STRENGTH IN OUR STRATEGY


ALLIED
WASTE

IN 2003, ALLIED WASTE REDUCED NET DEBT BY NEARLY $1 BILLION.

This significant feat was accomplished through great cash flow and a multifaceted capital structure management approach – one that has simplified the Company's balance sheet, rationalized the asset base, increased shareholder value and positioned Allied Waste for continued success in the coming years.

Letter from the Chairman

The effective day-to-day management of our business is critical. It requires the skill and precision that comes only with hard work and experience; and, it is clearly visible every day in the commitment of our employees. In addition, the improvement in Allied's capital structure is a crowning achievement for 2003. We made several bold financial moves last year, and we reduced our net debt by almost $1 billion.

The following report will outline the details of our accomplishments during the past year, as well as what the benefits have been for the Company and its shareholders. To set the stage, let's first address the reasons behind this ambitious undertaking.

Our underlying motivation was to refinance our credit facility. The result was a reduction of almost $1 billion in net debt in 2003, as well as an increase in the size of our revolving credit facility. It's a rare thing to both repay so much debt and improve liquidity; but, due to our credit strength and history of maintaining our commitments, we were able to get it done.

In 1999, Allied was able to secure a $7 billion credit facility — one of the largest of its time. By the end of 2002, we had taken advantage of the Company's robust free cash flow and the divestiture of nonintegrated assets to help repay more than $3 billion of that debt, continuing to delever the balance sheet and enhancing our credit profile. Yet, during that time, the banking environment also changed. Financial capacity had contracted considerably and refinancing all of the remaining $4 billion credit facility was simply not realistic.

Thus, we developed a comprehensive refinancing plan that would transform the capital structure of the Company. In doing so, Allied utilized the acute knowledge and expertise of our financial team, as well as a broad array of financing transactions, including equity offerings, high-yield bonds, strategic asset sales, refinanced term loans and a new revolving credit facility.

In March 2003, our Board of Directors approved the financing and divestiture plan to replace the Company's bank credit facility, significantly extend maturities, substantially enhance liquidity and improve our capital structure — all while accelerating debt reduction.

These dynamics converged in the first half of the year — despite a pretty tough banking market — and created an interesting opportunity. The Company had succeeded in reducing its bank credit facility by roughly $1 billion. Furthermore, in the second half of 2003, as interest rates began to improve, we found ourselves in a favorable position to pursue lower interest rates for much of the remaining debt.

Now, if the *why* behind this ambitious undertaking is not yet clear, consider this — in 2004, Allied expects to save more than $100 million in cash interest as a result of these refinancing efforts combined with the maturity of interest rate swap contracts. True, the initial goal was to accelerate deleveraging in 2003 and pay down $1 billion in debt by year-end, but the interest savings is the added benefit that results from such actions. Put another way, we recognized an opportunity to make significant capital structure improvements that could add lasting value for our shareholders in the long-term; and we seized that opportunity. Meanwhile, we continued to reinvest in the business. Capital spending for the year totaled almost $500 million, or nearly 10 percent of revenue.

There have been other exciting achievements during the past year, as well. We exceeded our 2003 internalization goal by reaching 72 percent at year-end, as we continued to optimize our market positions across the country. We also witnessed a return to positive internal growth during the year, primarily driven by a steady increase in volumes and stabilizing prices. In addition, the capital structure improvements have driven the debt-to-capitalization ratio to approximately 77 percent from 85 percent in 2000, mitigating the leverage overhang that accompanied us in the equity markets.

Of course, the challenges of responding to economic conditions haven't much changed. We continue to focus on improving price, reducing customer turn-over and improving operational efficiencies to offset inflationary cost pressures. Historically, the waste industry has lagged a bit in economic recoveries, and we have no reason to believe it will be different this time. Still, Allied Waste is well-positioned for an economic upturn.

The operational success we've achieved this year has been a direct result of the commitment and expertise of our management team. While this is the first full-blown recession Allied has had to face as a company since it was created in 1992, the vast majority of our managers each have more than 20 years of industry experience and were well equipped to address it. They've managed waste businesses in good times and in bad; and their first-hand experience has enabled us to minimize the short-term negative economic impact and continue to remain focused on the long-term success of the business.

Likewise, the financial success we've achieved is the result of the commitment and expertise of our executive team and the financial savvy of our Board of Directors. They have demonstrated strong leadership, and we look forward to reaping the benefits of their continued commitment to the Company.

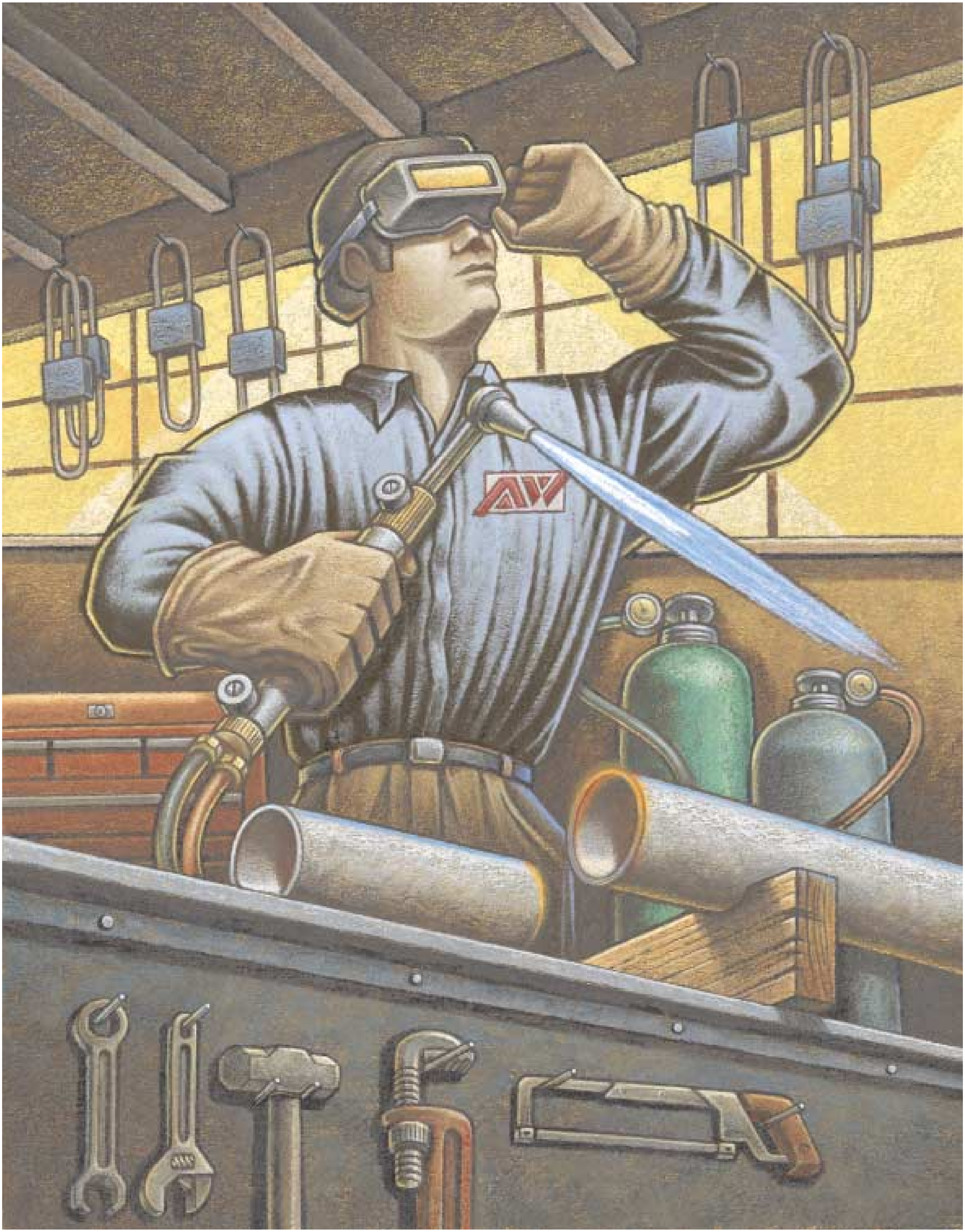
In June, we announced the promotion of three talented executives. Tom Ryan, who has served as Executive Vice President and Chief Financial Officer of Allied Waste since August 2000, was named Vice Chairman. His experience in and knowledge of the capital markets has been invaluable over the past three years, most notably as the Company has taken significant steps to improve its financial position and move toward its investment grade goal. Stepping up to Chief Financial Officer is Pete Hathaway, who has long exhibited the qualities and abilities required to manage the entire finance organization. He has worked in the waste industry for the past 12 years, nearly 10 of which have been at Allied. On the operations side, Don Slager was promoted to Chief Operating Officer. Don has demonstrated strong leadership at many levels throughout his career with Allied and in the industry during the past 20 years.

Looking ahead to 2004, we will continue to focus on cost effectiveness and operational efficiency through standardization of some core business elements. With process improvements, combined with continued focus on pricing, we believe we can begin the process of regaining the operating margin that we lost during the recession. We should continue to generate over $300 million of annual free cash flow and will continue to reinvest in the business. The free cash flow will be used to repay debt as we reduce our leverage in a march toward investment grade ratios.

The strength in our strategy has been proven, time and again. We are now entering a period in which we believe we can enhance shareholder value not only through realizing the benefits of operating improvements, but also with the dramatic interest reductions from debt repayment and refinancing. We believe we have reached an inflection point where the leverage is serving as an asset and a catalyst for growth through continued interest reduction. With the collective strength of our market position and our management team, along with the improvement in our balance sheet, Allied Waste is poised for continued success over the long-term.

T H Van Weelden

Tom Van Weelden
Chairman and CEO



STRENGTH IN OUR STRUCTURE

We completed strategic tuck-in acquisitions and a $300 million divestiture program in 2003 – improving asset efficiency and further enhancing our internalization rate.

Building Value

There is strength in numbers, or so the saying goes. The success story of Allied Waste's capital structure management in 2003 certainly validates the wisdom in this age-old adage.

We are the second largest non-hazardous solid waste services company in the United States, with annual revenues of $5.2 billion and assets of almost $14 billion. Since 2000, Allied has generated an average of $450 million in free cash flow annually, which has been consistently used to pay down debt every year. This, combined with disciplined asset rationalization, strategic divestitures and equity issuances enabled the Company to repay more than $3 billion in debt during the past four years. Talk about strength in numbers.

Last year's numbers, in particular, are exceptionally strong.

In March, we announced a bold refinancing plan that would, by year-end, transform the capital structure of the Company. The multifaceted refinancing strategy included increasing revolver availability, refinancing approximately $900 million of 2003-2005 debt maturities, and overall improving credit quality. The most significant near-term accomplishment? To further reduce Allied's net debt by $1 billion in 2003.

We began by completing a series of capital market transactions, which included the issuance of $450 million of senior notes, $345 million of mandatory convertible preferred stock, $100 million of common stock and a $150 million accounts receivable securitization.

In addition, Allied reduced its total exposure to the uncertain bank markets by issuing loans in more favorable markets. Refinancing of the existing credit facility included a $1.5 billion revolver and a $1.2 billion term loan, with significantly extended maturities all around. Overall, we decreased maturities over the next five years by more than $2 billion. Revolver capacity also was increased from $1.3 billion to $1.5 billion, and a $200 million institutional letter of credit facility was added, increasing available liquidity for the Company by approximately $400 million.

The Company also generated $300 million of net proceeds from strategic divestitures during the year. This divestiture plan is part of our ongoing efforts in optimizing our asset base, in which we also identify small tuck-in acquisitions and asset swaps that further position the Company for long-term success in each of our markets.

Finally, in December, Allied's shareholders approved the exchange of $1.3 billion 6.5 percent Series A Senior Convertible Preferred Stock for 110.5 million shares of common stock. The conversion eliminated $90 million of annual future dividends, and it represented another important step in simplifying Allied's balance sheet and accelerating the Company's progression toward investment grade attributes. Perhaps most importantly, it also represented the trust that the Company's shareholders have in our business strategy and the belief that these transactions will build value in the long-term.

Improved liquidity by increasing revolver availability by $400 million	Extended maturities by $2 billion over next five years	Completed $445 million of common and convertible stock offerings	Completed $300 million of strategic asset divestitures	Converted Series A Preferred Stock to 110.5 million shares of common stock	Reduced net debt by almost $1 billion	Created over $100 million of expected cash interest savings in 2004

Strength in Numbers

Setting the Industry Standard

Allied Waste continues to be a leader in the solid waste services industry. The Company has consistently generated strong free cash flow, maintained some of the industry's highest margins, and continued reinvesting in the business to strengthen operations from within. As a result, we have maintained a number 1 or number 2 position in nearly every market we serve.

Through disciplined and ongoing market-by-market analysis, Allied has assembled a powerful asset base — one with scale, balance, geographic diversity and market density.

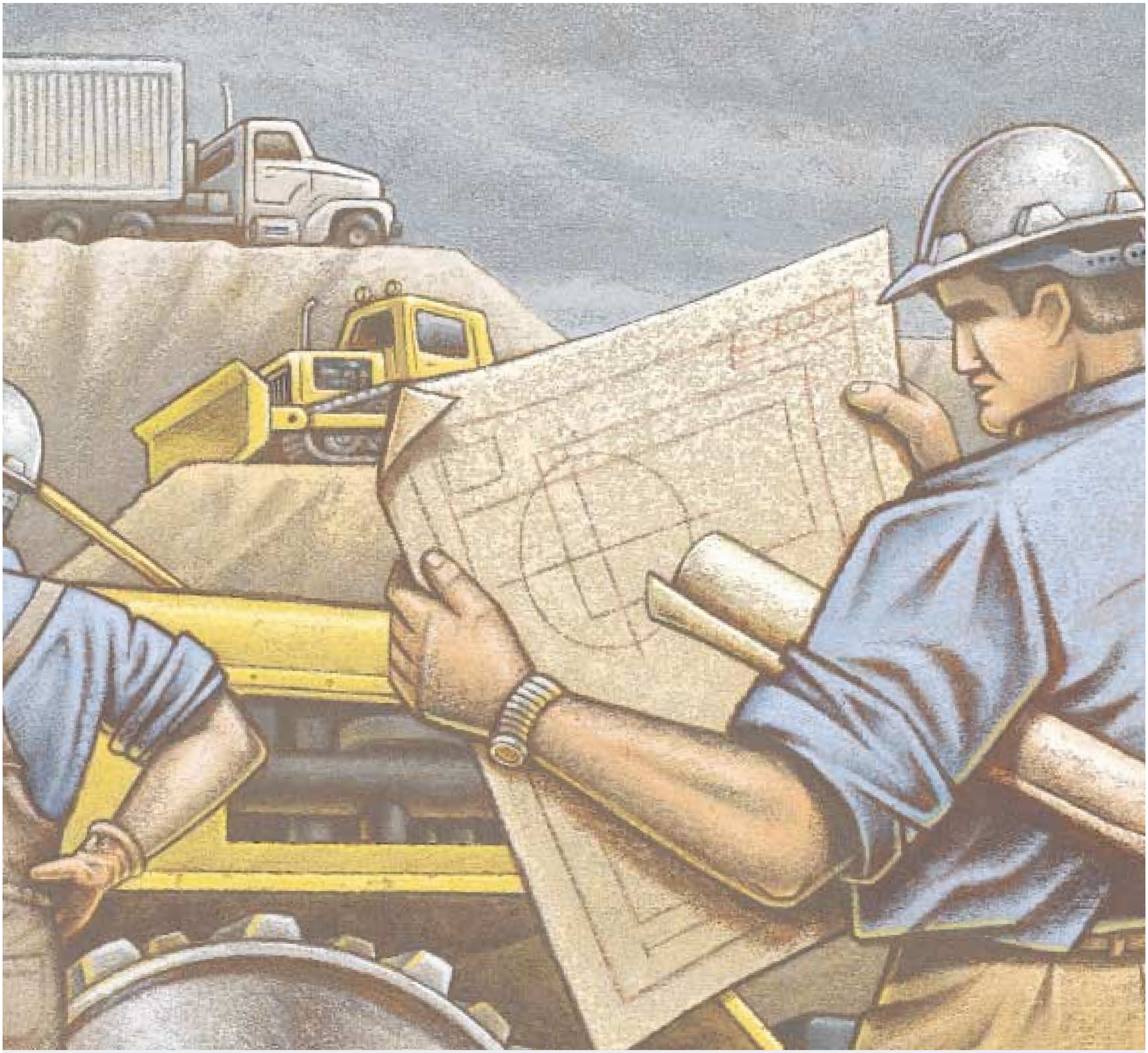
Our veteran management team understands that market density directly increases the utilization of our asset base. This, combined with a high internalization rate (representing the amount of waste we collect and deliver to our own landfills), establishes our competitive advantage in a market and produces dependable cash flow. Thus, we keep a vigilant eye out for tuck-in acquisition opportunities to add density to existing markets, and we strategically divest of operations in markets where we are not vertically integrated or where we cannot achieve our targeted results.

This longstanding operational approach has provided Allied with some tolerance against the recessionary conditions our nation has battled in recent years. In 2003, our internalization rate reached 72 percent and free cash flow totaled $330 million.

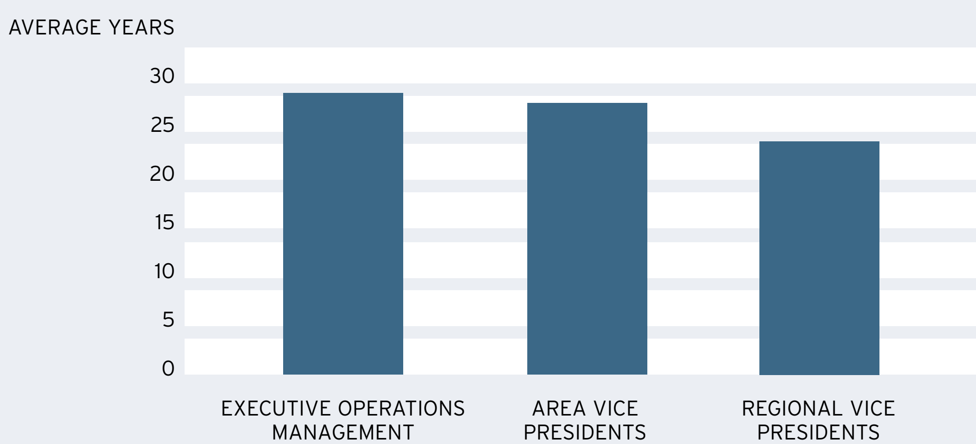
The Company operated a network of 313 collection companies, 165 transfer stations, 166 active landfills and 57 recycling facilities at the end of 2003. Our business is dispersed among residential, commercial and industrial services. All told, Allied serves approximately 10 million customers in 110 major markets within 37 states.

STRENGTH IN TEAMWORK

Our veteran management team continues to build the Company from within, focusing on operational efficiency and a commitment to excellence.



MANAGEMENT INDUSTRY EXPERIENCE




Collection
Recycling / MRF
Landfills
Transfer Stations

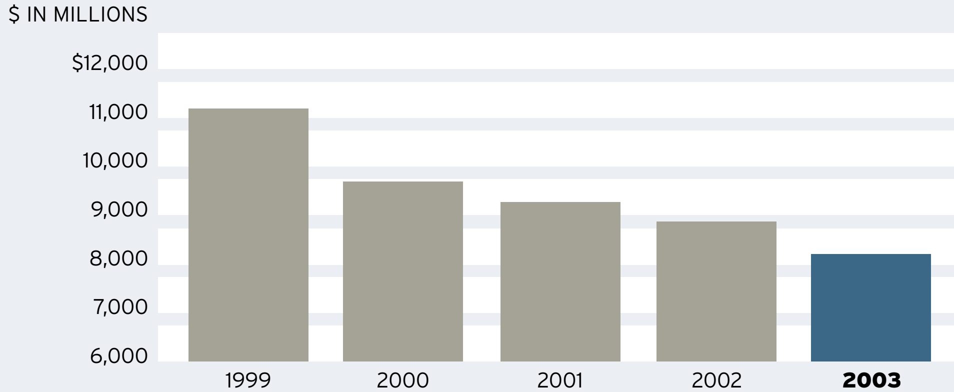
STRENGTH IN LEADERSHIP

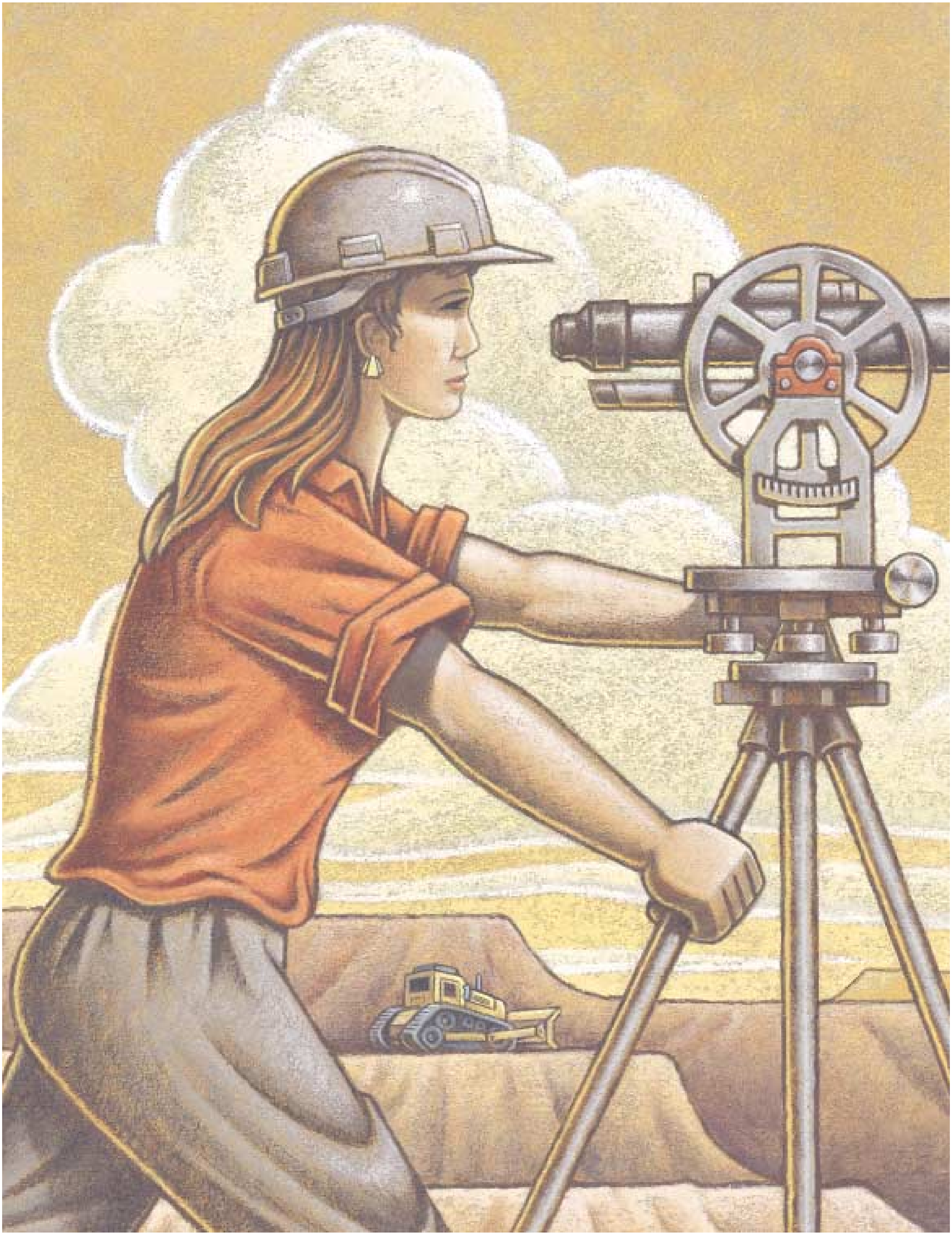
Allied Waste holds a number 1 or number 2 position in nearly every market we serve and consistently maintains some of the industry's highest margins.

STRENGTH IN OUR FUTURE

Our financial strength enabled us to reduce net debt by almost $1 billion in 2003 — paving the way for future deleveraging benefits for our shareholders.

DEBT BALANCE





Executive Officers

Thomas W. Ryan
Executive Vice President and Vice Chairman

Peter S. Hathaway
Executive Vice President and Chief Financial Officer

Thomas H. Van Weelden
Chairman and Chief Executive Officer

Donald W. Slager
Executive Vice President and Chief Operating Officer

Steven M. Helm
Senior Vice President, General Counsel and Corporate Secretary

Board of Directors

Back Row

James W. Crownover[2,4]
Former Director, McKinsey & Company, Inc.

Leon D. Black
Founding Principal, Apollo Management, L.P.

Thomas H. Van Weelden[1]
Chairman and Chief Executive Officer, Allied Waste Industries, Inc.

Robert M. Agate[2,4]
Retired Senior Executive Vice President and Chief Financial Officer, Colgate-Palmolive Company

Howard A. Lipson[1,3]
Senior Managing Director, The Blackstone Group, L.P.

Antony P. Ressler[1,3]
Founding Principal, Ares Management, LLC and Apollo Management, L.P.

Front Row

J. Tomilson Hill[4]
Vice Chairman, The Blackstone Group, L.P.

Michael S. Gross[4]
Founding Principal, Apollo Management, L.P.

Dennis R. Hendrix[1,2,4,5]
Retired Chairman and Chief Executive Officer, Pan Energy Corporation

Warren B. Rudman[3]
Of Counsel, Paul, Weiss, Rifkind, Wharton and Garrison

Lawrence V. Jackson[3]
President and Chief Operating Officer, Dollar General Corporation

Nolan Lehmann[2,3]
President, Equus Capital Management Corporation

[1] *Executive Committee* [2] *Audit Committee* [3] *Management Development / Compensation Committee* [4] *Governance Committee* [5] *Lead Director*

Officers

Douglas W. Borro
Vice President, Operations Services

Michael S. Burnett
Vice President, Investor Relations

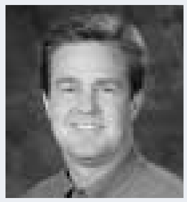
James E. Gray
Vice President, Controller and Chief Accounting Officer

Thomas P. Martin
Vice President and Treasurer

Dale L. Parker
Vice President, Tax

John S. Quinn
Vice President, Financial Analysis and Planning

Gregory J. Reddy
Assistant Treasurer



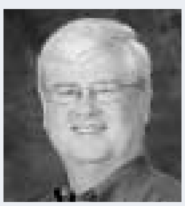
Donald A. Swierenga
Vice President, Operations

James G. Van Weelden
Vice President, Market Planning and Development

Jo Lynn White
Deputy General Counsel and Assistant Corporate Secretary

Operating Management

Jeff Andrews
Area Vice President, Western Area

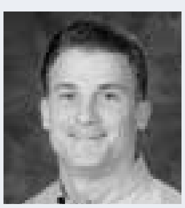


Terry Brotherton
Area Vice President, Southern Area

Dan Gorske
Area Vice President, Central Area

Roger Groen, Jr.
Area Vice President, Eastern Area

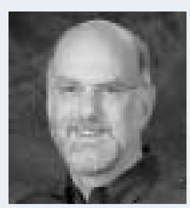
Terry Armstrong
Regional Vice President, Atlantic Region



Mike Caprio
Regional Vice President, Pacific Region

Bruce Emley
Regional Vice President, Southeast Region

Kevin Finn
Regional Vice President, North Central Region



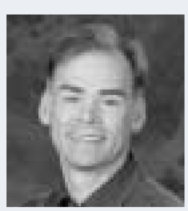
Nick Harbert
Regional Vice President, Northwest Region

Lang Herndon
Regional Vice President, Midsouth Region

Jeff Hughes
Regional Vice President, Great Lakes Region

Steve Meyer
Regional Vice President, Mountain Region

Joe Mrjenovich
Regional Vice President, Southwest Region



Don Neukam
Regional Vice President, Capitol Region

Jay Rooney
Regional Vice President, Midwest Region

Bruce Stanas
Regional Vice President, Northeast Region

Financial Management's Commitment to Ethical Behavior and Clarity in Financial Reporting

We represent the hundreds of financial and accounting professionals at Allied Waste committed to accurately and honestly reporting the results of our business activities. We appreciate that we are the stewards of the owners of our Company, the investors in our debt instruments, the public and private agencies and our fellow employees. We engage in no activities that create a conflict between our own interests and the interests of the Company and its investors. We are responsible for setting an example of honest and ethical conduct for those we represent and avoiding actual or apparent conflicts of interest in personal and professional relationships and to promote ethical behavior in the work environment and the community. We are also responsible for ensuring that those we represent follow our lead. We respect those who bring concerns to our attention and we do not impose financial or accounting direction inconsistent with Company policy.

Primary responsibility for the integrity, objectivity and clarity of presentation of the Company's financial statements rests with us. These statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's best estimates and judgments. Non-financial information included in the Annual Report has also been prepared by management and is believed to be consistent with the financial statements. We believe the financial and non-financial information included in this Annual Report is accurate in all material respects, meaningful as a basis to form an opinion about the Company, and presented in a clear manner.

The Company's internal control framework maintains systems designed to provide reasonable assurance that our assets and resources are safeguarded against loss from unauthorized use or disposition, that transactions are executed and recorded in accordance with established procedures and to prevent significant deficiencies in our reported results. These systems are implemented through clear and accessible written policies and procedures and appropriate delegation of authority and segregation of responsibilities. These systems of internal control are reviewed, modified, and improved as changes occur in business conditions and operations and as a result of suggestions from managers, internal auditors, and independent auditors. The design and effective operation of these systems are the responsibility of the management of the Company, and we believe they provide reasonable assurance that significant business activity is fairly presented in this Annual Report.

The financial statements have been audited by our independent auditors, who are given free access to all financial records and related data. We believe that our representations to the independent auditors are complete, valid and appropriate.

We will continue to support the oversight responsibilities of the Audit Committee of the Board of Directors which is comprised entirely of individuals who are not employees of the Company. This Committee meets periodically and privately with the independent auditors, with the internal auditors and with the management of the Company to review matters relating to the quality of the financial reporting, the internal control framework, and the scope and results of audit examinations.

As a public company enjoying the benefits of the public markets in the United States, we comply with applicable governmental laws, rules, and regulation, including the standards set by those who regulate the markets including adhering to the spirit of Regulation FD which is intended to ensure common access to material information by all investors. We strive to prepare reports consistent with that obligation and in a form we ourselves would appreciate as investors.

Sincerely,

Peter S. Hathaway

Executive Vice President and
Chief Financial Officer

James E. Gray

Vice President, Controller and
Chief Accounting Officer

Thomas P. Martin

Vice President and Treasurer

Annual Meeting

The annual meeting of shareholders will be held at Resort Suites of Scottsdale, 7677 E. Princess Boulevard, Scottsdale, Arizona 85255, on Friday, May 21, 2004, at 9:00 a.m. Mountain Standard Time. Notice of the meeting and proxy materials were sent to shareholders with this Annual Report.

Independent Accountants

PricewaterhouseCoopers, LLP
Phoenix, Arizona

Registrar and Transfer Agent

Shareholders with questions concerning stock certificates, account information or stock transfers should contact our transfer agent:

American Stock Transfer & Trust Company
Attn: Shareholder Services
59 Maiden Lane
New York, NY 10038
Phone: 718-921-8124
Fax: 718-236-2641
Automated Line: 800-937-5449
Email: info@amstock.com
Web site: www.amstock.com

Form 10-K and Other Investor Information

A copy of the Annual Report of Allied Waste Industries, Inc. on Form 10-K including exhibits and subsidiary financial statements, filed with the Securities and Exchange Commission, may be obtained by shareholders, without charge, by calling 480-627-2700 or upon written request to:

Investor Relations
Allied Waste Industries, Inc.
15880 N. Greenway-Hayden Loop
Suite 100
Scottsdale, AZ 85260

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