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Waste Management Announces Diluted Earnings per Share of $0.56 for the 2009 Third Quarter

Pricing Remains Strong and Company Reaffirms Full Year EPS Guidance

HOUSTON – October 29, 2009 – Waste Management, Inc. (NYSE: WM) today announced financial results for its third quarter ended September 30, 2009. Net income[(a)] for the quarter was $277 million, or $0.56 per diluted share, compared with $310 million, or $0.63 per diluted share, for the third quarter of 2008. Revenues for the third quarter of 2009 were $3.02 billion compared with $3.53 billion for the same 2008 period. Results in the 2009 third quarter included a net benefit of $0.02 per diluted share from the combined effects of certain favorable income tax adjustments and charges related to our restructuring announced in February 2009. Excluding those items, earnings would have been $265 million, or $0.54 per diluted share.[(b)]

David P. Steiner, Chief Executive Officer of Waste Management, commented, "The third quarter once again shows the strength of our strategy to maintain pricing while reducing costs. Our collection and disposal pricing remained strong, with internal revenue growth from yield of 2.9%. Recycling commodity prices increased each month in the third quarter, and have increased over 80% from the lows reached in January of 2009. On the cost side, the company-wide restructuring we announced in February produced savings consistent with the prior quarter, and we expect to exceed our original forecast of annualized savings of $120 million.

"Our commercial and residential business lines continued to demonstrate their recession-resistant qualities. Commercial revenue, excluding revenue from our fuel surcharge, remained solid, declining just 0.7% compared with the third quarter of 2008. Residential revenue, excluding revenue from our fuel surcharge, performed even better, declining only 0.4% compared with the prior year period."

Key Highlights for the Third Quarter 2009

- Internal revenue growth from yield from our collection and disposal operations was 2.9%.
- Internal revenue growth from volume was negative 8.9%.
- Revenue declined by $502 million. Of this decline, $189 million was due to lower recycling revenues and electricity sales prices, $108 million was related to the decline in

fuel surcharge revenue as crude oil prices declined, and $10 million was due to foreign currency translation.

- Operating expenses declined by $365 million, or approximately 16.4%, to $1.86 billion in the third quarter of 2009. Operating expenses, adjusted for labor disruption costs of $26 million that occurred in the third quarter of 2008, declined $339 million, or approximately 15.4%. As a percentage of revenue, third quarter 2009 operating expenses decreased to 61.4%, which is a 90 basis point improvement compared with the same quarter in 2008, as adjusted.[b]
- Selling, general and administrative expenses decreased by $30 million compared with the third quarter of 2008.
- Average recycling commodity prices were down 40% in the third quarter of 2009 compared with the prior year period. This decline caused a negative year-over-year impact to earnings of $0.05 per diluted share in the third quarter, compared with the prior year period.
- Natural gas markets adversely affected electricity sales prices at some of our waste-to-energy plants in the third quarter of 2009, causing a decline in earnings per diluted share of $0.04 compared with the prior year period.
- Free cash flow was $343 million in the quarter, and is $839 million for the first three quarters.[b]
- Capital expenditures were $240 million in the quarter.
- $208 million was returned to shareholders in the third quarter, consisting of $143 million in cash dividends and $65 million in common stock repurchases.
- The effective tax rate in the quarter was approximately 31.2%. The reduction in the effective tax rate for the quarter is due principally to the favorable impacts of finalizing our 2008 tax returns, tax audit settlements, currently recognizing the benefit of state net operating loss carry forwards, and updating our 2009 effective tax rate.

Steiner continued, "Economic conditions and our volumes have stabilized. So, as we look to the fourth quarter of this year, we expect the rate of decline in volumes to be slightly better than the rate of decline in the third quarter of 2009. In addition, our recycling business has shown consistent improvement since the lows in commodity prices reached during January 2009, and we expect a positive $0.02 to $0.04 impact on earnings per diluted share from our recycling operations in the fourth quarter of 2009, compared with the prior year period. On the other hand, we expect lower year-over-year natural gas prices to cause lower electricity sales prices in the fourth quarter of 2009, which would cause earnings per diluted share to decline $0.02 to $0.04 compared with the prior year period. So, we expect the negative effect from lower electricity sales prices to be offset by the positive effect from recycled commodities prices. Given these factors, we are comfortable we can achieve our previously issued full year 2009 earnings guidance of $1.95 to $1.99 per diluted share on an as adjusted basis. This is consistent with the current Wall Street earnings consensus of $0.48 per share for the fourth quarter of 2009. We continue to target full-year free cash flow of approximately $1.3 billion."[b]

Steiner concluded, "During the economic downturn we have maintained our commitment to returning cash to our shareholders. In the third quarter we paid out $143 million in dividends and repurchased $65 million of common stock. We also closed $82 million of acquisitions in the quarter. The recession-resistant qualities and strong cash flows of our solid waste business, combined with our focus on pricing and cost reduction, give us confidence that we will continue to generate strong cash returns for our shareholders and emerge from this economic downturn as a stronger, leaner company that is positioned to grow."

(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 (ii) financial measures the Company uses in the management of its business. The Company has adjusted net income, earnings per diluted share, projected earnings per diluted share and operating expense as a percent of revenue in this press release to exclude the impact of certain unusual, non-recurring or otherwise non-operational items.

The Company also discusses free cash flow and projected free cash flow, each of which is a non-GAAP measure, 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, and the payment of dividends. However, free cash flow has material limitations, as it does not represent cash flow available for discretionary expenditures because it excludes certain expenditures that we have committed to such as debt service obligations. 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 full year adjusted earnings projection of $1.95 to $1.99 per diluted share announced by the Company excludes (i) the first quarter impact of (A) a $23 million after-tax restructuring charge and (B) a $30 million after-tax asset impairment related to our revenue management software; (ii) the second quarter impact of (A) a restructuring charge of $3 million after-tax and (B) a $6 million after-tax charge related to our withdrawal from an underfunded multi-employer pension plan; and (iii) the third quarter impact of (A) a restructuring charge of $2 million after tax and, (B) a $14 million benefit related to tax items. GAAP net earnings per diluted share for the fourth quarter of 2009 may include other items that are not currently determinable, but may be significant, such as asset impairment and unusual items, charges, gains or losses from divestitures, or resolution of income tax items. The full year 2009 adjusted projected earnings announced 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 these 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 projected full year GAAP net earnings per diluted share and the quantitative reconciliation to our current adjusted earning per diluted share projection.

The quantitative reconciliations of each of the other 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 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 "Earnings 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 30064951." 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 1:00 p.m. Eastern time on October 29th through 5:00 p.m. Eastern time on November 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 reservation code 30064951.

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 2009 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. 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:

- *volatility and deterioration in the credit markets, inflation, higher interest rates and other general and local economic conditions may negatively affect the volumes of waste generated, our liquidity, our financing costs and other expenses;*
- *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;*
- *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; and*

- *we may reduce or permanently eliminate our dividend or share repurchase program, reduce capital spending or cease acquisitions if cash flows are less than we expect and we are not able to obtain capital needed to refinance our debt obligations, including near-term maturities, 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, 2008.

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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