

Covanta Holding Corporation
Condensed Consolidated Statement of Operations

Exhibit 1

	Three Months Ended	
	March 31,	
	2006	2005
	(Unaudited, in thousands, except per share amounts)	
Operating revenues		
Waste and service revenues	\$ 191,369	\$ 111,340
Electricity and steam sales	109,178	58,788
Other operating revenues	4,809	4,691
Total operating revenues	<u>305,356</u>	<u>174,819</u>
Operating expenses		
Plant operating expenses	185,238	118,276
Depreciation and amortization expense	46,397	15,674
Net interest expense on project debt	15,998	9,633
Other operating expenses	2,690	3,662
General and administrative expenses	19,515	13,520
Acquisition-related charges	-	195
Total operating expenses	<u>269,838</u>	<u>160,960</u>
Operating income	<u>35,518</u>	<u>13,859</u>
Other income (expense)		
Investment income	2,403	879
Interest expense	(28,483)	(10,321)
Unrealized gain on derivative instruments, unexercised ACL warrants	-	3,718
Total other expenses	<u>(26,080)</u>	<u>(5,724)</u>
Income before income tax expense, minority interests and equity in net income from unconsolidated investments	9,438	8,135
Income tax expense	(4,263)	(2,742)
Minority interests	(600)	(1,550)
Equity in net income from unconsolidated investments	<u>6,843</u>	<u>6,460</u>
Net Income	<u>\$ 11,418</u>	<u>\$ 10,303</u>
Earnings Per Share:		
Basic	\$ 0.08	\$ 0.10
Weighted Average Shares	<u>143,384</u>	<u>101,790</u>
Diluted	\$ 0.08	\$ 0.10
Weighted Average Shares	<u>145,743</u>	<u>107,571</u>

Covanta Holding Corporation
Condensed Consolidated Pro Forma Statement of Operations

Exhibit 2

	Three Months Ended	
	March 31,	
	2006	2005
	Reported	Pro Forma
	(Unaudited, in thousands, except per share amounts)	
Operating revenues		
Waste and service revenues	\$ 191,369	\$ 184,746
Electricity and steam sales	109,178	99,072
Other operating revenues	4,809	4,691
Total operating revenues	<u>305,356</u>	<u>288,509</u>
Operating expenses		
Plant operating expenses	185,238	176,698
Depreciation and amortization expense	46,397	45,844
Net interest expense on project debt	15,998	17,588
Other operating expenses	2,690	5,048
General and administrative expenses	19,515	18,778
Total operating expenses	<u>269,838</u>	<u>263,956</u>
Operating income	<u>35,518</u>	<u>24,553</u>
Other income (expense)		
Investment income	2,403	1,540
Interest expense	(28,483)	(28,396)
Unrealized gain on derivative instruments, unexercised ACL warrants	-	3,718
Total other expenses	<u>(26,080)</u>	<u>(23,138)</u>
Income before income tax expense, minority interests and equity in net income from unconsolidated investments	9,438	1,415
Income tax expense	(4,263)	(637)
Minority interests	(600)	(1,587)
Equity in net income from unconsolidated investments	<u>6,843</u>	<u>6,460</u>
Net Income	<u>\$ 11,418</u>	<u>\$ 5,651</u>
Earnings Per Share:		
Basic	<u>\$ 0.08</u>	<u>\$ 0.04</u>
Weighted Average Shares	<u>143,384</u>	<u>139,637</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.04</u>
Weighted Average Shares	<u>145,743</u>	<u>145,418</u>

Covanta Holding Corporation
Reconciliation of Pro Forma Net Income to Adjusted EBITDA

Exhibit 3

	Three Months Ended		Full Year Estimated 2006
	March 31,		
	2006	2005	
	Reported	Pro Forma	
	(Unaudited, in thousands)		
Net Income - Covanta Holding Corporation	\$ 11,418	\$ 5,651	
Less: Net Income - Other Services	<u>575</u>	<u>2,186</u>	
Net Income - Covanta Energy Corporation	10,843	3,465	\$71,000 - \$79,000
Depreciation and amortization expense	46,380	45,816	183,000
Debt service:			
Net interest expense on project debt	15,998	17,588	65,000
Interest expense	28,483	28,396	114,000
Investment income	(1,918)	(1,440)	
Subtotal Debt Service	<u>42,563</u>	<u>44,544</u>	
Income tax expense	3,922	(1,152)	40,000 - 44,000
Other Adjustments:			
Change in unbilled service receivables ^(A)	4,070	2,712	17,000
Energy contract levelization ^(A)	1,061	328	
Non-cash compensation ^(A)	831	797	
Other non-cash operating expenses ^(A)	1,176	2,346	15,000 - 17,000
Subtotal other adjustments	<u>7,138</u>	<u>6,183</u>	
Minority interests	830	1,587	8,000
Total adjustments	<u>100,833</u>	<u>96,978</u>	
Adjusted EBITDA - Covanta Energy Corporation ^(B)	<u>\$ 111,676</u>	<u>\$ 100,443</u>	<u>\$515,000 - \$525,000</u>

(A) These items represent amounts that are non-cash in nature.

(B) Adjusted EBITDA is provided for Covanta Energy Corporation ("Covanta Energy"). The corporate debt resides at Covanta Energy and, therefore, Covanta provides adjusted EBITDA at that level and not at the Covanta Holding Corporation ("Covanta") level which includes the insurance business.

Covanta uses adjusted EBITDA to assess its operating performance. Covanta believes this financial measure is helpful in assessing the overall performance of its business, and is helpful in highlighting trends in its overall business because the items excluded in calculating adjusted EBITDA have little or no bearing on its day-to-day operating performance. Adjusted EBITDA is also a significant criterion of performance-based components of employee compensation.

Adjusted EBITDA is an unaudited non-GAAP financial measure, and is provided for information purposes only. Certain items are included in the table above that are not measured under GAAP and are not intended to supplant other information provided in accordance with GAAP. Furthermore, these measures may not be comparable to those used by other companies. The following information should be read in conjunction with the unaudited consolidated financial statements of Covanta Holding Corporation and the notes thereto as filed in its Form 10-Q for the quarter ended March 31, 2006.

Adjusted EBITDA set forth above is reconciled to net income, which is the most directly comparable measure of GAAP for performance measures.

Covanta has prepared Adjusted EBITDA for the three months ended March 31, 2005, on a Pro Forma basis, as if the acquisition of Ref-Fuel had been consummated on January 1, 2005.

Covanta Energy Corporation
Free Cash Flow

Exhibit 4

	Three Months Ended March 31, 2006	Full Year Estimated 2006
	(Unaudited, in thousands)	
Cash Flow Provided by Operating Activities	\$ 40,444	\$ 275,000
Less: Purchase of Property, Plant and Equipment (A)	<u>(18,021)</u>	<u>(50,000)</u>
Free Cash Flow (B)	<u>\$ 22,423</u>	<u>\$ 225,000</u>

(A) Purchase of Property, Plant and Equipment is also referred to as capital expenditures.

(B) Free Cash Flow is provided for Covanta Energy. The corporate debt resides at Covanta Energy and, therefore, Covanta provides Free Cash Flow at that level and not at the Covanta level which includes the insurance business.

Covanta uses Free Cash Flow as a liquidity measure. It believes this financial measure is important in analyzing its liquidity to service its capital structure and for strategic opportunities.

Free Cash Flow is an unaudited non-GAAP financial measure, and is provided for information purposes only. Certain items are included in the table above that are not measured under GAAP and are not intended to supplant other information provided in accordance with GAAP. Furthermore, these measures may not be comparable to those used by other companies. The following information should be read in conjunction with the unaudited consolidated financial statements of Covanta Holding Corporation and the notes thereto as filed in its Form 10-Q for the quarter ended March 31, 2006.

Free Cash Flow means, for any period, Cash Flow Provided by Operating Activities less Purchase of Property, Plant and Equipment. Free Cash Flow is not a measurement of financial performance under GAAP and should not be considered as an alternative to cash flow from operating activities or as a measure of liquidity or any other measures of performance derived in accordance with GAAP. Free Cash Flow is reconciled to cash provided by operating activities, the most directly comparable operating measure.

Covanta Energy Corporation
Other Financial Information

Exhibit 5

	Three Months Ended	
	2006	2005
	Reported	Pro Forma
	(Unaudited, in thousands)	
Waste and Service Revenues		
Service Fee Revenue	\$ 107,731	\$ 105,200
Tip Fee Revenue	76,766	73,696
Other Service Revenue	6,872	5,850
Total Waste and Service Revenues	\$ 191,369	\$ 184,746
Electricity and Steam Sales		
International IPP Energy Revenue	\$ 37,414	\$ 34,226
Domestic IPP Energy Revenue	5,732	5,886
Service Fee Facility Energy Revenue (A)	13,122	11,444
Tip Fee Facility Energy Revenue (A)	52,910	47,516
Total Electricity and Steam Sales	\$ 109,178	\$ 99,072

(A) Includes electricity and steam sales.

Covanta has prepared revenues for the three months ended March 31, 2005, on a Pro Forma basis, as if the acquisition of Ref-Fuel had been consummated on January 1, 2005.