

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

	Quarters Ended September 30,	
	2010	2009
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>

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.	\$ 244	\$ 277
Number of common shares outstanding at end of period	475.7	490.6
Effect of using weighted average common shares outstanding	1.6	1.6
Weighted average basic common shares outstanding	477.3	492.2
Dilutive effect of equity-based compensation awards and other contingently issuable shares	3.7	2.4
Weighted average diluted common shares outstanding	481.0	494.6
Basic earnings per common share	\$ 0.51	\$ 0.56
Diluted earnings per common share	\$ 0.51	\$ 0.56

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

	Nine Months Ended September 30,	
	2010	2009
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	<u>708</u>	<u>729</u>
Less : Net income attributable to noncontrolling interests	36	50
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)

	<u>Nine Months Ended September 30,</u>	
	<u>2010</u>	<u>2009</u>
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)

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

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

	Nine Months Ended September 30,	
	2010	2009
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	<u>1</u>	<u>3</u>
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
<u>Operating Revenues by Lines of Business</u>			
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
<u>Analysis of Change in Year Over Year Revenues</u>				
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 September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<u>Free Cash Flow Analysis (b)</u>				
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
<u>Balance Sheet Data</u>			
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
<u>Acquisition Summary (a)</u>			
Gross annualized revenue acquired	\$ 71	\$ 87	\$ 53
Total consideration	\$ 122	\$ 193	\$ 82
Cash paid for acquisitions	\$ 106	\$ 183	\$ 64
<u>Other Operational Data</u>			
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
<u>Amortization, Accretion and Other Expenses for Landfills Included in Operating Groups:</u>			
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
	Per Share Amount
<i>Further adjusted Earnings Per Diluted Share</i>	
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,	
	2010	2009
<i>Adjusted Operating Expenses</i>		
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 30, 2009	September
	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>	<u>Scenario 1</u>	<u>Scenario 2</u>
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>\$ 1,200</u>	<u>\$ 1,300</u>

(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.