarter ended September 30, 2010, a copy of which is attached hereto as Exhibit 99.1. The Company is holding a conference call to discuss these results beginning at 9:00 a.m. Central Time this morning. The call will be webcast live and may be heard by accessing the Company’s website at www.wm.com and selecting “Events and Presentations” in the Investor Relations section. The call may also be heard by dialing (877) 710-6139 and entering access code 15149014.

On the call, management of the Company is expected to discuss certain non-GAAP financial measures that are included in the Company’s press release. The Company has provided information regarding its use of the non-GAAP measures contained in its press release and reconciliations of such measures to their most comparable GAAP measures in the schedules thereto.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit 99.1: Press Release dated October 28, 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

WASTE MANAGEMENT, INC.

Date: October 28, 2010

By: /s/ Rick L Wittenbraker
Rick L Wittenbraker
Senior Vice President

Exhibit Index

| Exhibit Number | Description |
|---------------------------|--------------------------------------|
| 99.1 | Press Release dated October 28, 2010 |



For Further Information:
Waste Management, Inc.
Analysts: Jim Alderson – 713.394.2281
Media: Lynn Brown – 713.394.5093
Web site: <http://www.wm.com>

WM #10-14

Waste Management Announces Third Quarter 2010 Earnings
Third Quarter Revenue Increases Seven Percent
Company Reaffirms 2010 Free Cash Flow Guidance

HOUSTON – October 28, 2010 – Waste Management, Inc. (NYSE: WM) today announced financial results for its third quarter ended September 30, 2010. Revenue for the third quarter of 2010 was \$3.24 billion compared with \$3.02 billion for the same 2009 period, an increase of \$212 million, or 7.0%. Net income^(a) for the quarter was \$244 million, or \$0.51 per diluted share, compared with \$277 million, or \$0.56 per diluted share, for the third quarter of 2009.

The Company noted certain items that impacted the third quarter results for 2010 and 2009. Excluding these items, net income would have been \$264 million, or \$0.55 per diluted share, in the third quarter of 2010 compared with \$265 million, or \$0.54 per diluted share, in the third quarter of 2009.^(b)

Results in the third quarter of 2010 included a net decrease of \$0.04 per diluted share from the following:

- A \$4 million net tax expense due to tax adjustments relating to finalization of the Company's 2009 tax returns and audit settlements; and
- After-tax charges aggregating \$16 million related to remediation and closure costs at three closed sites, and the accounting effect of lower ten-year Treasury rates, which are used to discount remediation reserves.

Results in the 2009 third quarter included a net benefit of \$0.02 per diluted share from the combined effects of favorable income tax adjustments and charges related to the restructuring announced in February 2009.

David P. Steiner, Chief Executive Officer of Waste Management, commented, "When we look at our earnings, our collection, landfill and recycling businesses all performed solidly during the quarter. Each of these business lines increased operating earnings and improved operating margins compared with the prior year period. Overall, our results for the quarter did not meet our internal expectations, but if we look just at our traditional solid waste business, we would have earned \$0.60 per diluted share, in line with our expectations. Two items caused a \$0.05 headwind to earnings in the quarter. First, we had unexpected maintenance and other costs of \$0.02 per diluted share at our Wheelabrator operations. Second, we had a \$0.03 headwind from certain of our growth initiatives, primarily from

our new Bagster product offering and our initiatives in medical waste. These initiatives are in the start-up phase and we have a lot of typical start-up costs, such as advertising and new sales personnel. However, we are seeing good revenue growth in both lines of business, with Bagster growing over 20% per month over the last six months and our medical waste business growing 30% sequentially from the second to the third quarter. So, we have a short-term headwind from start-up costs associated with our growth initiatives, but we believe these initiatives will create long-term shareholder value.”

Steiner continued, “Our internal revenue growth from yield for our collection and disposal business was 2.3%, consistent with the second quarter of 2010. We continue our focus on pricing and we remain committed to pricing of at least 50 to 100 basis points above CPI. Internal revenue growth from volume declined by 0.7% in the third quarter of 2010, compared with the prior year period. This is the fourth consecutive quarter in which the rate of volume decline has improved.”

Key Highlights for the Third Quarter 2010

- Revenue increased by 7.0%, or \$212 million.
- Internal revenue growth from yield for the Company’s collection and disposal operations was 2.3%.
- Internal revenue growth from volume was negative 0.7%.
- Average recycling commodity prices were 20% higher for the third quarter of 2010 compared with the same prior year period. This contributed approximately \$0.02 to earnings per diluted share in the third quarter of 2010, compared with the prior year quarter, consistent with previously announced expectations.
- Operating expenses increased \$150 million in the third quarter compared with the third quarter of 2009. Adjusted for the items excluded in calculating the Company’s as-adjusted earnings, operating expenses increased by \$131 million in the third quarter.^(b) This increase resulted primarily from a \$67 million increase in cost of goods sold related to recycling commodity rebates, \$37 million of increased subcontractor costs primarily associated with the cleanup along the Gulf Coast, \$18 million of increased maintenance and other costs primarily at Wheelabrator waste-to-energy plants, and \$12 million for increased diesel fuel prices.
- Selling, general and administrative expenses increased \$30 million in the third quarter compared with the third quarter of 2009, due principally to costs of the Company’s strategic growth initiatives and information technology upgrades.
- Interest expense increased by \$22 million compared with the third quarter of 2009, primarily due to higher costs associated with the Company’s new revolving credit facility and letters of credit, and higher average debt balances during the period.
- Free cash flow was \$424 million.^(b)
- Capital expenditures were \$262 million.
- The Company returned \$306 million to shareholders, consisting of \$149 million in dividends and \$157 million in common stock repurchases.
- The effective tax rate in the quarter was approximately 37.3%. Adjusted for the tax expense associated with the items excluded in calculating the Company’s as-adjusted earnings, the Company’s tax rate for the third quarter was 36.3%.^(b)

Steiner concluded, “In the third quarter, in addition to our common stock repurchases and dividends paid, we completed \$122 million of tuck-in and other acquisitions. Our cash flow remains strong, as we generated \$424 million of free cash flow in the third quarter of 2010 and \$952 million year-to-date. We continue to expect full-year 2010 free cash flow in the range of \$1.2 billion to \$1.3 billion.^(b)”

“We remain committed to our pricing discipline, and we expect that recycling commodity prices will remain strong. We believe collection and disposal volumes will continue to improve, and will be slightly positive in the fourth quarter. We are also redoubling our cost control efforts, and expect to see improvement in our cost structure in the fourth quarter. Given these factors, we expect our fully diluted adjusted earnings per share in the fourth quarter of 2010 to be between \$0.54 and \$0.56.”^(c)

- (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, operating expenses, 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.

- (c) The Company’s projected fourth quarter earnings of \$0.54 to \$0.56 per diluted share are not anticipated to be GAAP net earnings per diluted share, and are likely to be adjusted to exclude the effects of events or circumstances that management believes are not representative or indicative of our results of operations. Such future excluded items are not currently determinable, but may be significant, such as asset impairment and 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 have information available to provide a quantitative reconciliation of adjusted projected fourth quarter 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, October 28, 2010 by logging onto www.wm.com and selecting “Events and Presentations” in the Investor Relations section of our website. 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 15149014.” 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 October 28th through 5:00 p.m. Eastern time on November 11th. 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 15149014.

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, business goals, capital allocation and investments, strategic initiatives and their future performance, future volume and pricing and related trends, future recycling commodity prices, cost reduction, 2010 fourth quarter 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 coverage 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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Waste Management, Inc.
Condensed Consolidated Statements of Operations
(In Millions, Except Per Share Amounts)
(Unaudited)

| | <u>Quarters Ended September 30,</u> | |
|---|-------------------------------------|----------------|
| | <u>2010</u> | <u>2009</u> |
| Operating revenues | \$ 3,235 | \$ 3,023 |
| Costs and expenses: | | |
| Operating | 2,006 | 1,856 |
| Selling, general and administrative | 369 | 339 |
| Depreciation and amortization | 317 | 301 |
| Restructuring | — | 3 |
| (Income) expense from divestitures, asset impairments and unusual items | (1) | (1) |
| | <u>2,691</u> | <u>2,498</u> |
| Income from operations | <u>544</u> | <u>525</u> |
| Other income (expense): | | |
| Interest expense | (126) | (104) |
| Interest income | 1 | 3 |
| Other, net | (8) | 1 |
| | <u>(133)</u> | <u>(100)</u> |
| Income before income taxes | 411 | 425 |
| Provision for income taxes | <u>153</u> | <u>133</u> |
| Consolidated net income | 258 | 292 |
| Less : Net income attributable to noncontrolling interests | 14 | 15 |
| Net income attributable to Waste Management, Inc. | <u>\$ 244</u> | <u>\$ 277</u> |
| Basic earnings per common share | <u>\$ 0.51</u> | <u>\$ 0.56</u> |
| Diluted earnings per common share | <u>\$ 0.51</u> | <u>\$ 0.56</u> |
| Basic common shares outstanding | <u>477.3</u> | <u>492.2</u> |
| Diluted common shares outstanding | <u>481.0</u> | <u>494.6</u> |
| Cash dividends declared per common share | <u>\$ 0.315</u> | <u>\$ 0.29</u> |

(1)

Waste Management, Inc.
Earnings Per Share
(In Millions, Except Per Share Amounts)
(Unaudited)

| | Quarters Ended September 30, | |
|--|-------------------------------------|----------------|
| | 2010 | 2009 |
| EPS Calculation: | | |
| Net income attributable to Waste Management, Inc. | <u>\$ 244</u> | <u>\$ 277</u> |
| Number of common shares outstanding at end of period | 475.7 | 490.6 |
| Effect of using weighted average common shares outstanding | <u>1.6</u> | <u>1.6</u> |
| Weighted average basic common shares outstanding | 477.3 | 492.2 |
| Dilutive effect of equity-based compensation awards and other contingently issuable shares | <u>3.7</u> | <u>2.4</u> |
| Weighted average diluted common shares outstanding | <u>481.0</u> | <u>494.6</u> |
| Basic earnings per common share | <u>\$ 0.51</u> | <u>\$ 0.56</u> |
| Diluted earnings per common share | <u>\$ 0.51</u> | <u>\$ 0.56</u> |

(2)

Waste Management, Inc.
Condensed Consolidated Statements of Operations
(In Millions, Except Per Share Amounts)
(Unaudited)

| | <u>Nine Months Ended September 30,</u> | |
|---|--|----------------|
| | <u>2010</u> | <u>2009</u> |
| Operating revenues | \$ 9,328 | \$ 8,785 |
| Costs and expenses: | | |
| Operating | 5,883 | 5,367 |
| Selling, general and administrative | 1,065 | 999 |
| Depreciation and amortization | 917 | 892 |
| Restructuring | (1) | 46 |
| (Income) expense from divestitures, asset impairments and unusual items | (78) | 50 |
| | <u>7,786</u> | <u>7,354</u> |
| Income from operations | <u>1,542</u> | <u>1,431</u> |
| Other income (expense): | | |
| Interest expense | (354) | (316) |
| Interest income | 3 | 10 |
| Other, net | (14) | 1 |
| | <u>(365)</u> | <u>(305)</u> |
| Income before income taxes | 1,177 | 1,126 |
| Provision for income taxes | <u>469</u> | <u>397</u> |
| Consolidated net income | 708 | 729 |
| Less : Net income attributable to noncontrolling interests | <u>36</u> | <u>50</u> |
| Net income attributable to Waste Management, Inc. | <u>\$ 672</u> | <u>\$ 679</u> |
| Basic earnings per common share | <u>\$ 1.40</u> | <u>\$ 1.38</u> |
| Diluted earnings per common share | <u>\$ 1.39</u> | <u>\$ 1.37</u> |
| Basic common shares outstanding | <u>481.7</u> | <u>492.1</u> |
| Diluted common shares outstanding | <u>484.9</u> | <u>494.1</u> |
| Cash dividends declared per common share | <u>\$ 0.945</u> | <u>\$ 0.87</u> |

Waste Management, Inc.
Earnings Per Share
(In Millions, Except Per Share Amounts)
(Unaudited)

| | Nine Months Ended September 30, | |
|--|--|----------------|
| | 2010 | 2009 |
| EPS Calculation: | | |
| Net income attributable to Waste Management, Inc. | <u>\$ 672</u> | <u>\$ 679</u> |
| Number of common shares outstanding at end of period | 475.7 | 490.6 |
| Effect of using weighted average common shares outstanding | <u>6.0</u> | <u>1.5</u> |
| Weighted average basic common shares outstanding | 481.7 | 492.1 |
| Dilutive effect of equity-based compensation awards and other contingently issuable shares | <u>3.2</u> | <u>2.0</u> |
| Weighted average diluted common shares outstanding | <u>484.9</u> | <u>494.1</u> |
| Basic earnings per common share | <u>\$ 1.40</u> | <u>\$ 1.38</u> |
| Diluted earnings per common share | <u>\$ 1.39</u> | <u>\$ 1.37</u> |

Waste Management, Inc.
Condensed Consolidated Balance Sheets
(In Millions)

| | <u>September 30,</u> <u>2010</u> | <u>December 31,</u> <u>2009</u> |
|--|-------------------------------------|------------------------------------|
| | <u>(Unaudited)</u> | |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 550 | \$ 1,140 |
| Receivables, net | 1,691 | 1,527 |
| Other | <u>328</u> | <u>343</u> |
| Total current assets | 2,569 | 3,010 |
| Property and equipment, net | 11,636 | 11,541 |
| Goodwill | 5,703 | 5,632 |
| Other intangible assets, net | 299 | 238 |
| Other assets | <u>1,132</u> | <u>733</u> |
| Total assets | <u>\$ 21,339</u> | <u>\$ 21,154</u> |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable, accrued liabilities, and deferred revenues | \$ 2,150 | \$ 2,152 |
| Current portion of long-term debt | <u>161</u> | <u>749</u> |
| Total current liabilities | 2,311 | 2,901 |
| Long-term debt, less current portion | 8,798 | 8,124 |
| Other liabilities | <u>3,791</u> | <u>3,538</u> |
| Total liabilities | <u>14,900</u> | <u>14,563</u> |
| Equity: | | |
| Waste Management, Inc. stockholders' equity | 6,108 | 6,285 |
| Noncontrolling interests | <u>331</u> | <u>306</u> |
| Total equity | <u>6,439</u> | <u>6,591</u> |
| Total liabilities and equity | <u>\$ 21,339</u> | <u>\$ 21,154</u> |

Waste Management, Inc.
Condensed Consolidated Statements of Cash Flows
(In Millions)
(Unaudited)

| | <u>Nine Months Ended September 30,</u> | |
|--|--|---------------|
| | <u>2010</u> | <u>2009</u> |
| Cash flows from operating activities: | | |
| Consolidated net income | \$ 708 | \$ 729 |
| Adjustments to reconcile consolidated net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 917 | 892 |
| Other | 223 | 120 |
| Change in operating assets and liabilities, net of effects of acquisitions and divestitures | (195) | (99) |
| Net cash provided by operating activities | <u>1,653</u> | <u>1,642</u> |
| Cash flows from investing activities: | | |
| Acquisitions of businesses, net of cash acquired | (343) | (127) |
| Capital expenditures | (737) | (823) |
| Proceeds from divestitures of businesses (net of cash divested) and other sales of assets | 36 | 20 |
| Investments in unconsolidated entities | (162) | (5) |
| Net receipts from restricted trust and escrow accounts, and other | 31 | 105 |
| Net cash used in investing activities | <u>(1,175)</u> | <u>(830)</u> |
| Cash flows from financing activities: | | |
| New borrowings | 775 | 1,026 |
| Debt repayments | (932) | (1,142) |
| Common stock repurchases | (443) | (65) |
| Cash dividends | (454) | (428) |
| Exercise of common stock options | 28 | 10 |
| Other, net | (43) | (84) |
| Net cash used in financing activities | <u>(1,069)</u> | <u>(683)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 1 | 3 |
| Increase in cash and cash equivalents | (590) | 132 |
| Cash and cash equivalents at beginning of period | 1,140 | 480 |
| Cash and cash equivalents at end of period | <u>\$ 550</u> | <u>\$ 612</u> |

Waste Management, Inc.
Summary Data Sheet
(Dollar Amounts in Millions)
(Unaudited)

| | Quarters Ended | | |
|--|-----------------------|------------------|-----------------------|
| | September 30, 2010 | June 30, 2010 | September 30, 2009 |
| Operating Revenues by Lines of Business | | | |
| Collection | \$ 2,119 | \$ 2,082 | \$ 2,024 |
| Landfill | 674 | 664 | 666 |
| Transfer | 342 | 351 | 359 |
| Wheelabrator | 237 | 217 | 214 |
| Recycling | 286 | 281 | 202 |
| Other | 86 | 76 | 61 |
| Intercompany (a) | (509) | (513) | (503) |
| Operating revenues | <u>\$ 3,235</u> | <u>\$ 3,158</u> | <u>\$ 3,023</u> |

| | Quarters Ended | | | |
|--|--------------------|----------------------------|--------------------|----------------------------|
| | September 30, 2010 | | September 30, 2009 | |
| | Amount | As a % of Total Company | Amount | As a % of Total Company |
| Analysis of Change in Year Over Year Revenues | | | | |
| Average yield (i) | \$ 153 | 5.0% | \$ (192) | -5.5% |
| Volume | (22) | -0.7% | (314) | -8.9% |
| Internal revenue growth | 131 | 4.3% | (506) | -14.4% |
| Acquisitions | 72 | 2.4% | 23 | 0.7% |
| Divestitures | — | — | (9) | -0.2% |
| Foreign currency translation | 9 | 0.3% | (10) | -0.3% |
| | <u>\$ 212</u> | <u>7.0%</u> | <u>\$ (502)</u> | <u>-14.2%</u> |

| | Amount | As a % of Related Business | Amount | As a % of Related Business |
|-----------------------------------|--------------------------|----------------------------------|-----------------|----------------------------------|
| | (i) Average yield | | | |
| Collection, landfill and transfer | \$ 53 | 2.1% | \$ 85 | 3.1% |
| Waste-to-energy disposal | 7 | 6.7% | (3) | -2.6% |
| Collection and disposal | 60 | 2.3% | 82 | 2.9% |
| Recycling commodities | 78 | 38.8% | (139) | -38.7% |
| Electricity | 4 | 5.6% | (27) | -27.3% |
| Fuel surcharges and mandated fees | 11 | 10.8% | (108) | -51.2% |
| Total | <u>\$ 153</u> | <u>5.0%</u> | <u>\$ (192)</u> | <u>-5.5%</u> |

| | Quarters Ended | | Nine Months Ended | |
|---|-----------------------|---------------|-------------------|---------------|
| | September 30, 2010 | 2009 | 2010 | 2009 |
| Free Cash Flow Analysis (b) | | | | |
| Net cash provided by operating activities | \$ 677 | \$ 575 | \$ 1,653 | \$ 1,642 |
| Capital expenditures | (262) | (240) | (737) | (823) |
| Proceeds from divestitures of businesses (net of cash divested) and other sales of assets | 9 | 8 | 36 | 20 |
| Free cash flow | <u>\$ 424</u> | <u>\$ 343</u> | <u>\$ 952</u> | <u>\$ 839</u> |

(a) Intercompany revenues between lines of business are eliminated within the Condensed Consolidated Financial Statements included herein.

(b) The summary of free cash flows has been prepared to highlight and facilitate understanding of the principal cash flow elements. Free cash flow is not a measure of financial performance under generally accepted accounting principles and is not intended to replace the consolidated statement of cash flows that was prepared in accordance with generally accepted accounting principles.

Waste Management, Inc.
Summary Data Sheet
(Dollar Amounts in Millions)
(Unaudited)

| | Quarters Ended | | |
|---|-----------------------|------------------|-----------------------|
| | September 30, 2010 | June 30, 2010 | September 30, 2009 |
| Balance Sheet Data | | | |
| Cash and cash equivalents | \$ 550 | \$ 1,169 | \$ 612 |
| Debt-to-total capital ratio: | | | |
| Long-term indebtedness, including current portion | \$ 8,959 | \$ 9,585 | \$ 8,246 |
| Total equity | 6,439 | 6,408 | 6,521 |
| Total capital | \$ 15,398 | \$15,993 | \$ 14,767 |
| Debt-to-total capital | 58.2% | 59.9% | 55.8% |
| Capitalized interest | \$ 4 | \$ 4 | \$ 5 |
| Acquisition Summary (a) | | | |
| Gross annualized revenue acquired | \$ 71 | \$ 87 | \$ 53 |
| Total consideration | \$ 122 | \$ 193 | \$ 82 |
| Cash paid for acquisitions | \$ 106 | \$ 183 | \$ 64 |
| Other Operational Data | | | |
| Internalization of waste, based on disposal costs | 67.9% | 68.4% | 69.2% |
| Total landfill disposal volumes (tons in millions) | 24.4 | 23.8 | 23.9 |
| Total waste-to-energy disposal volumes (tons in millions) | 2.0 | 1.9 | 1.8 |
| Total disposal volumes (tons in millions) | 26.4 | 25.7 | 25.7 |
| Active landfills | 272 | 273 | 274 |
| Landfills reporting volume | 258 | 258 | 259 |
| Amortization, Accretion and Other Expenses for Landfills Included in Operating Groups: | | | |
| Landfill amortization expense - | | | |
| Cost basis of landfill assets | \$ 89.5 | \$ 88.5 | \$ 86.2 |
| Asset retirement costs | 20.0 | 13.7 | 13.8 |
| Total landfill amortization expense | 109.5 | 102.2 | 100.0 |
| Accretion and other related expense | 17.0 | 16.8 | 16.9 |
| Landfill amortization, accretion and other related expense | \$ 126.5 | \$ 119.0 | \$ 116.9 |

(a) Represents amounts associated with business acquisitions consummated during the indicated periods.

Waste Management, Inc.
Reconciliation of Certain Non-GAAP Measures
(Dollars In Millions, Except Per Share Amounts)
(Unaudited)

| | Quarter Ended September 30, 2010 | | Quarter Ended September 30, 2009 | |
|--|-------------------------------------|---------------------|---|---------------------|
| | After-tax Amount (a) | Per Share Amount | After-tax Amount (a) | Per Share Amount |
| <i>Adjusted Net income and Earnings Per Diluted Share</i> | | | | |
| Net income and Diluted EPS, as reported | \$ 244 | \$ 0.51 | \$ 277 | \$ 0.56 |
| Adjustments to Net income and Diluted EPS: | | | | |
| Tax items | 4 | | (14) | |
| Closed site charges and changes in risk-free interest rate | 16 | | — | |
| Restructuring charges | — | | 2 | |
| | 20 | 0.04 | (12) | (0.02) |
| Net income and Diluted EPS, as adjusted | \$ 264 | \$ 0.55 | \$ 265 | \$ 0.54 |
| | | | Quarter Ended September 30, 2010 | |
| <i>Further adjusted Earnings Per Diluted Share</i> | | | Per Share Amount | |
| Diluted EPS, as adjusted | | | \$ 0.55 | |
| Further adjustments to Diluted EPS: | | | | |
| Wheelabrator — maintenance and other costs | | | | 0.02 |
| Certain strategic growth initiatives | | | | 0.03 |
| Diluted EPS, as further adjusted | | | | \$ 0.60 |
| | | | Quarters Ended September 30, | |
| <i>Adjusted Operating Expenses</i> | | | 2010 | 2009 |
| Operating expense, as reported | | | \$ 2,006 | \$ 1,856 |
| Adjustments to Operating Expenses | | | | |
| Closed site charges and changes in risk-free interest rate | | | (19) | — |
| Adjusted Operating Expenses (b) | | | \$ 1,987 | \$ 1,856 |

(a) Please see the reconciliation of “Adjusted effective tax rate” for the tax expense associated with each of the after-tax adjustments to net income and diluted EPS in the third quarter of 2010 and 2009.

(b) Increase of \$131 million in operating expense, as adjusted.

Waste Management, Inc.
Reconciliation of Certain Non-GAAP Measures
(Dollars In Millions)
(Unaudited)

| | Quarter Ended September 30, 2010 | | | Quarter Ended September 30, 2009 | |
|---|-------------------------------------|----------------|---------------------------|-------------------------------------|-------------------|
| | Pre-tax Income | Tax Expense | Effective Tax Rate (c) | Pre-tax Income | Tax Expense |
| <i>Adjusted effective tax rate</i> | | | | | |
| As reported amounts | \$ 411 | \$ 153 | 37.3% | \$ 425 | \$ 133 |
| Adjustments to Tax Expense: | | | | | |
| Tax items | — | (4) | | — | 14 |
| Closed site charges and changes in risk-free interest rate | 24 | 8 | | — | — |
| Restructuring charges | — | — | | 3 | 1 |
| As adjusted amounts | \$ 435 | \$ 157 | 36.3% | \$ 428 | \$ 148 |
| <i>Full Year 2010 Free Cash Flow Reconciliation(d)</i> | | | | Scenario 1 | Scenario 2 |
| 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 | | | | 50 | 100 |
| | | | | \$ 1,200 | \$ 1,300 |

(c) The Company calculates its effective tax rate based on actual dollars. Rounding differences occurred when the effective tax rate was calculated using the Pre-tax Income and Tax Expense amounts included in the table above, as these line items have been rounded in millions.

(d) The 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.