

roots

Landfills and landfill development continue to be the backbone of our business...but our model needs to continue to evolve in a way that balances the needs of the communities we serve with the long-term goals of our business.



tomorrow

To Our Fellow Shareholders

This is an exciting—and challenging—time in the waste industry. While our company made progress towards our long-term strategic goals, 2006 was a difficult operational year. Rising energy costs provided a strong inflationary headwind broadly masking some really positive developments. Environmental regulations, emerging technologies, and a continuously evolving sense of our social responsibilities are pushing companies of all sizes to redefine their business models (and practices) placing a greater demand on innovative thinking as well as emphasizing the value of the fundamentals of our business—collection, recycling, and disposal.

Over the past four years we have built a strong foundation for profitable growth; over 57 million tons of permitable company-wide disposal capacity and, more importantly, we've added 1.5 million tons of annual disposal capacity to our core solid waste footprint. Much of this capacity was added through the success of our SEED™ (Sustainable Environmental Economic Development) program that has enabled us to develop operating leases and landfill franchises with local communities.

Just as the waste business is different than it was twenty, ten, or even five years ago, the activities that will sustain us and help us prosper in the next five, ten or twenty years will be vastly different than they are today. In many ways we are just beginning to grow the industry of the future. Our traditional activities are being supplemented with the development of intellectual property and proprietary technologies that help ensure our competitive position—today as well as tomorrow. Current initiatives like single stream recycling, our SEED™ concept, and our US GreenFiber and FCR operations are making measurable contributions to our business.

Throughout this climate of change one thing seems certain, we as an industry, cannot successfully remain married to a business model that is based solely on consumption. Finding new ways to manage our waste is only part of the answer. Changing the way we think about our waste—not as the end of the line but as the beginning of a new opportunity—will be essential to contributing, conserving, and sustaining—a waste paradigm that can continually adapt to the demands of the marketplace and maintain a positive environmental balance.

While investing in our future we will continue to build the business of today—adding to landfill capacity, fully developing our recycling capabilities, densifying our geographic footprint, and investigating and developing new opportunities wherever we find them. Our goal is to maximize the free cash flow from each ton of waste or said another way, to maximize shareholder value. The way we see it, the future value of landfill capacity will continue to grow, especially in the Northeast because of the regulatory environment and the scarcity of disposal capacity. And, if energy prices and international demand for commodities both continue to increase, cash flows will begin to be maximized through innovation and the willingness to rethink our solid waste model.

We have the people, we have the resources, and we have the vision to make it happen.

And we're just getting started.

Sincerely,



John W. Casella
Chairman & Chief Executive Officer
August 8, 2006







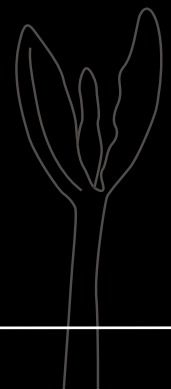
Sustainable Environmental Economic Development





vision

Sustainable environmental and economic development—SEED™—combines proven technologies including landfill gas regeneration, single stream recycling, and glass beneficiating; contributing to the needs of customers and improving utilization of existing and emerging technologies...all in a way that brings lasting economic benefits to host communities through the development of new industry and job creation. With components of these operations up and running at facilities throughout our system, we are working towards realizing the SEED concept in all levels of our company—meeting today's needs while preserving tomorrow's resources.









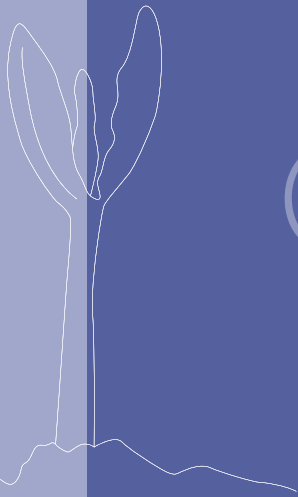
contribute

Single stream processing and optical sorting of plastics are revolutionizing the way we recycle. CulChrome® technology—that enables us to convert mixed cullet into new amber bottles—is promising, further reducing costs and adding to our sustainability model by recycling materials that would otherwise be landfilled. Combined, these existing and new activities can drive tons of additional material through our existing (and future) facilities—maximizing asset utilization, increasing shareholder return on invested capital, and conserving valuable landfill space.









conserve





The innovative gas treatment system developed by IES is currently in use at the Ontario and Waste USA landfills, and we are looking forward to introducing this technology at the Hyland, Chemung, Clinton, Southbridge, and Pine Tree landfills in the future. The system is designed to remove impurities from the gas prior to combustion giving two benefits over traditional systems:

- (1) It extends the service intervals for the generators, reducing operating costs (maintenance) and maximizing the time the generators are producing power.
- (2) It reduces the non-methane organic emissions from the generators









sustain

New England Organics' operations treat valuable residual byproducts as resources, not wastes. This division recycles over 400,000 tons/year of wood and coal ash from power plants, biosolids (sewage sludge from municipal wastewater treatment plants) and paper mill sludge (FiberClay®). The flagship Hawk Ridge Compost Facility manufactures 90,000 cubic yards of compost annually from 45,000 tons of biosolids feedstock. Composts, soils and mulches are sold and distributed to agriculture, landscaping and construction markets, often carrying the tradename Earthlife™.





Our joint venture with U.S. GreenFiber—especially when combined with the municipal recycling capabilities of FCR—diverts hundreds of thousands of tons of newspaper from our landfill operations and converts it into cellulose insulation. Not only does this activity extend the useful life of our disposal capacity but results in an environmentally friendly, highly effective building product. The relationship between U.S. GreenFiber and FCR adds stability and predictability to both our businesses by ensuring real end-product uses for recycled newsprint.



grow

Our unique collection of disposal, recycling and hauling resources and our established position as a leader in integrated waste management have us well-positioned for solid growth...now and for years to come. Continuing to aggressively develop new ideas and technologies and proactively responding to the challenges of our environmental responsibilities will help us sustain and grow our market leadership. For more than 30 years Casella has brought both innovation and a sound foundation of core skills to our business, providing for consistent growth while meeting the needs of communities throughout New England. Being willing to continually examine and evolve our business to meet the ever changing needs of managing waste will help us in our efforts to grow our market leadership in the years to come.



