

**Covanta Holding Corporation**  
**Consolidated Statements of Income**

**Exhibit 1**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	
	<b>(In thousands, except per share amounts)</b>	
<b>Operating revenues</b>		
Waste and service revenues	\$ 217,623	\$ 198,911
Electricity and steam sales	153,065	113,666
Other operating revenues	18,078	17,632
Total operating revenues	<u>388,766</u>	<u>330,209</u>
<b>Operating expenses</b>		
Plant operating expenses	259,011	202,007
Depreciation and amortization expense	48,574	48,043
Net interest expense on project debt	13,761	14,605
General and administrative expenses	24,154	22,192
Write-down of assets	-	18,266
Other operating expenses	12,501	16,816
Total operating expenses	<u>358,001</u>	<u>321,929</u>
<b>Operating income</b>	<u><b>30,765</b></u>	<u><b>8,280</b></u>
<b>Other income (expense)</b>		
Investment income	1,640	5,184
Interest expense	(13,720)	(21,260)
Loss on extinguishment of debt <sup>(A)</sup>	-	(32,006)
Total other expenses	<u>(12,080)</u>	<u>(48,082)</u>
<b>Income (loss) before income tax (expense) benefit, minority interests and equity in net income from unconsolidated investments</b>	<b>18,685</b>	<b>(39,802)</b>
Income tax (expense) benefit	(7,536)	18,176
Minority interests	(1,869)	(1,398)
Equity in net income from unconsolidated investments	5,492	5,106
<b>Net Income (Loss)</b>	<u><b>\$ 14,772</b></u>	<u><b>\$ (17,918)</b></u>
<b>Earnings (Loss) Per Share:</b>		
Basic	<u>\$ 0.10</u>	<u>\$ (0.12)</u>
Weighted Average Shares	<u>153,165</u>	<u>151,476</u>
Diluted	<u>\$ 0.10</u>	<u>\$ (0.12)</u>
Weighted Average Shares	<u>154,572</u>	<u>151,476</u>

(A) During the first quarter in 2007, Covanta completed public offerings of common stock and 1.00% Senior Convertible Debentures, and Covanta Energy closed on new credit facilities. In addition, Covanta Energy completed tender offers for outstanding notes previously issued by its intermediate subsidiaries. As a result of the recapitalization, Covanta recognized a loss on extinguishment of debt of approximately \$32.0 million, pre-tax.

	Three Months Ended		Full Year Estimated 2008
	March 31,		
	2008	2007	
	(Unaudited, in thousands)		
<b>Net Income (Loss)</b>	\$ 14,772	\$ (17,918)	\$140,000 - \$155,000
<b>Depreciation and amortization expense</b>	48,574	48,043	206,000
<b>Debt service:</b>			
Net interest expense on project debt	13,761	14,605	
Interest expense	13,720	21,260	
Investment income	(1,640)	(5,184)	
<b>Subtotal debt service</b>	<u>25,841</u>	<u>30,681</u>	95,000 - 92,000
<b>Income tax expense (benefit)</b>	7,536	(18,176)	78,000 - 85,000
<b>Other adjustments: <sup>(A)</sup></b>			
Change in unbilled service receivables	2,052	5,046	
Non-cash compensation expense	3,651	1,771	
Other	2,040	3,232	
<b>Subtotal other adjustments</b>	<u>7,743</u>	<u>10,049</u>	24,000 - 30,000
<b>Write-down of assets <sup>(B)</sup></b>	-	18,266	
<b>Loss on extinguishment of debt <sup>(C)</sup></b>	-	32,006	
<b>Minority interests</b>	<u>1,869</u>	<u>1,398</u>	7,000
<b>Total adjustments</b>	<u>91,563</u>	<u>122,267</u>	
<b>Adjusted EBITDA</b>	<u>\$ 106,335</u>	<u>\$ 104,349</u>	<u>\$550,000 - \$575,000</u>

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

(B) On March 31, 2007, the SEMASS energy-from-waste facility experienced a fire in the front-end receiving portion of the facility. Damage was extensive to this portion of the facility and operations at the facility were suspended completely for approximately 20 days. As a result of this loss, Covanta recorded an asset impairment of \$18.3 million, pre-tax, during the first quarter of 2007, which represented a preliminary estimate of the net book value of the assets destroyed. During the year ended December 31, 2007, Covanta reduced the impairment recorded to \$17.3 million, pre-tax, based upon additional analysis as the facility was being restored.

The cost of repair or replacement, and business interruption losses, are insured under the terms of applicable insurance policies, subject to deductibles. Covanta cannot predict the timing of when it will receive the proceeds under such policies. During the year ended December 31, 2007, Covanta recorded insurance recoveries of \$17.3 million related to repair and reconstruction, \$2.7 million related to clean-up costs and \$2.0 million related to business interruption losses. Insurance recoveries are recorded as a reduction to the loss related to the write-down of assets where such recoveries relate to repair and reconstruction costs, or as a reduction to operating expenses where such recoveries relate to other costs or business interruption losses. Covanta expects the cost of the repair or replacement and business interruption losses it does not recover, representing deductibles under such policies, will not be material.

(C) During the first quarter in 2007, Covanta completed public offerings of common stock and 1.00% Senior Convertible Debentures, and Covanta Energy closed on new credit facilities. In addition, Covanta Energy completed tender offers for outstanding notes previously issued by its intermediate subsidiaries. As a result of the recapitalization, Covanta recognized a loss on extinguishment of debt of approximately \$32.0 million, pre-tax.

**Covanta Holding Corporation**  
**Reconciliation of Cash Flow Provided by Operating Activities to Adjusted EBITDA**

Exhibit 3

	Three Months Ended		Full Year Estimated 2008
	March 31,		
	2008	2007	
	(Unaudited, in thousands)		
Cash flow provided by operating activities	\$ 49,473	\$ 56,490	\$380,000 - \$420,000
Debt service	25,841	30,681	95,000 - 92,000
Amortization of debt premium and deferred financing costs	1,839	2,894	7,000
Other	29,182	14,284	68,000 - 56,000
<b>Adjusted EBITDA</b>	<b>\$ 106,335</b>	<b>\$ 104,349</b>	<b>\$550,000 - \$575,000</b>

**Covanta Holding Corporation**  
**Statements of Cash Flows Selected Data**

Exhibit 4

	Three Months Ended		Full Year Estimated 2008
	March 31,		
	2008	2007	
	(Unaudited, in thousands)		
Cash flow provided by operating activities	\$ 49,473	\$ 56,490	\$380,000 - \$420,000
Uses of cash flow provided by operating activities			
Purchase of property, plant and equipment <sup>(A)</sup>			
Capital expenditures associated with SEMASS fire <sup>(B)</sup>	\$ (1,190)	\$ -	
Capital expenditures associated with certain acquisitions <sup>(C)</sup>	(7,993)	-	
All other capital expenditures <sup>(D)</sup>	(29,807)	(19,074)	(\$60,000)
Total purchases of property, plant and equipment	\$ (38,990)	\$ (19,074)	
Principal payments on project debt	\$ (55,119)	\$ (55,939)	(\$167,000)

(A) Purchase of property, plant and equipment is also referred to as Capital Expenditures.

(B) Capital Expenditures were incurred that related to the repair and replacement of assets at the SEMASS energy-from-waste facility that were damaged by a fire on March 31, 2007. The cost of repair or replacement is insured under the terms of the applicable insurance policy, subject to deductibles. Covanta expects the cost of repair or replacement not recovered, representing deductibles under such policy, will not be material. Covanta cannot predict the timing of when all proceeds under such policy will be received. During the twelve months ended December 31, 2007 and the first quarter ended March 31, 2008, Covanta received \$9.4 million and \$3.5 million, respectively, in insurance proceeds related to property damage, which is included as Property Insurance Proceeds in the investing activities section of Covanta's statement of cash flows for the respective periods.

(C) Capital Expenditures were incurred at three facilities that Covanta acquired in 2007 primarily to improve the productivity or environmental performance of those facilities. The majority of these expenditures were incurred at the two California biomass facilities acquired in July 2007. Covanta invested approximately \$8 million prior to December 31, 2007 and \$7.5 million during the quarter ended March 31, 2008 in capital improvements in the biomass facilities. Covanta expects to invest an additional \$2 million to \$4 million during the remainder of 2008 in the biomass facilities. Although, in accordance with GAAP, this spending will be recorded as a component of purchase of property, plant and equipment on Covanta's statement of cash flows, management considers this spending as a component of the cost to acquire these businesses since these major capital improvements are required to achieve desired facility performance.

(D) Capital Expenditures primarily to maintain existing facilities.

**Covanta Holding Corporation**  
**Components of Diluted Earnings (Loss) Per Share**

**Exhibit 5**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2008</b>	<b>2007</b>
	<b>(Unaudited)</b>	
Write-down of assets, net of tax <sup>(A)</sup>	\$ -	\$ (0.07)
Loss on extinguishment of debt, net of tax <sup>(B)</sup>	-	(0.13)
All other	<u>0.10</u>	<u>0.08</u>
<b>Diluted Earnings (Loss) Per Share</b>	<b><u>\$ 0.10</u></b>	<b><u>\$ (0.12)</u></b>

(A) On March 31, 2007, the SEMASS energy-from-waste facility experienced a fire in the front-end receiving portion of the facility. Damage was extensive to this portion of the facility and operations at the facility were suspended completely for approximately 20 days. As a result of this loss, Covanta recorded an asset impairment of \$18.3 million, pre-tax, during the first quarter of 2007, which represented a preliminary estimate of the net book value of the assets destroyed. During the year ended December 31, 2007, Covanta reduced the impairment recorded to \$17.3 million, pre-tax, based upon additional analysis as the facility was being restored.

The cost of repair or replacement, and business interruption losses, are insured under the terms of applicable insurance policies, subject to deductibles. Covanta cannot predict the timing of when it will receive the proceeds under such policies. During the year ended December 31, 2007, Covanta recorded insurance recoveries of \$17.3 million related to repair and reconstruction, \$2.7 million related to clean-up costs and \$2.0 million related to business interruption losses. Insurance recoveries are recorded as a reduction to the loss related to the write-down of assets where such recoveries relate to repair and reconstruction costs, or as a reduction to operating expenses where such recoveries relate to other costs or business interruption losses. Covanta expects the cost of the repair or replacement and business interruption losses it does not recover, representing deductibles under such policies, will not be material.

(B) During the first quarter in 2007, Covanta completed public offerings of common stock and 1.00% Senior Convertible Debentures, and Covanta Energy closed on new credit facilities. In addition, Covanta Energy completed tender offers for outstanding notes previously issued by its intermediate subsidiaries. As a result of the recapitalization, Covanta recognized a loss on extinguishment of debt of approximately \$32.0 million, pre-tax.

## **Discussion of Non-GAAP Financial Measures**

To supplement our results prepared in accordance with United States generally accepted accounting principles ("GAAP"), we use the measure of Adjusted EBITDA, which is a non-GAAP measure as defined by the Securities and Exchange Commission. The non-GAAP financial measure of Adjusted EBITDA described below, and used in the tables above, is not intended as a substitute and should not be considered in isolation from measures of financial performance or liquidity prepared in accordance with GAAP. In addition, our non-GAAP financial measure may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes.

We use a number of different financial measures, both GAAP and non-GAAP, in assessing the overall performance of our business. We use Adjusted EBITDA to provide further information that is useful to an understanding of the financial covenants contained in the credit facilities of our most significant subsidiary, Covanta Energy Corporation, and as additional ways of viewing aspects of its operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of our business. The presentation of Adjusted EBITDA is intended to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance of its business and those of possible acquisition candidates, and highlight trends in the overall business. We also use this non-GAAP financial measure as a significant criterion of performance-based components of employee compensation.

Adjusted EBITDA should not be considered as an alternative to net income or an alternative to cash flow provided by operating activities as indicators of our performance or liquidity or any other measures of performance or liquidity derived in accordance with GAAP.

### **Adjusted EBITDA**

The calculation of Adjusted EBITDA is based on the definition in Covanta Energy's credit facilities, which we have guaranteed. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation and amortization, as adjusted for additional items subtracted from or added to net income. Because our business is substantially comprised of that of Covanta Energy, our financial performance is substantially similar to that of Covanta Energy. For this reason, and in order to avoid use of multiple financial measures which are not all from the same entity, the calculation of Adjusted EBITDA and other financial measures presented herein are ours, measured on a consolidated basis.

Under these credit facilities, Covanta Energy is required to satisfy certain financial covenants, including certain ratios of which Adjusted EBITDA is an important component. Compliance with such financial covenants is expected to be the principal limiting factor which will affect our ability to engage in a broad range of activities in furtherance of our business, including making certain investments, acquiring businesses and incurring additional debt. Covanta Energy was in compliance with these covenants as of March 31, 2008. Failure to comply with such financial covenants could result in a default under these credit facilities, which default would have a material adverse affect on our financial condition and liquidity.

These financial covenants are measured on a trailing four quarter period basis and the material covenants are as follows:

- maximum Covanta Energy leverage ratio of 4.25 to 1.00 (which declines for quarterly periods after September 30, 2008), which measures Covanta Energy's Consolidated Adjusted Debt, (which is the principal amount of its consolidated debt less certain restricted funds dedicated to repayment of project debt principal and construction costs) to its Adjusted EBITDA; and
- minimum Covanta Energy interest coverage ratio of 3.00 to 1.00, which measures Covanta Energy's Adjusted EBITDA to its consolidated interest expense plus certain interest expense of ours, to the extent paid by Covanta Energy.

In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EBITDA for the three months ended March 31, 2008 and 2007, reconciled for each such period to net income and cash flow provided by operating activities, which are believed to be the most directly comparable measures under GAAP.