



Letter to Shareholders

April 2, 2007

Dear Fellow Shareholders,

July 1, 1998 marked the first day that Republic Services, Inc. began trading on the New York Stock Exchange as a public company. Over the past nine years, our most important objective has been to deliver waste management services in a way that exceeds our customers' highest expectations and, in so doing, generate growing value for our stockholders.

Today, I am pleased to report that our commitment to customer service is stronger than ever, and so is our dedication to increasing the value of our Company.

Republic Services has 13,000 dedicated people. They are the driving force behind our network of 135 collection companies, 33 recycling facilities, 93 transfer stations and 59 landfills. Working as a team, we proudly serve some 5 million customers in 21 states.

A year ago, I told you about our programs to improve our operations and enhance our service delivery. Additionally, I told you that we were focused on achieving better pricing and aggressively managing our costs.

Today, I can tell you these efforts were successful. The execution of this strategy resulted in record revenues and earnings in 2006.

Annual revenue increased 7.2 percent and, for the first time in our history, exceeded \$3 billion. Net income grew to \$279.6 million, or \$2.07 per diluted share, compared with \$253.7 million, or \$1.75 per diluted share, in 2005. Operating income was \$519.5 million versus \$477.2 million a year earlier. Our ability to generate strong and predictable free cash flow has been the hallmark of our business. During 2006, our free cash flow once again exceeded net income as we generated \$286 million in free cash flow after adjusting for \$83 million in federal taxes related to 2005 that we paid during 2006.

We used this free cash flow to reward our stockholders by paying regular quarterly dividends and repurchasing Republic stock. Our Board increased this reward to stockholders in October 2006, when it increased the annual dividend 14 percent to \$0.64 per share. Additionally, the Company continued to execute its stock repurchase program. During 2006, we repurchased 12.2 million shares of Republic Services stock for \$492 million. Since inception of the program in 2000 through

December 31, 2006, Republic has repurchased 63.7 million shares or approximately 36 percent of the Company's outstanding shares, for \$1.8 billion. And, our Board extended the share repurchase program and approved directing an additional \$250 million toward stock repurchase during 2007.

In January 2007, our Board also approved a 3-for-2 stock split, which is expected to increase trading liquidity and make ownership of our stock more accessible for individual stockholders.

We know record results can only flow from high-quality service. We know our focus on quality service works.

During 2007, we will continue our emphasis on controlling costs and maximizing efficiency. We will focus on expanding margins and carefully evaluate opportunities to improve individual market positions and vertically integrate our collection, transfer, recycling and disposal operations. This will include reviewing potential acquisitions, landfill expansion projects and asset exchanges with the same disciplined approach that we have used in the past. Just as we have done over the past nine years, we will focus on building customer loyalty. And, of course, we will continue to manage the Company by emphasizing the generation and use of free cash flow.

From our very first day in business, we have constantly focused on customer satisfaction. We are always working to fine-tune our measurement systems to be sure we consider and address all the things customers tell us are important if we are to surpass their expectations.

Our people have a shared goal – to exceed our customers' highest expectations. We call this commitment CustomerFirst.

Our motto for 2007 is "Driving for Excellence." It recognizes the efforts across all of Republic's functions and disciplines to achieve customer satisfaction and increase stockholder value.

We appreciate your confidence in us and we pledge to continue to work hard in the years ahead.

Sincerely,

James E. O'Connor

Chairman and
Chief Executive Officer