

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

	<b>Quarters Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
Operating revenues	\$ 3,006	\$ 3,108
Costs and expenses:		
Operating	1,874	1,972
Selling, general and administrative	365	382
Depreciation and amortization	274	297
Restructuring	4	2
(Income) expense from divestitures, asset impairments and unusual items	33	(4)
	<u>2,550</u>	<u>2,649</u>
Income from operations	<u>456</u>	<u>459</u>
Other income (expense):		
Interest expense	(110)	(114)
Interest income	3	5
Other, net	(2)	1
	<u>(109)</u>	<u>(108)</u>
Income before income taxes	347	351
Provision for income taxes	<u>16</u>	<u>125</u>
Consolidated net income	331	226
Less : Net income attributable to noncontrolling interests	(16)	(8)
Net income attributable to Waste Management, Inc.	<u>\$ 315</u>	<u>\$ 218</u>
Basic earnings per common share	<u>\$ 0.65</u>	<u>\$ 0.44</u>
Diluted earnings per common share	<u>\$ 0.64</u>	<u>\$ 0.44</u>
Basic common shares outstanding	<u>488.5</u>	<u>490.9</u>
Diluted common shares outstanding	<u>491.6</u>	<u>493.4</u>
Cash dividends declared per common share	<u>\$ 0.29</u>	<u>\$ 0.27</u>

Note: Prior year information has been reclassified to conform to 2009 presentation.

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

	<u>Quarters Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
<b>EPS Calculation:</b>		
Net income attributable to Waste Management, Inc.	\$ 315	\$ 218
Number of common shares outstanding at end of period	486.1	490.7
Effect of using weighted average common shares outstanding	<u>2.4</u>	<u>0.2</u>
Weighted average basic common shares outstanding	488.5	490.9
Dilutive effect of equity-based compensation awards and other contingently issuable shares	<u>3.1</u>	<u>2.5</u>
Weighted average diluted common shares outstanding	<u>491.6</u>	<u>493.4</u>
Basic earnings per common share	<u>\$ 0.65</u>	<u>\$ 0.44</u>
Diluted earnings per common share	<u>\$ 0.64</u>	<u>\$ 0.44</u>

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

	<b>Years Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
Operating revenues	\$ 11,791	\$ 13,388
Costs and expenses:		
Operating	7,241	8,466
Selling, general and administrative	1,364	1,477
Depreciation and amortization	1,166	1,238
Restructuring	50	2
(Income) expense from divestitures, asset impairments and unusual items	83	(29)
	<u>9,904</u>	<u>11,154</u>
Income from operations	<u>1,887</u>	<u>2,234</u>
Other income (expense):		
Interest expense	(426)	(455)
Interest income	13	19
Other, net	(1)	(1)
	<u>(414)</u>	<u>(437)</u>
Income before income taxes	1,473	1,797
Provision for income taxes	<u>413</u>	<u>669</u>
Consolidated net income	1,060	1,128
Less : Net income attributable to noncontrolling interests	(66)	(41)
Net income attributable to Waste Management, Inc.	<u>\$ 994</u>	<u>\$ 1,087</u>
Basic earnings per common share	<u>\$ 2.02</u>	<u>\$ 2.21</u>
Diluted earnings per common share	<u>\$ 2.01</u>	<u>\$ 2.19</u>
Basic common shares outstanding	<u>491.2</u>	<u>492.1</u>
Diluted common shares outstanding	<u>493.6</u>	<u>495.4</u>
Cash dividends declared per common share	<u>\$ 1.16</u>	<u>\$ 1.08</u>

Note: Prior year information has been reclassified to conform to 2009 presentation.

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

	<b>Years Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
<b>EPS Calculation:</b>		
Net income attributable to Waste Management, Inc.	\$ 994	\$ 1,087
Number of common shares outstanding at end of period	486.1	490.7
Effect of using weighted average common shares outstanding	5.1	1.4
Weighted average basic common shares outstanding	491.2	492.1
Dilutive effect of equity-based compensation awards and other contingently issuable shares	2.4	3.3
Weighted average diluted common shares outstanding	493.6	495.4
Basic earnings per common share	\$ 2.02	\$ 2.21
Diluted earnings per common share	\$ 2.01	\$ 2.19

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

	<b>December 31, 2009 (Unaudited)</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 1,140	\$ 480
Receivables, net	1,527	1,610
Other	343	245
Total current assets	<u>3,010</u>	<u>2,335</u>
Property and equipment, net	11,541	11,402
Goodwill	5,632	5,462
Other intangible assets, net	238	158
Other assets	733	870
Total assets	<u><u>\$ 21,154</u></u>	<u><u>\$ 20,227</u></u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Accounts payable, accrued liabilities, and deferred revenues	\$ 2,152	\$ 2,201
Current portion of long-term debt	749	835
Total current liabilities	<u>2,901</u>	<u>3,036</u>
Long-term debt, less current portion	8,124	7,491
Other liabilities	3,538	3,515
Total liabilities	<u>14,563</u>	<u>14,042</u>
Equity:		
Waste Management, Inc. stockholders' equity	6,285	5,902
Noncontrolling interests	306	283
Total equity	<u>6,591</u>	<u>6,185</u>
Total liabilities and equity	<u><u>\$ 21,154</u></u>	<u><u>\$ 20,227</u></u>

Note: Prior year information has been reclassified to conform to 2009 presentation.

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

	<b>Years Ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
Cash flows from operating activities:		
Consolidated net income	\$ 1,060	\$ 1,128
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	1,166	1,238
Other	102	298
Change in operating assets and liabilities, net of effects of acquisitions and divestitures	34	(89)
Net cash provided by operating activities	<u>2,362</u>	<u>2,575</u>
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(281)	(280)
Capital expenditures	(1,179)	(1,221)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	28	112
Net receipts from restricted trust and escrow accounts, and other	182	206
Net cash used in investing activities	<u>(1,250)</u>	<u>(1,183)</u>
Cash flows from financing activities:		
New borrowings	1,749	1,525
Debt repayments	(1,335)	(1,785)
Common stock repurchases	(226)	(410)
Cash dividends	(569)	(531)
Exercise of common stock options	20	37
Other, net	(96)	(92)
Net cash used in financing activities	<u>(457)</u>	<u>(1,256)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>5</u>	<u>(4)</u>
Increase in cash and cash equivalents	660	132
Cash and cash equivalents at beginning of period	480	348
Cash and cash equivalents at end of period	<u>\$ 1,140</u>	<u>\$ 480</u>

Note: Prior year information has been reclassified to conform to 2009 presentation.

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

	Quarters Ended		
	December 31, 2009	September 30, 2009	December 31, 2008
<b><u>Operating Revenues by Lines of Business</u></b>			
Collection	\$ 2,005	\$ 2,024	\$ 2,071
Landfill	618	666	697
Transfer	337	359	368
Wheelabrator	214	214	229
Recycling	231	202	192
Other	80	61	51
Intercompany (a)	(479)	(503)	(500)
Operating revenues	<u>\$ 3,006</u>	<u>\$ 3,023</u>	<u>\$ 3,108</u>

	Quarters Ended			
	December 31, 2009		December 31, 2008	
<b><u>Analysis of Change in Year Over Year Revenues</u></b>				
	Amount	As a % of Total Company	Amount	As a % of Total Company
Average yield (i)	\$ 49	1.5%	\$ (29)	-0.9%
Volume	(200)	-6.4%	(198)	-5.9%
Internal revenue growth	(151)	-4.9%	(227)	-6.8%
Acquisition	30	1.0%	32	1.0%
Divestitures	(3)	-0.1%	(20)	-0.6%
Foreign currency translation	22	0.7%	(38)	-1.1%
	<u>\$ (102)</u>	<u>-3.3%</u>	<u>\$ (253)</u>	<u>-7.5%</u>
	Amount	As a % of Related Business	Amount	As a % of Related Business
(i) Average yield				
Collection, landfill and transfer	\$ 65	2.5%	\$ 70	2.6%
Waste-to-energy disposal	7	6.5%	(1)	-0.9%
Collection and disposal	72	2.7%	69	2.5%
Recycling commodities	35	17.6%	(97)	-29.8%
Electricity	(18)	-20.9%	3	3.5%
Fuel surcharges and mandated fees	(40)	-28.6%	(4)	-2.7%
Total	<u>\$ 49</u>	<u>1.5%</u>	<u>\$ (29)</u>	<u>-0.9%</u>

	Quarters Ended December 31,		Years Ended December 31,	
	2009	2008	2009	2008
<b><u>Free Cash Flow Analysis (b)</u></b>				
Net cash provided by operating activities	\$ 720	\$ 673	\$ 2,362	\$ 2,575
Capital expenditures	(356)	(434)	(1,179)	(1,221)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	8	20	28	112
Free cash flow	<u>\$ 372</u>	<u>\$ 259</u>	<u>\$ 1,211</u>	<u>\$ 1,466</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)**

	<b>Quarters Ended</b>		
	<b>December 31, 2009</b>	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b><u>Balance Sheet Data</u></b>			
Cash and cash equivalents	\$ 1,140	\$ 612	\$ 480
Debt-to-total capital ratio:			
Long-term indebtedness, including current portion	\$ 8,873	\$ 8,246	\$ 8,326
Total equity (a)	6,591	6,521	6,185
Total capital	\$ 15,464	\$ 14,767	\$ 14,511
Debt-to-total capital	57.4%	55.8%	57.4%
Capitalized interest	\$ 4	\$ 5	\$ 4
<b><u>Acquisition Summary (b)</u></b>			
Gross annualized revenue acquired	\$ 107	\$ 53	\$ 33
Total consideration	\$ 165	\$ 82	\$ 53
Cash paid for acquisitions	\$ 146	\$ 64	\$ 46
<b><u>Other Operational Data</u></b>			
Internalization of waste, based on disposal costs	68.7%	69.2%	68.4%
Total landfill disposal volumes (tons in millions)	22.3	23.9	25.0
Total waste-to-energy disposal volumes (tons in millions)	1.8	1.8	1.8
Total disposal volumes (tons in millions)	24.1	25.7	26.8
Active landfills	273	274	273
Landfills reporting volume	259	259	260
<b><u>Amortization and SFAS No. 143 Expenses for Landfills Included in Operating Groups -</u></b>			
Non - SFAS No. 143 amortization expense	\$ 82.5	\$ 86.2	\$ 88.1
Amortization expense related to SFAS No. 143 obligations	(15.8)	13.8	4.6
Total amortization expense (c)(d)	66.7	100.0	92.7
Accretion and other related expense	17.6	16.9	16.8
Landfill amortization, accretion and other related expense	\$ 84.3	\$ 116.9	\$ 109.5

(a) As a result of the Company's adoption of accounting guidance related to noncontrolling interests in consolidated financial statements on January 1, 2009, noncontrolling interests are now reported as a component of Total equity. Prior year information has been reclassified to conform to 2009 presentation.

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

(c) The quarter ended December 31, 2009, as compared with the quarter ended December 31, 2008, reflects a reduction in amortization expense of \$26 million, of which \$16 million is primarily due the differences in the annual year-end adjustments of the SFAS 143 landfill capping construction and closure/post-closure obligations identified in our annual review process that occurs in the fourth quarter. The remaining decrease is due to lower landfill volumes.

(d) The quarter ended December 31, 2009, as compared to the quarter ended September 30, 2009, reflects a reduction in amortization expense of \$33 million of which \$25 million is attributable to year-end adjustments of the SFAS 143 landfill capping construction and closure/post closure obligations as identified in our annual review process that occurs in the fourth quarter. The remaining decrease is due to lower landfill volumes.



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

	Quarter Ended December 31, 2009		Quarter Ended December 31, 2008	
	After-tax Amount	Per Share Amount	After-tax Amount	Per Share Amount
<i>Adjusted Net income and Diluted Earnings Per Share</i>				
<b>Net income and Diluted EPS, as reported</b>	<b>\$ 315</b>	<b>\$ 0.64</b>	<b>\$ 218</b>	<b>\$ 0.44</b>
<b>Adjustments to Net income and Diluted EPS:</b>				
Benefit from income tax related items	(81)	(0.17)	(6)	(0.01)
Expense from divestitures, asset impairments and unusual items, net	20	0.04	-	-
Restructuring	3	0.01	-	-
Landfill operating costs - changes in risk-free interest rates	-	-	16	0.03
Multi-employer pension withdrawal costs	-	-	13	0.03
<b>Net income and Diluted EPS, as adjusted (a)</b>	<b>\$ 257</b>	<b>\$ 0.52</b>	<b>\$ 241</b>	<b>\$ 0.49</b>

	Year Ended December 31, 2009		Year Ended December 31, 2008	
	After-tax Amount	Per Share Amount	After-tax Amount	Per Share Amount
<i>Adjusted Net income and Diluted Earnings Per Share</i>				
<b>Net income and Diluted EPS, as reported</b>	<b>\$ 994</b>	<b>\$ 2.01</b>	<b>\$ 1,087</b>	<b>\$ 2.19</b>
<b>Adjustments to Net income and Diluted EPS:</b>				
Tax items	(95)	(0.19)	(19)	(0.03)
Restructuring	31	0.07	-	-
(Income) expense from divestitures, asset impairments and unusual items, net (b)	50	0.10	(14)	(0.03)
Multi-employer pension withdrawal costs	6	0.01	24	0.05
Landfill operating costs - changes in risk-free interest rates	-	-	16	0.03
Labor disruptions	-	-	5	0.01
<b>Net income and Diluted EPS, as adjusted</b>	<b>\$ 986</b>	<b>\$ 2.00</b>	<b>\$ 1,099</b>	<b>\$ 2.22</b>

	Quarter Ended December 31, 2009		
	Pre-tax Income	Tax Expense	Effective Tax Rate (c)
<i>Adjusted effective tax rate</i>			
<b>As reported amounts</b>	<b>\$ 347</b>	<b>\$ 16</b>	<b>4.9%</b>
<b>Adjustments to Tax Expense:</b>			
Benefit from income tax related items	-	81	
Benefit from utilization of state net operating loss and credit carry-forwards	-	30	
<b>As adjusted amounts</b>	<b>\$ 347</b>	<b>\$ 127</b>	<b>36.8%</b>

(a) Increase of 6.1% in Diluted EPS, as adjusted.

(b) Adjustments in 2009 included SAP abandonment in the first quarter of \$30 million.

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

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

		<b>Quarters Ended December 31,</b>	
		<b>2009</b>	<b>2008</b>
<i>Adjusted Operating Expenses as a percent of Revenues</i>			
<b>As reported:</b>			
	Operating revenues	\$ 3,006	\$ 3,108
	Operating expenses	\$ 1,874	\$ 1,972
<b>Operating Expenses as a percent of Revenues</b>		<b>62.3%</b>	<b>63.4%</b>
<b>Adjustments</b>			
	Operating revenues	\$ -	\$ -
	Operating expenses (a)	\$ -	\$ (54)
<b>As adjusted:</b>			
	Operating revenues	\$ 3,006	\$ 3,108
	Operating expenses (b)	\$ 1,874	\$ 1,918
<b>Adjusted Operating Expenses as a percent of Revenues (c)</b>		<b>62.3%</b>	<b>61.7%</b>

		<b>Years Ended December 31,</b>	
		<b>2009</b>	<b>2008</b>
<i>Adjusted Operating Expenses as a percent of Revenues</i>			
<b>As reported:</b>			
	Operating revenues	\$ 11,791	\$ 13,388
	Operating expenses	\$ 7,241	\$ 8,466
<b>Operating Expenses as a percent of Revenues</b>		<b>61.4%</b>	<b>63.2%</b>
<b>Adjustments</b>			
	Operating revenues	\$ -	\$ -
	Operating expenses (d)	\$ (9)	\$ (80)
<b>As adjusted:</b>			
	Operating revenues	\$ 11,791	\$ 13,388
	Operating expenses (e)	\$ 7,232	\$ 8,386
<b>Adjusted Operating Expenses as a percent of Revenues (e)</b>		<b>61.3%</b>	<b>62.6%</b>

<b>Full Year 2010 Free Cash Flow Reconciliation (f)</b>		<b>Scenario 1</b>	<b>Scenario 2</b>
	Net cash provided by operating activities	\$ 2,375	\$ 2,450
	Capital expenditures	(1,200)	(1,200)
	Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	25	50
<b>Free cash flow</b>		<b>\$ 1,200</b>	<b>\$ 1,300</b>

- (a) Adjustments in 2008 included: \$33 million charge to landfill operating costs associated with changes in risk-free interest rates and \$21 million charge related to multi-employer pension withdrawal costs.
- (b) Decrease in Operating Expenses on a dollar basis, as adjusted, of \$44 million.
- (c) Increase in Operating Expenses as a percent of revenue, as adjusted, of 60 basis points.
- (d) Adjustments in 2009 include \$9 million charge related to multi-employer pension withdrawal costs. Adjustments in 2008 included: \$33 million charge to landfill operating costs associated with changes in risk-free interest rates; \$39 million charge related to multi-employer pension withdrawal costs and \$8 million related to the cost of a labor disruption.
- (e) Decrease in full year 2009 Operating Expenses on a dollar basis, as adjusted, of \$1,154 million, or 130 basis points.
- (f) 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 in our control and therefore are not necessarily indicative of what actual results will be.