

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

	Quarters Ended June 30,	
	2010	2009
Operating revenues	\$ 3,158	\$ 2,952
Costs and expenses:		
Operating	1,996	1,786
Selling, general and administrative	345	323
Depreciation and amortization	309	302
Restructuring	(1)	5
(Income) expense from divestitures, asset impairments and unusual items	(77)	2
	<u>2,572</u>	<u>2,418</u>
Income from operations	<u>586</u>	<u>534</u>
Other income (expense):		
Interest expense	(116)	(107)
Interest income	2	3
Other, net	(8)	-
	<u>(122)</u>	<u>(104)</u>
Income before income taxes	464	430
Provision for income taxes	<u>206</u>	<u>163</u>
Consolidated net income	258	267
Less : Net income attributable to noncontrolling interests	12	20
Net income attributable to Waste Management, Inc.	<u>\$ 246</u>	<u>\$ 247</u>
Basic earnings per common share	<u>\$ 0.51</u>	<u>\$ 0.50</u>
Diluted earnings per common share	<u>\$ 0.51</u>	<u>\$ 0.50</u>
Basic common shares outstanding	<u>482.1</u>	<u>492.4</u>
Diluted common shares outstanding	<u>485.8</u>	<u>493.7</u>
Cash dividends declared per common share	<u>\$ 0.315</u>	<u>\$ 0.29</u>

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

	<u>Quarters Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
EPS Calculation:		
Net income attributable to Waste Management, Inc.	\$ 246	\$ 247
Number of common shares outstanding at end of period	478.9	492.2
Effect of using weighted average common shares outstanding	3.2	0.2
Weighted average basic common shares outstanding	482.1	492.4
Dilutive effect of equity-based compensation awards and other contingently issuable shares	3.7	1.3
Weighted average diluted common shares outstanding	485.8	493.7
Basic earnings per common share	\$ 0.51	\$ 0.50
Diluted earnings per common share	\$ 0.51	\$ 0.50

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

	Six Months Ended June 30,	
	2010	2009
Operating revenues	\$ 6,093	\$ 5,762
Costs and expenses:		
Operating	3,877	3,511
Selling, general and administrative	696	660
Depreciation and amortization	600	591
Restructuring	(1)	43
(Income) expense from divestitures, asset impairments and unusual items	(77)	51
	<u>5,095</u>	<u>4,856</u>
Income from operations	<u>998</u>	<u>906</u>
Other income (expense):		
Interest expense	(228)	(212)
Interest income	2	7
Other, net	(6)	-
	<u>(232)</u>	<u>(205)</u>
Income before income taxes	766	701
Provision for income taxes	<u>316</u>	<u>264</u>
Consolidated net income	450	437
Less : Net income attributable to noncontrolling interests	22	35
Net income attributable to Waste Management, Inc.	<u>\$ 428</u>	<u>\$ 402</u>
Basic earnings per common share	<u>\$ 0.89</u>	<u>\$ 0.82</u>
Diluted earnings per common share	<u>\$ 0.88</u>	<u>\$ 0.81</u>
Basic common shares outstanding	<u>481.5</u>	<u>492.1</u>
Diluted common shares outstanding	<u>484.6</u>	<u>493.6</u>
Cash dividends declared per common share	<u>\$ 0.63</u>	<u>\$ 0.58</u>

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

	Six Months Ended June 30,	
	2010	2009
EPS Calculation:		
Net income attributable to Waste Management, Inc.	\$ 428	\$ 402
Number of common shares outstanding at end of period	478.9	492.2
Effect of using weighted average common shares outstanding	2.6	(0.1)
Weighted average basic common shares outstanding	481.5	492.1
Dilutive effect of equity-based compensation awards and other contingently issuable shares	3.1	1.5
Weighted average diluted common shares outstanding	484.6	493.6
Basic earnings per common share	\$ 0.89	\$ 0.82
Diluted earnings per common share	\$ 0.88	\$ 0.81

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

	June 30, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,169	\$ 1,140
Receivables, net	1,641	1,527
Other	346	343
Total current assets	<u>3,156</u>	<u>3,010</u>
Property and equipment, net	11,575	11,541
Goodwill	5,667	5,632
Other intangible assets, net	256	238
Other assets	1,105	733
Total assets	<u><u>\$ 21,759</u></u>	<u><u>\$ 21,154</u></u>
Liabilities and Equity		
Current liabilities:		
Accounts payable, accrued liabilities, and deferred revenues	\$ 2,100	\$ 2,152
Current portion of long-term debt	758	749
Total current liabilities	<u>2,858</u>	<u>2,901</u>
Long-term debt, less current portion	8,827	8,124
Other liabilities	3,666	3,538
Total liabilities	<u>15,351</u>	<u>14,563</u>
Equity:		
Waste Management, Inc. stockholders' equity	6,099	6,285
Noncontrolling interests	309	306
Total equity	<u>6,408</u>	<u>6,591</u>
Total liabilities and equity	<u><u>\$ 21,759</u></u>	<u><u>\$ 21,154</u></u>

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

	Six Months Ended June 30,	
	2010	2009
Cash flows from operating activities:		
Consolidated net income	\$ 450	\$ 437
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	600	591
Other	113	60
Change in operating assets and liabilities, net of effects of acquisitions and divestitures	(187)	(21)
Net cash provided by operating activities	<u>976</u>	<u>1,067</u>
Cash flows from investing activities:		
Acquisitions of businesses, net of cash acquired	(237)	(59)
Capital expenditures	(475)	(583)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	27	12
Investments in unconsolidated entities	(161)	(3)
Net receipts from restricted trust and escrow accounts, and other	23	70
Net cash used in investing activities	<u>(823)</u>	<u>(563)</u>
Cash flows from financing activities:		
New borrowings	706	908
Debt repayments	(213)	(1,014)
Common stock repurchases	(286)	-
Cash dividends	(305)	(285)
Exercise of common stock options	13	8
Other, net	(38)	(73)
Net cash used in financing activities	<u>(123)</u>	<u>(456)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1)</u>	<u>-</u>
Increase in cash and cash equivalents	29	48
Cash and cash equivalents at beginning of period	1,140	480
Cash and cash equivalents at end of period	<u>\$ 1,169</u>	<u>\$ 528</u>

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

	Quarters Ended			
	June 30, 2010	March 31, 2010	June 30, 2009	
<u>Operating Revenues by Lines of Business</u>				
Collection	\$ 2,082	\$ 1,974	\$ 1,999	
Landfill	664	562	663	
Transfer	351	312	366	
Wheelabrator	217	206	212	
Recycling	281	269	165	
Other	76	64	57	
Intercompany (a)	(513)	(452)	(510)	
Operating revenues	<u>\$ 3,158</u>	<u>\$ 2,935</u>	<u>\$ 2,952</u>	
	Quarters Ended			
	June 30, 2010	June 30, 2009		
<u>Analysis of Change in Year Over Year Revenues</u>				
	Amount	As a % of Total Company	Amount	As a % of Total Company
Average yield (i)	\$ 209	7.1%	\$ (218)	-6.3%
Volume	(86)	-2.9%	(299)	-8.6%
Internal revenue growth	123	4.2%	(517)	-14.9%
Acquisition	62	2.1%	21	0.6%
Divestitures	(1)	0.0%	(13)	-0.3%
Foreign currency translation	22	0.7%	(28)	-0.8%
	<u>\$ 206</u>	<u>7.0%</u>	<u>\$ (537)</u>	<u>-15.4%</u>
	Amount	As a % of Related Business	Amount	As a % of Related Business
(i) Average yield				
Collection, landfill and transfer	\$ 56	2.2%	\$ 87	3.2%
Waste-to-energy disposal	6	5.7%	(2)	-1.8%
Collection and disposal	62	2.3%	85	3.0%
Recycling commodities	123	78.8%	(165)	-48.7%
Electricity	(3)	-4.5%	(22)	-25.0%
Fuel surcharges and mandated fees	27	31.8%	(116)	-57.1%
Total	<u>\$ 209</u>	<u>7.1%</u>	<u>\$ (218)</u>	<u>-6.3%</u>
	Quarters Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<u>Free Cash Flow Analysis (b)</u>				
Net cash provided by operating activities	\$ 480	\$ 548	\$ 976	\$ 1,067
Capital expenditures	(220)	(258)	(475)	(583)
Proceeds from divestitures of businesses (net of cash divested) and other sales of assets	15	7	27	12
Free cash flow	<u>\$ 275</u>	<u>\$ 297</u>	<u>\$ 528</u>	<u>\$ 496</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		
	June 30, 2010	March 31, 2010	June 30, 2009
<u>Balance Sheet Data</u>			
Cash and cash equivalents	\$ 1,169	\$ 871	\$ 528
Debt-to-total capital ratio:			
Long-term indebtedness, including current portion	\$ 9,585	\$ 8,823	\$ 8,243
Total equity	6,408	6,541	6,367
Total capital	\$ 15,993	\$ 15,364	\$ 14,610
Debt-to-total capital	59.9%	57.4%	56.4%
Capitalized interest	\$ 4	\$ 4	\$ 5
<u>Acquisition Summary (a)</u>			
Gross annualized revenue acquired	\$ 87	\$ 69	\$ 34
Total consideration	\$ 193	\$ 84	\$ 53
Cash paid for acquisitions	\$ 183	\$ 54	\$ 35
<u>Other Operational Data</u>			
Internalization of waste, based on disposal costs	68.4%	67.9%	69.3%
Total landfill disposal volumes (tons in millions)	23.8	20.3	23.9
Total waste-to-energy disposal volumes (tons in millions)	1.9	1.7	1.8
Total disposal volumes (tons in millions)	25.7	22.0	25.7
Active landfills	273	273	274
Landfills reporting volume	258	258	259
<u>Amortization, Accretion and Other Expenses for Landfills Included in Operating Groups:</u>			
Landfill amortization expense -			
Cost basis of landfill assets	\$ 88.5	\$ 72.6	\$ 86.3
Asset retirement costs	13.7	10.7	14.3
Total landfill amortization expense (b)	102.2	83.3	100.6
Accretion and other related expense	16.8	16.8	16.4
Landfill amortization, accretion and other related expense	\$ 119.0	\$ 100.1	\$ 117.0

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

(b) The quarter ended June 30, 2010 as compared with the quarter ended March 31, 2010 reflects an increase in amortization expense of \$18.9 million, which was primarily due to the seasonal increase in landfill volumes.

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

	<u>Quarter Ended June 30, 2010</u>		<u>Quarter Ended June 30, 2009</u>	
<i>Adjusted Net income and Earnings Per Diluted Share</i>	<u>After-tax Amount (a)</u>	<u>Per Share Amount</u>	<u>After-tax Amount (b)</u>	<u>Per Share Amount</u>
Net income and Diluted EPS, as reported	\$ 246	\$ 0.51	\$ 247	\$ 0.50
Adjustments to Net income and Diluted EPS:				
Litigation settlement	(48)	(0.10)	-	-
Expense from tax related items	37	0.08	-	-
Increased environmental remediation reserves	25	0.05	-	-
Labor disruption costs	1	-	-	-
Multi-employer pension withdrawal costs	-	-	6	0.01
Restructuring charges	-	-	3	0.01
Net income and Diluted EPS, as adjusted	<u>\$ 261</u>	<u>\$ 0.54</u>	<u>\$ 256</u>	<u>\$ 0.52</u>

	<u>Quarters Ended June 30,</u>	
<i>Adjusted Operating Expenses</i>	<u>2010</u>	<u>2009</u>
Operating Expense, as reported	\$ 1,996	\$ 1,786
Adjustments to Operating Expense		
Increased environmental remediation reserves	(39)	-
Labor disruption costs	(2)	-
Multi-employer pension withdrawal costs	-	(9)
Adjusted Operating Expenses (c)	<u>\$ 1,955</u>	<u>\$ 1,777</u>

	<u>Quarter Ended June 30, 2010</u>		
<i>Adjusted effective tax rate</i>	<u>Pre-tax Income</u>	<u>Tax Expense</u>	<u>Effective Tax Rate (d)</u>
As reported amounts	\$ 464	\$ 206	44.2%
Adjustments to Tax Expense:			
Litigation settlement	(77)	(29)	
Expense from tax related items	-	(37)	
Increased environmental remediation reserves	39	14	
Labor disruption costs	2	1	
As adjusted amounts	<u>\$ 428</u>	<u>\$ 155</u>	36.2%

- (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 second quarter of 2010.
- (b) The tax expense associated with the after-tax adjustments to net income and diluted EPS in the second quarter of 2009 for multi-employer pension withdrawal costs and restructuring charges were \$3 million and \$2 million, respectively.
- (c) Increase of \$178 million in operating expense, as adjusted.
- (d) 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.

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

	Quarter Ended June 30, 2010		Quarter Ended June 30, 2009	
<i>Adjusted Income from Operations as a percent of Revenues</i>	Amount	As a % of Revenues	Amount	As a % of Revenues
Operating revenues, as reported	\$ 3,158		\$ 2,952	
Income from operations, as reported	\$ 586	18.6%	\$ 534	18.1%
Adjustments to Income from Operations:				
Litigation settlement	(77)	-2.5%	-	-
Increased environmental remediation reserves	39	1.2%	-	-
Labor disruption costs	2	0.1%	-	-
Multi-employer pension withdrawal costs	-	-	9	0.3%
Restructuring charges	-	-	5	0.2%
Income from operations, as adjusted (e)	550	17.4%	548	18.6%
Further adjusted for change in ten-year Treasury rates (f)	10	0.3%	(22)	-0.8%
Income from operations, as further adjusted	<u><u>\$ 560</u></u>	<u><u>17.7%</u></u>	<u><u>\$ 526</u></u>	<u><u>17.8%</u></u>

Full Year 2010 Free Cash Flow Reconciliation (g)	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
	<u><u>\$ 1,200</u></u>	<u><u>\$ 1,300</u></u>

- (e) Year-over-year change in income from operations, as a percent of revenues, of 120 basis points, as adjusted.
- (f) Adjustments to our calculation of the present value of our environmental remediation reserves resulting from changes in the ten-year Treasury rates caused a \$32 million year-over-year cost increase, or a year-over-year change in the income from operations, as a percent of revenues, of 110 basis points.
- (g) 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 actual results.