

every day

2005 annual report

casella waste systems

every day

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casella
waste systems, inc.

every day

Roots...

Our mission, vision and strategy is made possible only by our commitment to honor our core values—*integrity, trust, continuous improvement, responsibility, teamwork, and service*—as a guide for our decisions, choices and behaviors.

Every day.



To our fellow shareholders...

Last year, we talked about how we would go about creating value consistent with the long-term approach laid out in our three-to-five year plan; how we would continue to build assets in our core markets, to focus on developing municipal partnerships; and how we would continue to leverage our dominant waste services infrastructure building a greater concentration in our core franchise.

2005 was a terrific year.

By continuing to invest in our people; by pursuing smart, disciplined growth and by attaining daily operational excellence; we've delivered on our promise of providing the stability and predictability that investors value, while building the foundations of future value creation.

And it's quantifiable success, as indicated by significant improvements in our operating margin and internalization rates, aggressive development of our public-private partnership model, and our increase in permitable company-wide disposal capacity—from just under 30 million tons at the end of fiscal year 2003 to nearly 82 million tons at April 30, 2005, a remarkable indicator of the value we stand poised to create in the near—and long-term.

All of these indicators contributed to healthy growth over the previous fiscal year—performance consistent with our strategic plan and, more importantly, the result of our employees—more than 2,600 strong—making it happen. Every day.

In fiscal 2006 we're aiming to build on our success, firmly rooted in a focused strategy executed by the people who build our company. We'll continue to pursue opportunities to develop disposal capacity (primarily through public partnerships), by leveraging our ability to link recycling and other sustainable environmental approaches to the disposal needs of communities throughout our operating region—a strategy we're successfully pursuing in places like Ontario and Chemung, New York; West Old Town in Maine and Southbridge in Massachusetts.

Despite the slowness in our regional economy, we believe we can sustain healthy, predictable growth in fiscal 2006 as well as see even greater improvement in our internalization rate, while strengthening our margin. And we'll do it by continuing to build on the things that helped us to make 2005 such a fantastic year—our people, and an unrelenting desire to be the best solid waste service company in North America.

Thank you for your support throughout the year.

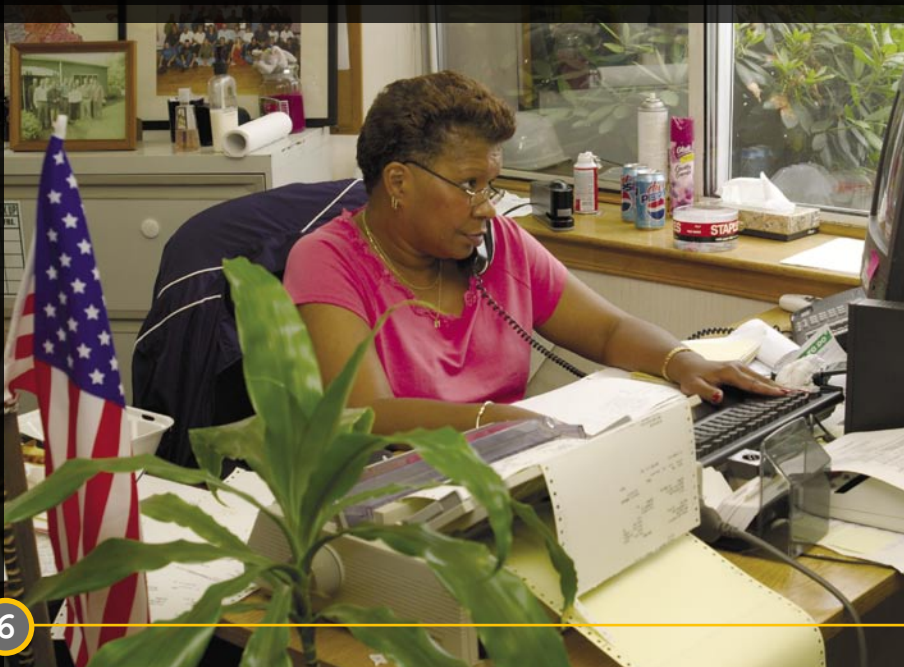
Sincerely,



John W. Casella
Chairman & Chief Executive Officer
August 8, 2005

Leaders...

Great companies—ones that create value and make a significant contribution to society—are built by great leaders. And, from the driver or handler to the senior manager, everyone in our company is taught and trusted to lead at some level.









Every day, we build our people. Their skills. Their commitment. Their heart.

Because—ultimately—anything we hope to build, any value we hope to create, any contribution we hope to make comes down to teaching our people that what they do matters immensely—to each other, our customers, our communities, our shareholders.

Great people doing the right things, doing them very well. Doing them every day.

Great People...

*You see a landfill...
we see a source of
renewable energy.*



Focus...



The waste management landscape of today isn't the same as it was ten years ago, five years ago, even last year.

Public attitudes, new social and legislative mandates, ever more rigorous regulation and oversight—creating value for communities isn't just an excuse for marketing or advertising.

It's a necessity.





With a focused strategy of developing disposal capacity through public partnerships, and using our unique ability to link recycling and other sustainable environmental opportunities we can not only meet, but exceed, the needs and expectations of the communities we serve.

And we're doing it. At Southbridge and Hardwick, at West Old Town and now, Chemung, New York—every day—we're building sustainable waste management.

*Efficient and profitable
recycling means leveraging
the value of all our services.*



Innovation...



Being able to exceed our customers' expectations means using our ability to innovate, and using technology that allows us to differentiate ourselves from the competition.

Our recent implementation of optical sorting will enable us to more effectively and efficiently separate recyclables—directly supporting our efforts to develop single stream recycling and making it easier—every day—for our customers to fully participate in municipal and local recycling programs—ultimately increasing our ability to leverage these assets as part of a complete, indispensable set of solutions—collection, recycling, disposal.

And we're not stopping there.



*Rethinking landfills as
sustainable resources—
creating sustainable value.*

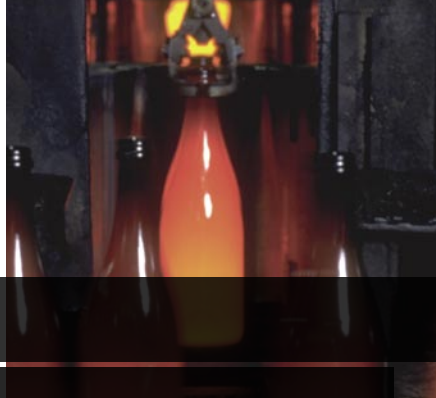
We're aggressively working to develop our Culchrome™ technology enabling us to turn mountains of glass into usable brown bottles. We're developing an active culture of innovation across our company that will ensure we continue to discover and develop new ideas, maintaining our competitive edge and keeping our promise to customers to deliver the very best service.

Gas regeneration projects, currently under way or in the planning stages, are extracting methane gas, piping it to a generating station and lighting up neighborhoods and businesses—all while reducing our greenhouse gas footprint.

Everyday, this type of creative thinking is redrawing the waste management landscape, providing leadership to our industry, convenience to our customers and making us an indispensable, long-term partner to communities we serve.

And we're just getting started.

Using technology to reclaim resources —and opportunity.





Foundations...

You can't grow a great company without maintaining a daily focus on the fundamentals that enable us to keep our business on track—financially and strategically. This dedication to everyday performance gives us the ability to seek out, explore, and capitalize on new opportunities.

While keeping our strategic focus is crucial to our success, we're continuing to nurture and mature best practices as well because they sustain our ability to perform at the highest levels. Hiring right. Reducing turnover. In leveraging tools and technology to measure, manage, and improve our performance.

Every day.

The results? In fiscal 2005 employee retention increased for the fourth year in a row and we met or exceeded the financial goals we set for the 2005 fiscal year.





The Big Picture...



Making the right choices means knowing what's going on outside of the company and making sure our company makes sense for the current business environment.

It means that we need to look around and take the pulse of the world we work in so we can not only meet, but also anticipate, meaningful changes.

It means doing an exceptional job of strategic planning and considering customers, technology, shareholders and their impact on our business. And that makes us better equipped to create exceptional value.

Every day.



Smart Growth...

Every day, we're looking to pick the right opportunity at the right time—not just any strategic acquisition or tuck-in—but the opportunity that integrates with our business model and our strategic outlook.

It means disciplined, thoughtful acquisition strategy. The kind that builds predictable, stable returns on the investments we all make in our company—shareholders, employees, managers, and customers alike.