



Investor Presentation

NYSE: CVA

SEPTEMBER 2016

Cautionary Statements

All information included in this earnings presentation is based on continuing operations, unless otherwise noted.

Forward-Looking Statements

Certain statements in this press release constitute “forward-looking” statements as defined in Section 27A of the Securities Act of 1933 (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934 (the “Exchange Act”), the Private Securities Litigation Reform Act of 1995 (the “PSLRA”) or in releases made by the Securities and Exchange Commission (“SEC”), all as may be amended from time to time. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Covanta Holding Corporation and its subsidiaries (“Covanta”) or industry results, to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by, among other things, the use of forward-looking language, such as the words “plan,” “believe,” “expect,” “anticipate,” “intend,” “estimate,” “project,” “may,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to,” or other similar words, or the negative of these terms or other variations of these terms or comparable language, or by discussion of strategy or intentions. These cautionary statements are being made pursuant to the Securities Act, the Exchange Act and the PSLRA with the intention of obtaining the benefits of the “safe harbor” provisions of such laws. Covanta cautions investors that any forward-looking statements made by us are not guarantees or indicative of future performance. Important assumptions and other important factors that could cause actual results to differ materially from those forward-looking statements with respect to Covanta, include, but are not limited to, the risk that Covanta may not successfully grow its business as expected or close its announced or planned acquisitions or projects in development, and those factors, risks and uncertainties that are described in periodic securities filings by Covanta with the SEC. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, actual results could differ materially from a projection or assumption in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. The forward-looking statements contained in this press release are made only as of the date hereof and we do not have, or undertake, any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

Note: All estimates with respect to 2016 and future periods are as of July 26, 2016. Covanta does not have or undertake any obligation to update or revise any forward-looking statements whether as a result of new information, subsequent events or otherwise, unless otherwise required by law.

Non-GAAP Financial Measures

We use a number of different financial measures, both United States generally accepted accounting principles (“GAAP”) and non-GAAP, in assessing the overall performance of our business. The non-GAAP financial measures of Adjusted EBITDA, Free Cash Flow and Adjusted EPS, as described and used in this earnings presentation, are not intended as a substitute or as an alternative to net income, cash flow provided by operating activities or diluted earnings per share as indicators of our performance or liquidity or any other measures of performance or liquidity derived in accordance with GAAP. In addition, our non-GAAP financial measures may be different from non-GAAP measures used by other companies, limiting their usefulness for comparison purposes. The presentations of Adjusted EBITDA, Free Cash Flow and Adjusted EPS are intended to enhance the usefulness of our financial information by providing measures which management internally use to assess and evaluate the overall performance of its business and those of possible acquisition candidates, and highlight trends in the overall business. Please refer to the appendix of this presentation for reconciliations of non-GAAP financial measures.

Covanta – World Leader in EfW: at a Glance

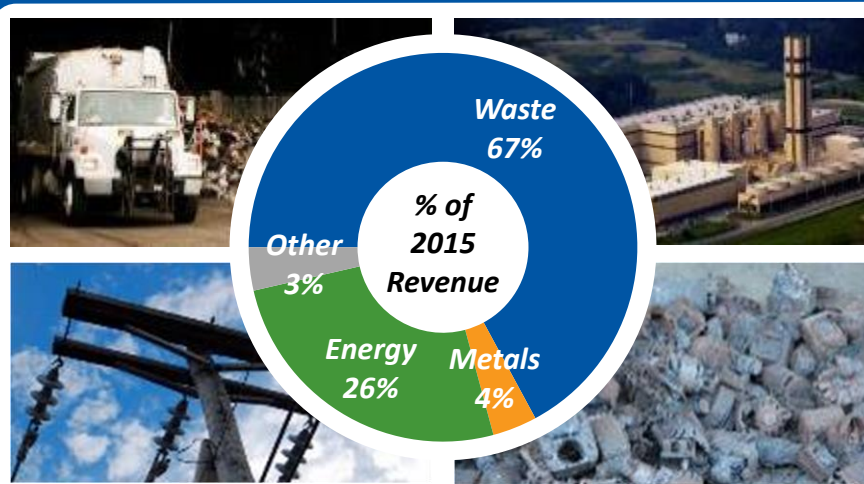
Waste:

42 Energy-from-Waste (EfW) facilities

~20 million waste tons processed annually → 1:1 tons of CO₂ equivalent offset

15 material processing facilities (9 waste, 6 liquid)

30+ year operating history



FY 2016

Guidance:

- **Adjusted EBITDA:**
\$390 - \$430 million
- **Free Cash Flow:**
\$140 - \$180 million

Energy:

~10 million MWh generated annually

1,500+ MW base load capacity (majority of generation in PJM, NEPOOL and NYISO markets)

Metals:

~500,000 gross tons of ferrous and non-ferrous recovered annually

New metals processing facility in Fairless Hills, PA expands metals recovery capabilities

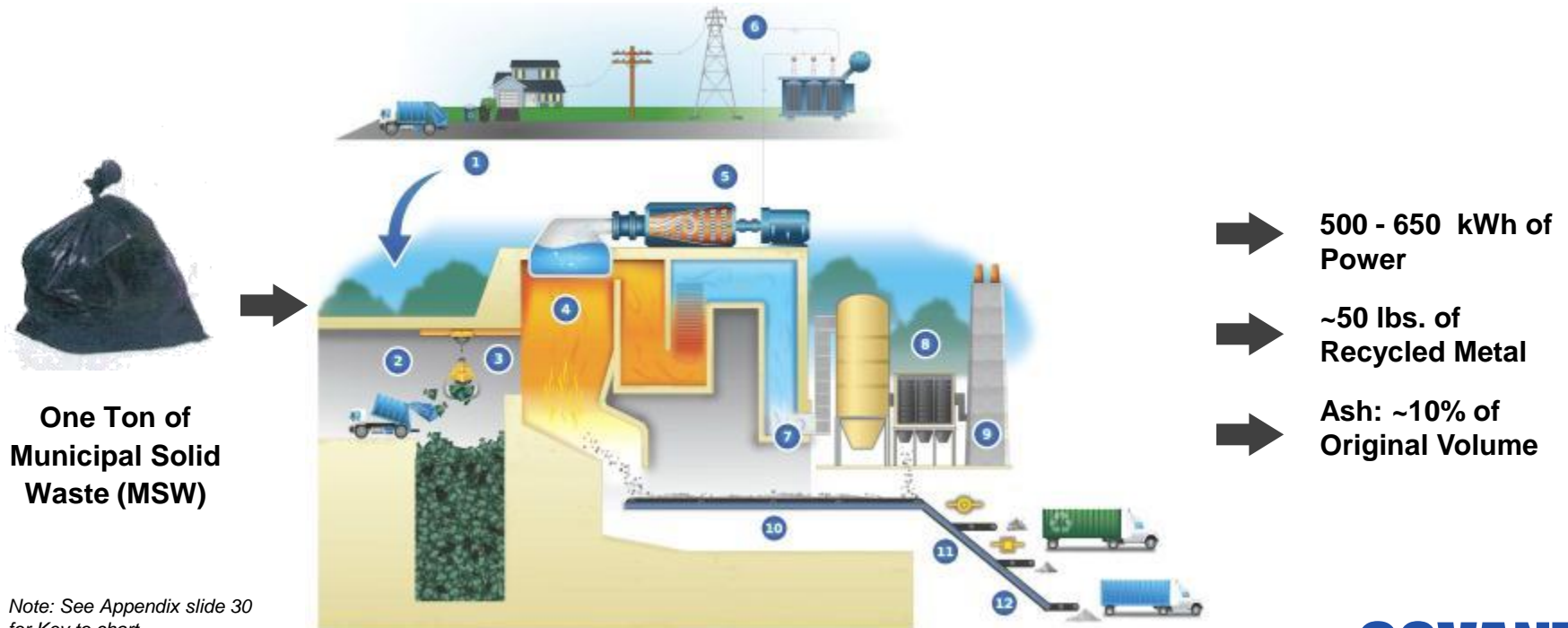
Note: Affirmed guidance as of 7/26/16.

Key Investment Highlights

- **Critical infrastructure assets**
 - Essential service to host communities
 - Concentrated in attractive markets in Northeast U.S. with high barriers to entry – irreplaceable asset portfolio
- **World leader in Energy-from-Waste**
 - 42 EfW facilities with ~20 million tons disposal capacity – one of the largest operators in the world
 - Strong track record of operating performance – consistently achieve boiler availability in excess of 90%
- **Very attractive underlying economics**
 - Earn revenue from both input (waste disposal) and output (energy and recycled metal)
 - High Adjusted EBITDA margins (~25%) and Free Cash Flow conversion (~40%)
 - Significant operating leverage and upside to long-term commodity price recovery
- **Highly contracted revenues with credit-worthy counterparties**
 - ~85% of revenue contracted or hedged
 - Customers are primarily municipalities and utilities
- **Substantial and consistent cash flow generation**
 - Cash flow underpins healthy shareholder capital returns and value-accretive reinvestment for growth
 - Business model and balance sheet built to support capital allocation strategy through the commodity and economic cycles

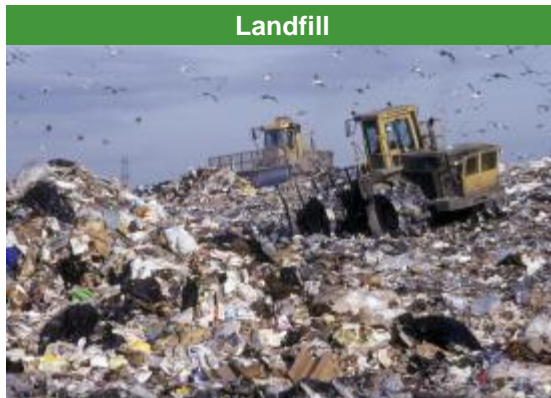
Energy-from-Waste Process

- **Municipalities and others pay us to dispose of waste**
 - Unlike other energy producers, we are *paid* for our fuel
- **Technologically advanced facilities combust waste at high temperatures**
 - Primarily mass-burn facilities that combust MSW as received (no pre-processing)
- **Resulting steam used to produce electricity for sale or sold directly**
- **Metals are recovered from the process and sold to recyclers**



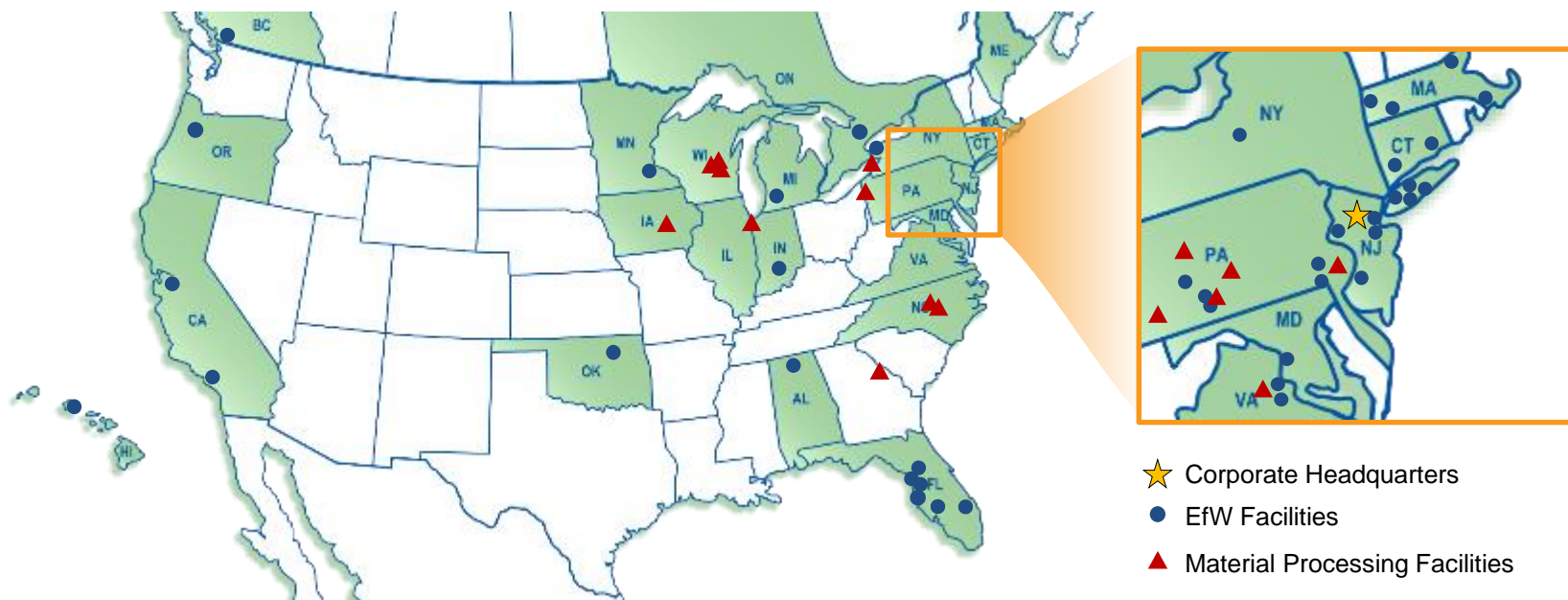
Benefits of Energy-from-Waste

- **Environmentally sustainable waste management**
 - Best solution after recycling – waste volume reduced by 90%
 - Attractive to businesses and governments seeking "zero landfill" disposal option
- **Generates renewable energy**
 - Reliable baseload power 24 / 7; located near demand centers
- **Combats climate change**
 - 1:1 CO₂ offset for each ton of waste processed
 - Fewer fossil fuels burned: 1 ton of waste \approx ¼ ton of coal
 - Methane from landfills: 80+ times more potent than CO₂ as a greenhouse gas over a 20 year period



North American Asset Footprint

- **41 EfW facilities**
 - Over two-thirds of U.S. EfW capacity
 - Process ~5% of overall U.S. waste generation
- **Complementary environmental services and waste transportation infrastructure**
- **Operations primarily concentrated in the Northeast**
 - Attractive, densely-populated markets
 - Limited new capacity in metropolitan areas
 - Cost advantage vs. long haul transfer to landfills
 - Electricity sold at high demand points



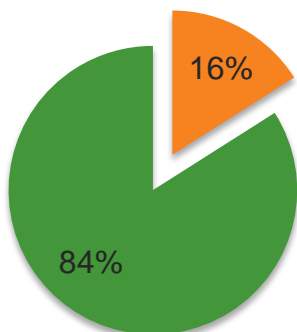
Highly Contracted Revenue

- Covanta primarily generates revenue from 3 sources – *paid every step of the way*

Waste & Service

- ~85% contracted, typically with inflation escalators
- Paid either per-ton “tip fee” or fixed service fee
- Excellent track record extending long-term contracts

2015: \$1,102 million

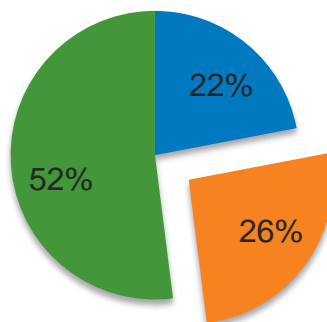


Uncontracted Contracted

Energy

- Generate revenue on ~6.5 million MWh generation (net of client sharing)
- ~75% contracted or hedged
- Increasing output at market prices over time
- Concentrated in attractive markets

2015: \$385 million

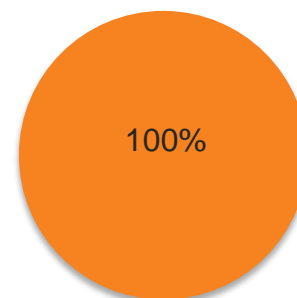


Hedged Uncontracted Contracted

Metal

- Generate revenue on ~330k tons of ferrous metal and ~35k tons of non-ferrous metal (net of client sharing)
- Metals are sold at spot market prices

2015: \$61 million



Uncontracted

Note: Figures presented for North America operations only.

Evolution of Covanta



1980's - 2008

- Construction and acquisition of EfW portfolio
- Original service agreements
- Steady repayment of project debt



2009 - 2015

- Mark-to-market of long-term contracts
- Focus on organic growth via recycled metal and special waste revenues
- Established shareholder-focused capital allocation policy
 - \$1.00 per share (annualized) dividend
 - Over \$1 billion returned to shareholders



2016+

- Focus on Continuous Improvement and organic growth
- Cash flow underpinned by long-term contracted revenue – supports capital allocation policy through the cycle
- Dublin project coming online (late 2017)
- Significant long-term upside to commodity price recovery

Strategic Objectives

Maximize Shareholder Value

Current Business

Consistent operating and financial performance

- Safety and environmental excellence
- Facility availability and production
- Investment in long-term facility performance
- Extending long-term contracts

Continuous Improvement

Long-term Growth

Execute on new projects

- Dublin, NYC MTS contract

Organic growth

- Expand Covanta Environmental Solutions business
- Metal recovery and processing

Pursue strategic investment opportunities

- Acquisitions and new projects
- North America, Europe, China



Construction of Dublin EfW facility



Non-Ferrous Metal Recovery System



Liquid Waste Processing



NYC Waste Transport via Barge

Strategic Objectives – Environmental Solutions

EfW Profiled Waste

~\$100 million revenue
~50% Adjusted EBITDA margin

Environmental Services

~\$100 million revenue
~20% Adjusted EBITDA margin

Services include:

- De-packaging
- Solidification
- Shredding
- Wastewater treatment
- Material recycling and reuse
- Professional services
- Industrial service (cleaning, spill response, remediation, etc.)
- E-waste
- Logistics

GROWTH VEHICLE FOR COVANTA

- EfW footprint is unmatched in North America
- Provides a network for customers requiring thermal destruction and/or zero landfill services for non-hazardous waste

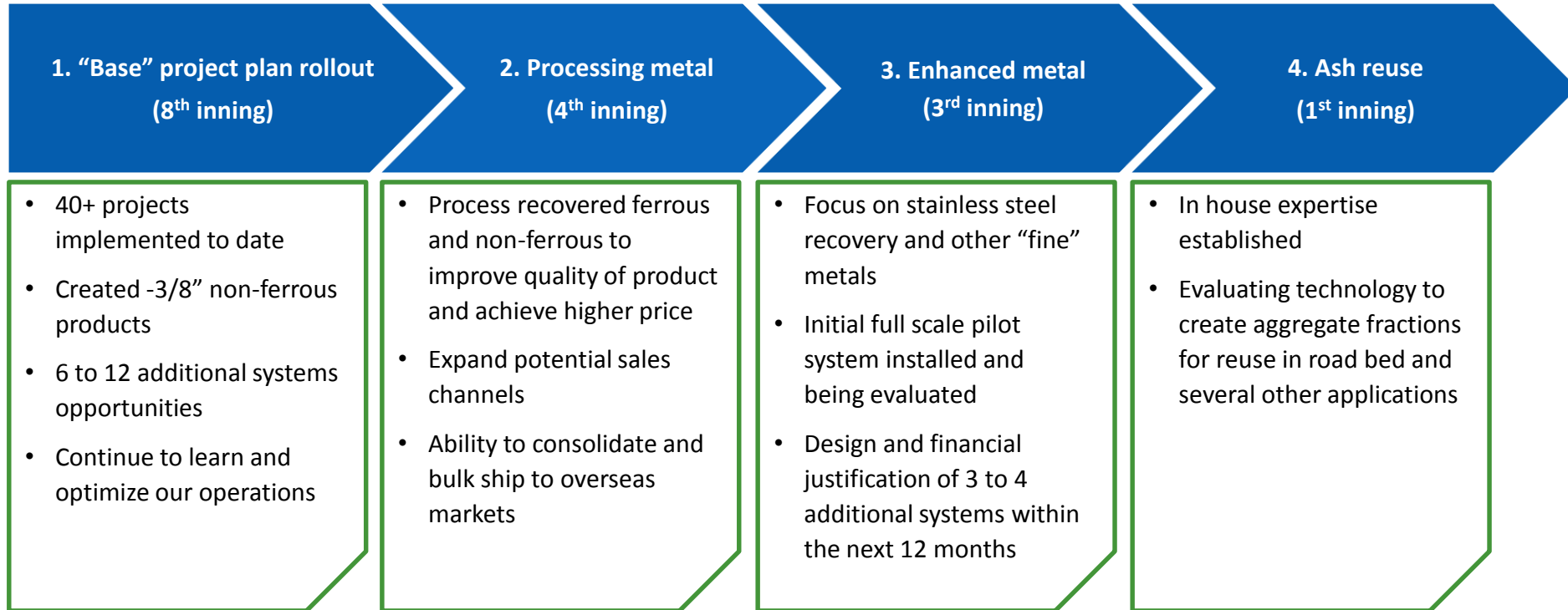
GROW >\$100 MILLION REVENUE OVER NEXT ~3 YEARS

- M&A and organic growth
- Combined environmental solutions margins expected to be similar to corporate average

HIGHLY COMPLEMENTARY TO BASE BUSINESS

- Internalization of profiled waste displaces spot MSW
- New service revenue opportunities

Strategic Objectives – Metals Management



Strategic Objectives – Executing on New Projects

Dublin EfW Facility

- 600,000 annual tonnes, 58 MW
- €500 million total capital investment at less than 9x Adjusted EBITDA multiple
- Construction >70% complete, with commercial operations targeted late 2017



New York City MTS Contract

- Multimodal transportation and disposal for ~800,000 tons of NYC waste via two marine transfer stations
- Investing ~\$150 million at attractive IRR
- Operations at first MTS (Queens) began in Q1 2015; second MTS (Manhattan) expected to begin in early 2018



Two Cash Flow Streams

1. Infrastructure Cash Flow

- Irreplaceable infrastructure assets
- Waste revenue and contracted energy
- Highly contracted revenue (>80%)

Underpins credit and dividend

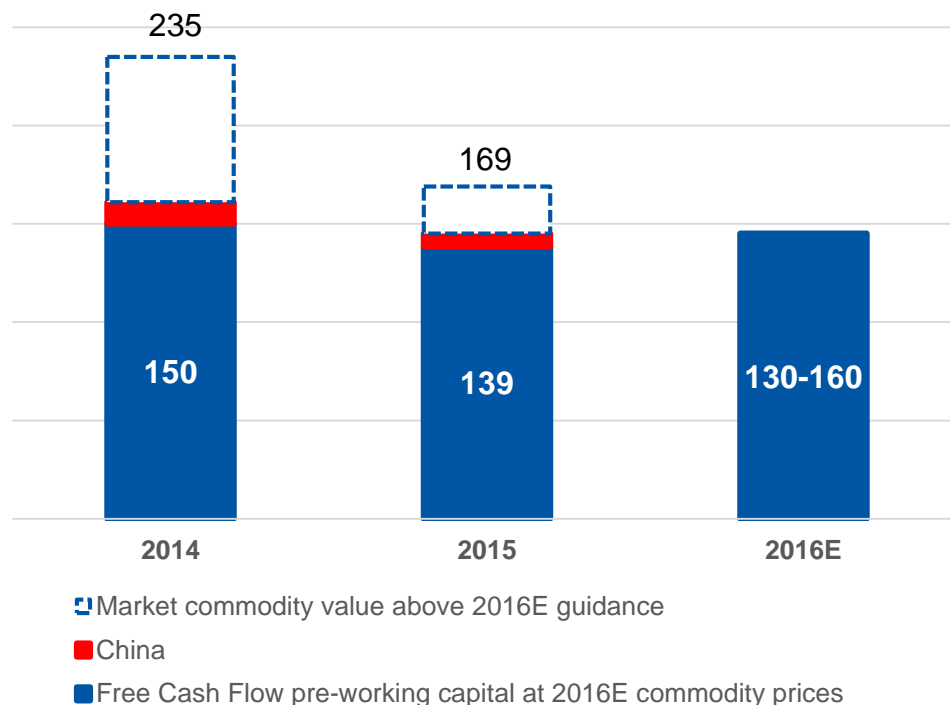
2. Market Commodity Value

- Commodities extracted from the waste stream are growing value drivers for Covanta
- Cash flow has greater volatility
- Funds opportunistic capital allocation

Highly leveraged to market recovery

Free Cash Flow (Pre-Working Capital)

(\$ in millions)



Stable and Flexible Balance Sheet

As of 6/30/16
(Face Value; \$ in millions)

Covanta Holding Corporation

7.250% Senior Notes due 2020:	\$400
6.375% Senior Notes due 2022:	400
5.875% Senior Notes due 2024:	400

Covanta Energy, LLC

Revolving Credit Facility due 2019-2020: ⁽¹⁾	\$493
Term Loan due 2020:	199
Equipment Leases due 2024-2027:	71
Tax-Exempt Corporate Bonds due 2024-2045: ⁽²⁾	464

International Subsidiaries

Project Debt: \$137

Domestic Subsidiaries

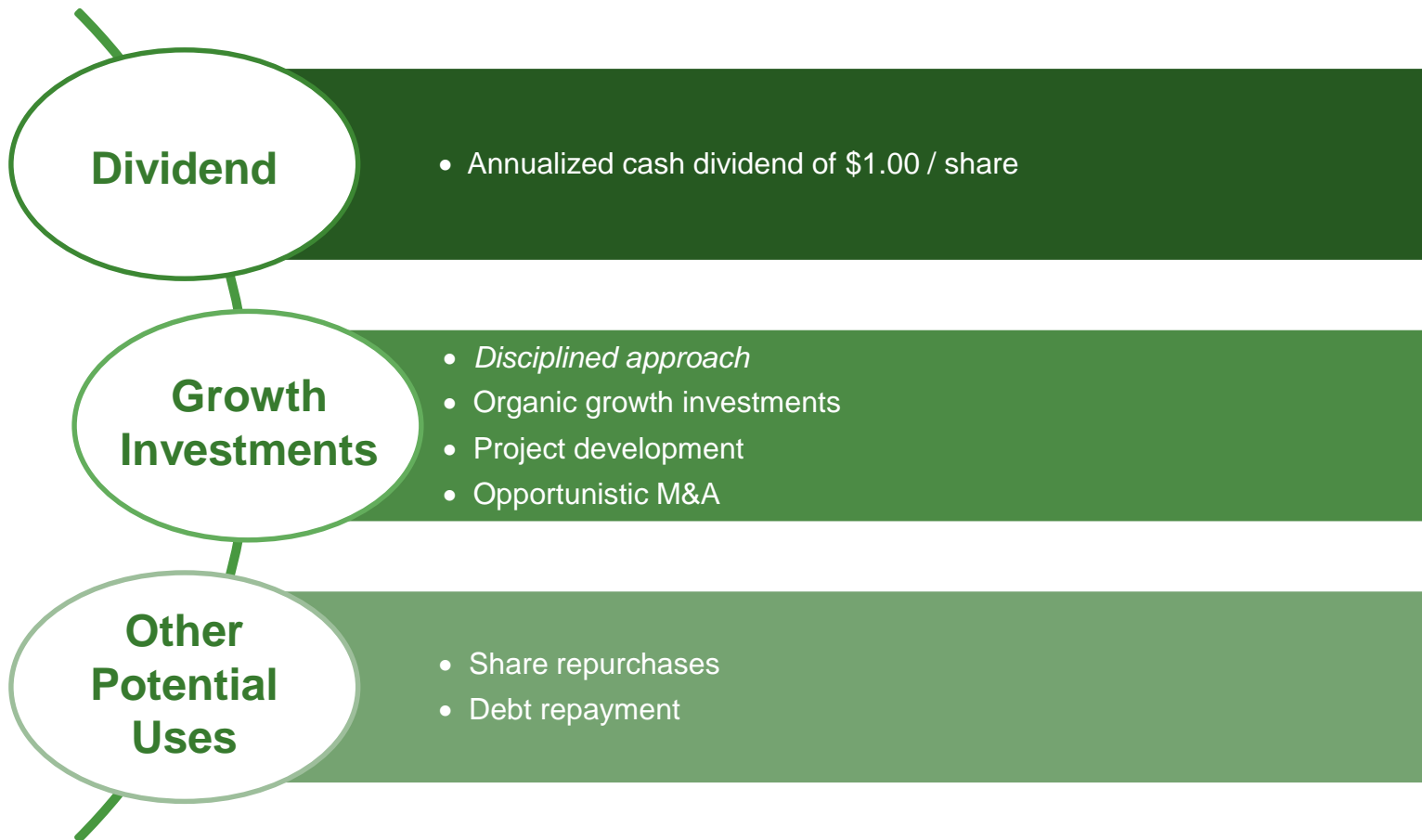
Project Debt: \$235

- Weighted average debt maturity of ~9 years, with no material corporate maturities until 2020
- Ample liquidity with \$347 million availability under revolver at 6/30/16
- Weighted average interest rate of ~5.2% at 6/30/16

1) Total facility size of \$1.0 billion (\$50 million due 2019 and \$950 million due 2020), with \$160 million letters of credit outstanding and \$347 million availability at June 30, 2016.

2) The tax-exempt corporate bonds are obligations of Covanta Holding Corporation and are guaranteed by Covanta Energy, and as such are effectively senior in right of payment to the other indebtedness of Covanta Holding Corporation.

Capital Allocation Policy



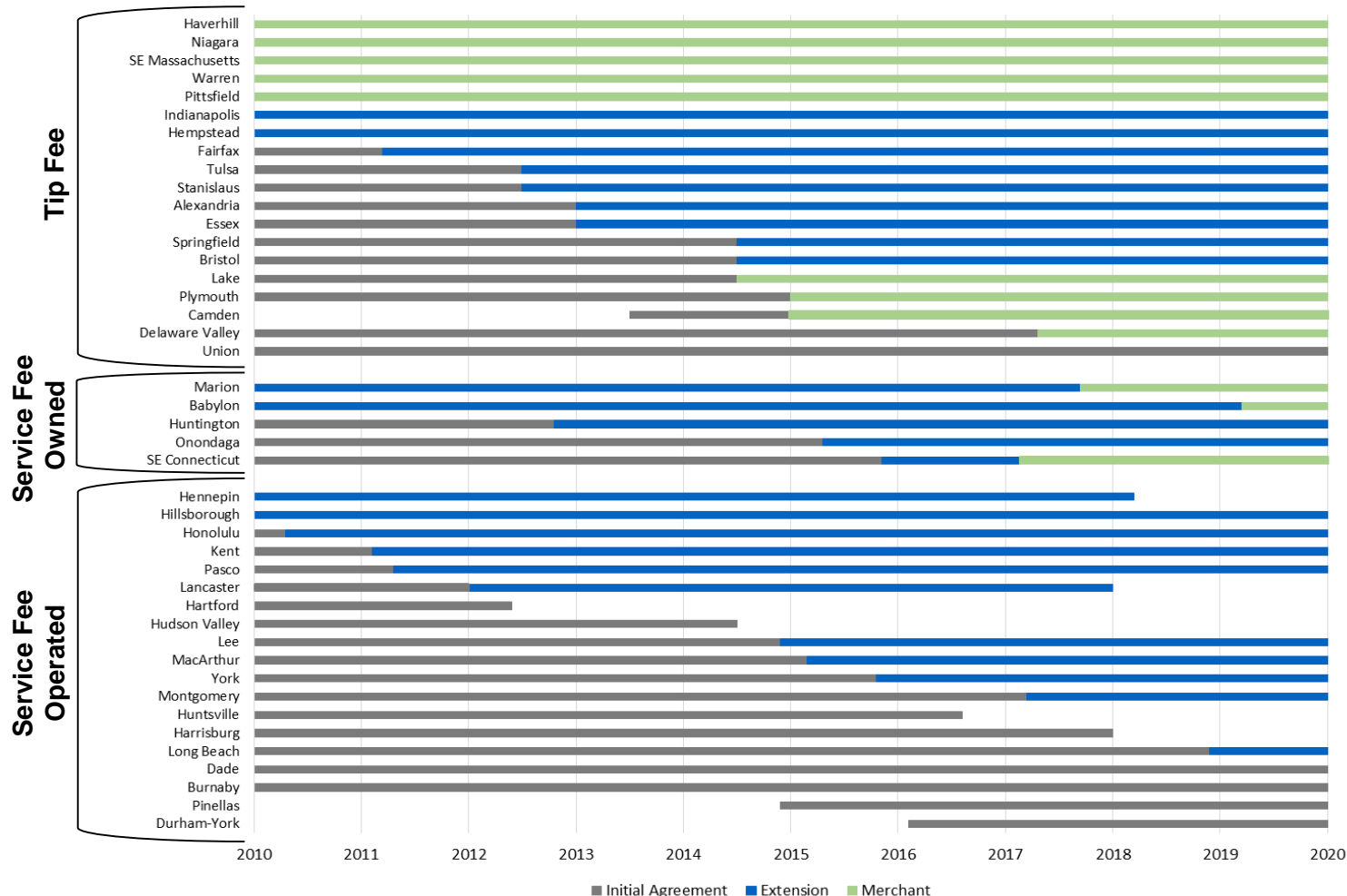
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Appendix

Major Municipal Waste Contract Transitions

Renewed 35 out of 38 anchor municipal client contracts for average extension of ~10 years



Waste Update

- **Q2 2016 EfW waste processing revenue vs. Q2 2015:**

- Same store price up \$5 million (2.1%); volume flat
- EfW profiled waste up 9% year-over-year

- **Trends and outlook:**

- Uncontracted price improvement driven by strong Northeast price environment and continued mix shift away from low-priced spot MSW
- Contractual price escalations running at ~1%

North America EfW ⁽¹⁾ (in millions, except price)	Q2 2015A	Q2 2016A	(Unaudited) 2016E
Waste & Service Revenue:			
Waste Processing	\$231	\$238	\$935 - \$965
Debt Service	4	2	9
Other ⁽²⁾	<u>3</u>	<u>3</u>	<u>5 - 10</u>
Total	\$238	\$243	\$950 - \$980
Tons: ⁽³⁾			
Contracted ⁽⁴⁾	4.4	4.4	
Uncontracted	<u>0.5</u>	<u>0.5</u>	
Total	4.9	4.9	19.5 - 19.7
Revenue per Ton: ⁽⁵⁾			
Contracted	\$44.72	\$45.87	
Uncontracted	\$70.10	\$74.94	
Average	\$47.29	\$48.71	\$48.00 - \$49.00

1) North America EfW results include only Energy-from-Waste assets.

2) Other includes service revenue not directly related to waste processing.

3) Excludes liquid waste.

4) Includes contracts at transfer stations from which waste is internalized.

5) Calculated for waste and service revenue, excluding debt service and other revenue.

Energy Update

- **Q2 2016 EfW energy revenue drivers vs. Q2 2015:**

- Same store revenue down 4.3%
 - Price down \$2 million
 - Volume down \$1 million

- **Trends and outlook:**

- Recent recovery in natural gas prices not fully translating to Northeast electricity market pricing
- Warm weather and lower gas production modestly improving forward price outlook
- Remaining uncontracted exposure in 2016 approximately 600k MWh
- Hedging exposure in 2017 and 2018
 - Market exposure in 2017 and 2018 down to 1.9 and 4.2 million MWh, respectively, and will continue to decrease
 - Average hedge price for 2017 is approximately \$36 per MWh

North America EfW (in millions, except price)	Q2 2015A	Q2 2016A	(Unaudited) 2016E
Energy Revenue:			
Energy Sales	\$73	\$76	\$310 - \$330
Capacity	<u>9</u>	<u>10</u>	<u>~40</u>
Total	\$82	\$86	\$350 - \$370
MWh Sold:			
Contracted	0.8	0.9	3.1 - 3.2
Hedged	0.3	0.4	~1.9
Market	<u>0.4</u>	<u>0.2</u>	<u>~1.1</u>
Total	1.4	1.5	6.2 - 6.4
Revenue per MWh: ⁽¹⁾			
Contracted	\$63.69	\$62.06	~\$64
Hedged	\$42.07	\$37.19	~\$41
Market	\$31.43	\$26.02	~\$29
Average	\$50.81	\$49.25	~\$51

1) Excludes capacity revenue.

Recycled Metals Update

- **Q2 2016 revenue drivers vs. Q2 2015:**

- Volume:
 - Ferrous down 10% – recovery up, but sales volume impacted by centralized processing and timing of shipments
 - Non-ferrous up 14%
- Price:
 - Ferrous up 8%, with lower market price more than offset by higher realized revenue as % of index
 - Non-ferrous down 12%

- **Market trends and outlook:**

- Recent strength in both ferrous and non-ferrous markets; however, expect softness for rest of 2016 due to seasonality of scrap market and strong USD

North America (\$ in millions, except price; tons in thousands)	Q2 2015A	Q2 2016A	(Unaudited) 2016E
Metals Revenue:			
Ferrous	\$11	\$11	\$30 - \$35
Non-Ferrous	6	6	20 - 25
Total	\$17	\$17	\$50 - \$60
Tons Sold:			
Ferrous	85	77	330 - 340
Non-Ferrous	8	9	34 - 38
Revenue per Ton:			
Ferrous	\$127	\$138	\$95 - \$110
Non-Ferrous	\$741	\$650	~\$650
Average HMS index price ⁽¹⁾	\$236	\$220	\$175 - \$195

1) Q2 2016 and Q2 2015 average #1 Heavy Melt Steel composite index (\$ / gross ton) as published by American Metal Market.

Plant Operating Expense and Maintenance Capex Update

- **Q2 2016 summary:**

- North America EfW plant maintenance expense flat vs. Q2 2015 on same store basis
- North America EfW other plant operating expenses up 3% vs. Q2 2015 on same store basis

- **Trends and outlook:**

- 2016 full-year maintenance plan on track; ~65% of maintenance spend completed

Total Company (in millions)	Q2 2015A	Q2 2016A	(Unaudited) 2016E
Plant Maintenance Expense:			
North America EfW	\$81	\$80	\$265 - \$275
Other	<u>4</u>	<u>2</u>	
Total	\$85	\$82	
Maintenance Capex:			
North America EfW	\$26	\$28	\$85 - \$95
Other	<u>3</u>	<u>4</u>	<u>~20</u>
Total	\$29	\$32	\$105 - \$115
Total EfW Maintenance Spend	\$107	\$108	\$350 - \$370
Other Plant Operating Expense:			
North America EfW	\$155	\$165	
Other	<u>60</u>	<u>67</u>	
Total	\$215	\$232	

Growth Investment Outlook

Growth Investments (Unaudited, in millions)	FY 2015 Actual	YTD 6/30/16	FY 2016 Outlook
Organic growth investments ⁽¹⁾	\$34	\$22	~ \$40
New York City contract	30	3	~5
Essex County EfW emissions control system ⁽²⁾	26	18	~35
Acquisitions	<u>72</u>	<u>9</u>	<u>9</u>
Subtotal: Corporate funded	\$162	\$52	~ \$90
Dublin facility construction	<u>184</u>	<u>73</u>	<u>175 - 200</u>
Total growth investments	\$346	\$125	~ \$265 - 295

- Remaining Dublin investment to be funded entirely with project financing – no impact on domestic capital allocation
- Acquisitions to be targeted on an opportunistic basis – potential additional activity not reflected in FY 2016 outlook

1) Organic growth programs are focused primarily on growing waste and metal revenue.

2) Classified as growth investment because cost is reflected in overall economic benefit of contract restructuring completed in 2013.

Capitalization Summary

(Face value; unaudited, in millions)	12/31/2014	12/31/2015	6/30/2016
Cash and Cash Equivalents	\$84	\$94	\$108
Corporate Debt:			
Secured	\$405	\$621	\$763
Unsecured	<u>1,569</u>	<u>1,664</u>	<u>1,664</u>
Total Corporate Debt	\$1,974	\$2,285	\$2,427
Project Debt	<u>225</u>	<u>197</u>	<u>372</u>
Total Debt	\$2,199	\$2,482	\$2,799
Net Debt ⁽¹⁾	\$2,029	\$2,326	\$2,630
Stockholders' Equity	\$784	\$640	\$480
Credit Ratios:			
Net Debt / Adjusted EBITDA Ratio	4.3x	5.4x	6.2x
Excluding Non-Recourse Construction Debt ⁽²⁾	4.3x	5.3x	5.9x
Senior Credit Facility Leverage Ratio ⁽³⁾	2.1x	2.9x	3.4x

1) Net debt is calculated as total principal amount of debt outstanding less cash and cash equivalents, debt service principal-related restricted funds (\$13 million at June 30, 2016), and escrowed construction financing proceeds (\$48 million at June 30, 2016).

2) Excludes \$128 million of net debt (debt of \$137 million less restricted funds of \$9 million) outstanding at June 30, 2016 at Dublin project subsidiary.

3) Leverage ratio as calculated for senior credit facility covenant. Effectively represents leverage at Covanta Energy, LLC and subsidiaries.

Long-term Outlook: Energy Detail

North America EfW Facilities (Unaudited, in millions, except price)

	2014A	2015A	2016E	2017E	2018E	2019E	2020E
MWh Sold – CVA Share:							
Contracted	3.2	3.0	3.2	2.4	2.1	2.1	2.1
Hedged	1.4	1.4	1.9	2.2	0.2	—	—
Market	<u>1.1</u>	<u>1.4</u>	<u>1.1</u>	<u>1.9</u>	<u>4.2</u>	<u>4.5</u>	<u>4.5</u>
Total MWh Sold	5.6	5.8	~6.2	~6.5	~6.5	~6.6	~6.6
Market Sales (MWh) by Geography:							
PJM East	0.4	0.5	0.5	1.0	2.4	2.7	2.7
NEPOOL	0.3	0.3	0.1	0.4	1.1	1.1	1.1
NYISO	—	0.1	0.1	0.1	0.2	0.2	0.2
Other	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>0.5</u>
Total Market Sales	1.1	1.4	1.1	1.9	4.2	4.5	4.5
Revenue per MWh: ⁽¹⁾							
Contracted	\$67.56	\$65.56	~\$64	Average ~\$57 / MWh on contracts expiring through 2020			
Hedged	\$42.87	\$45.64	~\$41				
Market	\$49.12	\$33.18	~\$29				
Average Revenue per MWh	\$58.06	\$53.17	~\$51				

- **Note: Production estimates for 2017 - 2020 are approximated based on historical operating performance and expected contract structures**

Note: hedged generation as presented above reflects only existing hedges.

1) Excludes capacity revenue.

Non-GAAP Reconciliation: Adjusted EBITDA & Free Cash Flow

(Unaudited, in millions)	Q2		YTD		Full Year
	2016	2015	2016	2015	Estimated 2016 ⁽¹⁾
Net Loss Attributable to Covanta Holding Corporation	\$(29)	\$(6)	\$(66)	\$(43)	
Depreciation and amortization expense	51	50	103	98	
Interest expense, net	34	33	68	68	
Income tax expense (benefit)	3	(40)	(7)	(30)	
Impairment charges	4	24	19	24	
Loss on extinguishment of debt	—	2	—	2	
Debt service billings in excess of revenue recognized	1	—	2	1	
Severance and reorganization costs	1	—	2	2	
Non-cash compensation expense	4	3	9	11	
Capital type expenditures at service fee operated facilities ⁽²⁾	12	14	23	22	
Other	<u>1</u>	<u>3</u>	<u>5</u>	<u>7</u>	
Total adjustments	<u>111</u>	<u>89</u>	<u>224</u>	<u>205</u>	
Adjusted EBITDA	\$82	\$83	\$158	\$162	\$390 - \$430
Cash paid for interest, net of capitalized interest	(45)	(42)	(67)	(61)	
Cash paid for taxes	—	(2)	(4)	(4)	
Capital type expenditures at service fee operated facilities ⁽²⁾	(12)	(14)	(23)	(22)	
Adjustment for working capital and other	<u>2</u>	<u>(36)</u>	<u>(6)</u>	<u>(44)</u>	
Cash flow provided by (used in) operating activities from continuing operations	\$27	\$(11)	\$58	\$31	\$245 - \$295
Maintenance capital expenditures	<u>(32)</u>	<u>(29)</u>	<u>(68)</u>	<u>(55)</u>	(105) - (115)
Free Cash Flow	<u>\$(5)</u>	<u>\$(40)</u>	<u>\$(10)</u>	<u>\$(24)</u>	<u>\$140 - \$180</u>
Weighted Average Diluted Shares Outstanding	129	132	129	132	

1) Guidance affirmed as of July 26, 2016.

2) Adjustment for impact of adoption of FASB ASC 853 – *Service Concession Arrangements*.

Non-GAAP Reconciliation: Adjusted EBITDA

(Unaudited, in millions)	Full Year		LTM
	2014	2015	6/30/2016
Net (Loss) Income Attributable to Covanta Holding Corporation	\$(2)	\$68	\$45
Operating loss related to insurance subsidiaries	2	—	—
Depreciation and amortization expense	211	198	203
Debt service expense	147	134	134
Income tax expense (benefit)	15	(84)	(61)
Impairment charges	64	43	38
Loss on extinguishment of debt	2	2	—
Net income attributable to noncontrolling interests in subsidiaries	1	1	1
Debt service billings in excess of revenue recognized	2	1	2
Severance and reorganization costs	9	4	4
Non-cash compensation expense	17	18	16
Capital type expenditures at service fee operated facilities ⁽¹⁾	—	31	32
Other	<u>6</u>	<u>12</u>	<u>10</u>
Total adjustments	<u>476</u>	<u>360</u>	<u>379</u>
Adjusted EBITDA	\$474	\$428	\$424

1) Adjustment for impact of adoption of FASB ASC 853 – *Service Concession Arrangements*.

Note: Adjusted EBITDA results provided to reconcile the denominator of the Net Debt / Adjusted EBITDA ratios on slide 13.

Non-GAAP Reconciliation: Adjusted EPS

(Unaudited, in millions, except per share amounts)	Q2		YTD	
	2016	2015	2016	2015
Diluted Loss Per Share	\$(0.23)	\$(0.05)	\$(0.51)	\$(0.33)
Reconciling Items	<u>0.01</u>	<u>(0.01)</u>	<u>0.10</u>	<u>0.14</u>
Adjusted EPS	<u>\$(0.22)</u>	<u>\$(0.06)</u>	<u>\$(0.41)</u>	<u>\$(0.19)</u>
<u>Reconciling Items</u>				
Impairment charges	\$4	\$24	\$19	\$24
Severance and reorganization costs	1	—	2	6
Loss on extinguishment of debt	—	2	—	2
Effect on income of derivative instruments not designated as hedging instruments	(3)	—	1	—
Effect of foreign exchange (gain) loss on indebtedness	=	<u>(1)</u>	<u>(1)</u>	<u>1</u>
Total Reconciling Items, pre-tax	2	25	21	33
Pro forma income tax impact ^(c)	(1)	(11)	(8)	(14)
Legal entity restructuring charge	=	<u>(15)</u>	=	=
Total Reconciling Items, net of tax	<u>\$1</u>	<u>\$(1)</u>	<u>\$13</u>	<u>\$19</u>
Diluted Earnings Per Share Impact	<u>\$0.01</u>	<u>\$(0.01)</u>	<u>\$0.10</u>	<u>\$0.14</u>

Keys and Information

Refers to slide 5

COVANTA Energy - from - Waste process

- 1 Post-recycled municipal solid waste is picked up at your home or business.
- 2 Waste is delivered and temporarily stored in a bunker. We maintain the building around the tipping and bunker area under negative pressure and use this air in the combustion process to control odor.
- 3 The waste is fed into a combustion chamber and burned at extremely high temperatures in a self-sustaining process.
- 4 Heat from combustion boils water to create steam.
- 5 The steam turns a turbine-driven generator to produce electricity, or may sometimes be used directly for heating or industrial processes.
- 6 Electricity is distributed to the grid and used to power homes and businesses.
- 7 State-of-the-art air pollution control equipment is used to cool, collect, and clean combustion gases. This equipment operates under stringent state and federal standards.
- 8 We control emissions of particulate matter primarily through a baghouse (fabric filter).
- 9 Emissions and other operating criteria are continuously monitored to ensure compliance with state and federal standards.
- 10 Residual material from the combustion process is collected for processing and metals extraction.
- 11 Ferrous and non-ferrous metals are extracted for recycling.
- 12 Remaining residual materials are beneficially reused or disposed of in a landfill.

EfW Project Structures

	Tip Fee	Service Fee	
		Owned	Operated
Number of Facilities ⁽¹⁾	19	5	17
% of Tons Processed	~55%	~5%	~40%
Client(s)	Municipal anchor client; Merchant capacity	Municipal anchor client; Limited merchant capacity	Municipal client
Waste or Service Revenue	Per ton “tipping fee”	Fixed O&M fee (Inflation escalators & incentives)	
Energy Revenue	Covanta retains 100%	Share with client (Covanta retains ~20% on average)	
Metals Revenue	Covanta retains 100%	Share with client (Covanta typically retains ~50%)	
Operating Costs	Covanta responsible for all operating costs	Pass through certain costs to municipal client (e.g., ash disposal)	
Project Debt Service	Covanta responsible; Debt on Covanta books	Client pays as part of service fee; Debt on Covanta books	Covanta not responsible; Debt not on Covanta books
After Service Contract Expiration	N/A	Covanta owns the facility; Facility converts to Tip Fee or remains Service Fee with new terms	Client owns the facility; Client extends with Covanta or tenders for new contract

1) Facilities in North America only.

North American EfW Facility Detail

Tip Fee	Service Fee (Owned)	Service Fee (Operated)
Alexandria / Arlington (VA)	Babylon (NY)	Burnaby (BC, Canada)
Bristol (CT)	Huntington (NY)	Dade (FL)
Camden (NJ)	Marion County (OR)	Durham / York (Ontario, Canada)
Delaware Valley (PA)	Onondaga County (NY)	Harrisburg (PA)
Essex County (NJ)	Southeast Connecticut (CT)	Hennepin County (MN)
Fairfax County (VA)		Hillsborough County (FL)
Haverhill (MA)		Honolulu (HI)
Hempstead (NY)		Huntsville (AL)
Indianapolis (IN)		Kent County (MI)
Lake County (FL)		Lancaster County (PA)
Niagara (NY)		Lee County (FL)
Pittsfield (MA)		Long Beach (CA)
Plymouth (PA)		MacArthur (NY)
Southeast Massachusetts (MA)		Montgomery County (MD)
Stanislaus County (CA)		Pasco County (FL)
Springfield (MA)		Pinellas County (FL)
Tulsa (OK)		York (PA)
Union County (NJ)		
Warren County (NJ)		

Non-GAAP Financial Measures

Free Cash Flow

Free Cash Flow is defined as cash flow provided by operating activities, less maintenance capital expenditures, which are capital expenditures primarily to maintain our existing facilities. We use the non-GAAP measure of Free Cash Flow as a criterion of liquidity and performance-based components of employee compensation. We use Free Cash Flow as a measure of liquidity to determine amounts we can reinvest in our core businesses, such as amounts available to make acquisitions, invest in construction of new projects, make principal payments on debt, or amounts we can return to our stockholders through dividends and/or stock repurchases. In order to provide a meaningful basis for comparison, we are providing information with respect to our Free Cash Flow for the three months ended June 30, 2016 and 2015, reconciled for each such period to cash flow provided by operating activities, which we believe to be the most directly comparable measure under GAAP.

Adjusted EBITDA

We use Adjusted EBITDA to provide further information that is useful to an understanding of the financial covenants contained in the credit facilities as of June 30, 2016 of our most significant subsidiary, Covanta Energy, LLC ("Covanta Energy"), through which we conduct our core waste and energy services business, 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 core business. The calculation of Adjusted EBITDA is based on the definition in Covanta Energy's credit facilities as of June 30, 2016, 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 the credit facilities as of June 30, 2016, 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 June 30, 2016. 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 4.00 to 1.00, 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 (which for purposes of calculating the leverage ratio and interest coverage ratio, is adjusted on a pro forma basis for acquisitions and dispositions made during the relevant period); 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 June 30, 2016 and 2015, 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. Our projected full year 2016 Adjusted EBITDA is not based on GAAP net income/loss and is anticipated to be adjusted to exclude the effects of events or circumstances in 2016 that are not representative or indicative of our results of operations. Projected GAAP net income/loss for the full year would require inclusion of the projected impact of future excluded items, including items that are not currently determinable, but may be significant, such as asset impairments and one-time items, charges, gains or losses from divestitures, or other items. Due to the uncertainty of the likelihood, amount and timing of any such items, we do not have information available to provide a quantitative reconciliation of full year 2016 projected net income/loss to an Adjusted EBITDA projection.

Adjusted EPS

Adjusted EPS excludes certain income and expense items that are not representative of our ongoing business and operations, which are included in the calculation of Diluted Earnings Per Share in accordance with GAAP. The following items are not all-inclusive, but are examples of reconciling items in prior comparative and future periods. They would include impairment charges, the effect of derivative instruments not designated as hedging instruments, significant gains or losses from the disposition or restructuring of businesses, gains and losses on assets held for sale, transaction-related costs, income and loss on the extinguishment of debt and other significant items that would not be representative of our ongoing business. We will use the non-GAAP measure of Adjusted EPS to enhance the usefulness of our financial information by providing a measure which management internally uses to assess and evaluate the overall performance and highlight trends in the ongoing business. In order to provide a meaningful basis for comparison, we are providing information with respect to our Adjusted EPS for the three months ended June 30, 2016 and 2015, reconciled for each such period to diluted income per share, which is believed to be the most directly comparable measure under GAAP.