

COVANTA ENERGY CORPORATION  
40 LANE ROAD, CN 2615  
FAIRFIELD, NJ 07007-2615

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APR 09 2002

BUREAU OF AIR REGULATION

Scott G. Mackin  
President and Chief Executive Officer  
Phone (973) 882-7152  
Fax (973) 882-4148  
smackin@covantaenergy.com

April 3, 2002

Bruce Mitchell  
Bureau of Air Regulation  
Florida Department of the Environment  
Twin Towers Office Bldg.  
2600 Blair Stone Road  
Tallahassee, FL 32399-2400

Dear Mr. Mitchell:

I am writing to inform you about an important announcement Covanta made this week to undertake a comprehensive financial restructuring plan. This plan, which represents the completion of our comprehensive review of strategic options, will enable us to address decisively our financial challenges while ensuring the continued safe and effective operation of our energy and water facilities.

As explained in the attached press release, the Company has taken the following steps in conjunction with its financial restructuring:

- Filed for voluntary Chapter 11 bankruptcy reorganization;
- Entered into a letter of intent with the investment firm of Kohlberg Kravis Roberts and Company (KKR) for a \$225 million equity investment;
- Secured \$463 million in Debtor-in-Possession (D-I-P) financing; and
- Announced a strategic restructuring program to focus on our core energy and water market.

Our waste-to-energy and water operations are fundamentally strong – they represent the core of our business, today and for the future.

You should know that we will continue to operate our waste-to-energy and water facilities as usual, and they will continue to provide safe, reliable and environmentally sound waste management and water services. All maintenance activities will continue, unaffected by the filing. Our facilities have completed the necessary modifications to ensure compliance with the Clean Air Act, as well as other applicable state and federal

## COVANTA ENERGY CORPORATION

regulations, and we will continue to ensure compliance with all regulatory standards and disclosure schedules throughout our restructuring process. Staffing at all of our facilities is expected to remain at the same levels as it was prior to the filing and we expect that employees will be paid in the usual manner.

The decision to undertake the Company's financial restructuring was not taken lightly, and was made only after working closely with our outside financial advisers to consider the full range of available strategic options. This plan is the right one for Covanta because it recognizes the strength of our energy and water operations – they are profitable and they represent the core of our business, today and for the future.

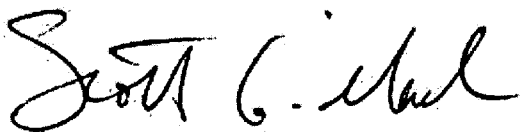
In addition, we have already arranged a substantial \$463 million in debtor-in-possession (D-I-P) financing from our lenders which, combined with the \$225 million equity investment from KKR and our current cash resources in excess of \$55 million in domestic accounts, will be used to pay all post-filing expenses and ensure the facilities' continued operation according to the highest standards.

We are convinced that our restructuring plan represents the most viable option to assure the continued performance of our energy and water facilities. Our waste-to-energy and water customers and clients can therefore continue to expect long-term, reliable, safe and environmentally sound solid waste management and water services.

For additional information please visit our website at [www.covantaenergy.com](http://www.covantaenergy.com), or call our automated information system at 1-866-COVANTA.

Thank you. We look forward to continuing to serve you and our respective constituents.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott G. Mackin". The signature is fluid and cursive, with a large initial "S" and a distinct "G." before the last name.

Scott Mackin  
President and CEO

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**FOR IMMEDIATE RELEASE**

**COVANTA ANNOUNCES FINANCIAL RESTRUCTURING  
RESULTING FROM STRATEGIC REVIEW**

**-- Company Files Voluntary Chapter 11 Petition --**

**-- KKR Intends to Provide \$225 Million in Equity Financing --**

**-- \$463 Million Debtor-in-Possession Financing Arranged --**

**-- Announces Program to Focus on Core Energy and Water Operations --**

**FAIRFIELD, NJ, April 1, 2002** – Covanta Energy Corporation (NYSE: COV) today announced a financial restructuring plan resulting from its comprehensive review of strategic alternatives. As the first element of that plan, the Company has filed a voluntary petition for Chapter 11 reorganization with the U.S. Bankruptcy Court in the Southern District of New York. The Company's core energy and water facilities will continue to operate in the normal course of business and will be unaffected by the filing.

**Results of Strategic Review**

Today's announcement represents the culmination of the strategic review conducted by the Company's Board and management, with outside financial advisers, which was announced in December 2001. As a result of that review, the Company:

- Determined that reorganization under Chapter 11 represents the most viable venue to reorganize the Company's capital structure, complete the disposition of its remaining non-core entertainment and aviation assets, and protect the value of the Energy and Water franchise;
- Entered into a non-binding Letter of Intent with the investment firm of Kohlberg Kravis Roberts & Co. (KKR) for a \$225 million equity investment under which a KKR affiliate would acquire the Company upon emergence from Chapter 11; and
- Announced a strategic restructuring program to focus on the U.S. energy and water market, expedite the disposition of non-core assets and, as a result, reduce overhead costs.

In connection with the filing, Covanta obtained a commitment for \$463 million of debtor-in-possession (D-I-P) financing from its current bank group. This financing, subject to approval by the Bankruptcy Court, will cover all of the Company's ongoing cash needs and help ensure the continuation of the Company's Letters of Credit, which are used to support the performance and payment obligations of its core energy and water facilities.

Scott G. Mackin, Covanta President and Chief Executive Officer, stated, "We have painstakingly reviewed and pursued all options outside of a Chapter 11 filing for quite some time now. Our core businesses – Waste to Energy, Independent Power Production and Water – are strong. However, the capital structure impediments left over from the non-core, former Ogden Corporation businesses, and the lack of access to the capital markets as means by which to deal with them, have foreclosed other options. The exhaustive strategic review has demonstrated that Chapter 11 represents the most viable venue for Covanta to address those capital structure issues, expedite our restructuring and preserve the value of our strong core businesses. When we emerge, we will do so with a strong balance sheet and core businesses unencumbered by the problems we inherited.

"We are gratified by the support of our bank group and KKR, which we believe will allow us to complete the Chapter 11 process expeditiously. Our bank group, particularly the Agents, has worked exceptionally hard to put together an impressive D-I-P facility that will preserve our core businesses through this process. And, the relationship we have formed with KKR over the past several months is particularly exciting. Their expertise, business acumen and financial resources will add significant value to Covanta's prospects, and their potential investment affirms the strength of our core energy and water operations.

"We are working to obtain court approval of the substantial D-I-P package quickly, but in the meantime, interim approval affords us access to ample cash with which we will continue to operate our energy and water facilities as usual. At this time, the Company has in excess of \$55 million in its domestic accounts. We intend to pay in full our post-petition obligations, including payments to vendors. With our bank group and KKR, we look forward to working with our creditors to develop a Plan of Reorganization that is fair and feasible and positions us to realize the full potential of our core businesses," Mr. Mackin said.

#### **\$225 Million Equity Investment by KKR**

The non-binding Letter of Intent with KKR provides that the Company and the Agents for its bank group will work exclusively with KKR for up to 90 days. Upon completion of due diligence, the negotiation and execution of definitive agreements satisfactory to the Company, KKR, the bank group and other creditors, the confirmation of a Plan of Reorganization by the Court and the satisfaction of other conditions, KKR would acquire the Company upon its emergence from Chapter 11. The Agents of the bank group providing the Company's D-I-P financing have signed the Letter of Intent and support a transaction with KKR.

The rights of Covanta's creditors would be determined as part of the Plan of Reorganization. Existing common equity and preferred shareholders are not expected to participate in the new capital structure.

Scott Stuart, Member of KKR, said, “KKR has been working closely with Covanta’s management team for several months to determine the Company’s optimal course for the future. We are pleased that the Company has elected to partner with us after its lengthy strategic review process. While this is an extremely complex situation given the particular challenges of the Company’s capital structure, we are attracted to Covanta’s core assets and strong management team. We look forward to continuing to work closely with the Company, the bank group and other creditors to implement a Plan of Reorganization that will best meet Covanta’s objectives now and over the long term.”

**\$463 Million Debtor-in-Possession Financing Arranged by Existing Bank Group**

The filing immediately enhanced Covanta’s liquidity by enabling the Company to restructure liabilities associated with its non-core entertainment and aviation businesses. Moreover, the Company has obtained a commitment for \$463 million in debtor-in-possession (D-I-P) financing from its bank group, led by the Agents. This financing, which is subject to definitive court approval, will cover all of the Company’s ongoing cash needs and helps ensure the continuation of the Company’s Letters of Credit that support the performance and payment obligations of our core energy and water facilities.

**Restructuring Program to Focus on Its Core Energy and Water Business**

Covanta also announced a restructuring program to focus on the U.S. energy and water industry, expedite the disposition of its non-core assets and, thereby reduce overhead costs.

Further, the Company announced that it has completed the sale of its Thai energy assets for \$35 million to two consortia of co-investors. The sales included Covanta’s Saha and Rojana co-generation facilities, as well as its subsidiary operating those plants.

**Core Energy, Water Facilities Conducting Business in Ordinary Course**

Covanta will continue to conduct business at its core energy and water facilities. The Chapter 11 filing will have no effect on their operation, and the Company intends to continue operating those facilities according to the same high standards as always.

“Continued performance to our loyal customers, client communities, partners and vendors is our paramount focus,” said Mr. Mackin. “We value those relationships and are committed to maintaining the same levels of service and performance that they have come to expect from us. In particular, we are grateful to the many clients who have gone out of their way to voice their support for us as we go through this process.

“We will become predominately a domestic energy and water business allowing us to more efficiently focus our resources on the current operations and the expansion opportunities available to us in the U.S. The Chapter 11 process along with KKR’s

continuing involvement will give us the ability to efficiently accomplish this self-help program which we will begin immediately.”

The Company's project debt is unaffected by the Chapter 11 filing. Project bondholders should expect that all debt service payments will continue. In fact, because Chapter 11 protects the value of the Company's core energy assets, the filing will help ensure the projects' continued performance and associated project debt payments.

The Company intends to maintain its qualified benefits programs for employees and to continue the current payroll schedule.

“The foundation of Covanta is its employees,” Mr. Mackin concluded. “Their effort and dedication, particularly over the last two years, have put us in a position to build on our core franchise to further strengthen the Company and enhance its prospects for the future. We are grateful for their ongoing support.”

\* \* \*

Covanta Energy Corporation is an internationally recognized designer, developer, owner and operator of power generation projects and provider of related infrastructure services. The Company's independent power business develops, structures, owns, operates and maintains projects that generate power for sale to utilities and industrial users worldwide. Its waste-to-energy facilities convert municipal solid waste into energy for numerous communities, predominantly in the United States. The Company also offers single-source design/build/operate capabilities for water and wastewater treatment infrastructures. Additional information about Covanta can be obtained via the Internet at [www.covantaenergy.com](http://www.covantaenergy.com), or through the Company's automated information system at 866-COVANTA (268-2682).

Certain statements included in this news release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements above include, but are not limited to, expected earnings and future financial performance. Although Covanta believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct. Factors that could cause Covanta's actual results to differ materially from those contemplated in the forward-looking statements above include, among others, the following:

- Economic, capital market and other business conditions affecting power generation enterprises specifically and commerce generally including interest, inflation and exchange rates; weather conditions; creditworthiness of customers and suppliers, changes in fuel costs and supply; unscheduled outages; environmental incidents; electric transmission restraints and risks and uncertainties associated with the recently deregulated energy industry;
- Trade, monetary, fiscal, taxation, energy regulation and environmental policies of governments, agencies and similar organizations in geographic areas where Covanta has a financial interest;
- Financial or regulatory accounting principles or policies imposed by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Federal

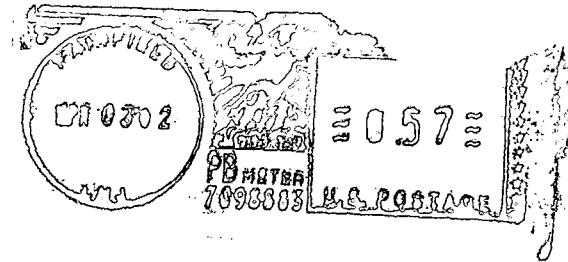
Energy Regulatory Commission and similar entities with regulatory oversight, including without limitation the impact of newly adopted FASB 133 relating to accounting for derivatives which is effective beginning January 1, 2001. The impact of FASB 133 will vary between accounting periods based on changes in pricing of various items bought and sold by the Company.

- Cost and other effects of legal and administrative proceedings, settlements, investigations and claims;
- Limitations on Covanta's ability to control the development or operation of projects in which Covanta has less than 100% interest;
- The lack of operating history at development projects provides only a limited basis for management to project the results of future operations.

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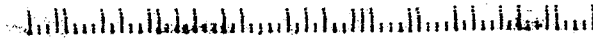
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Clair Fancy  
Chief  
Bureau of Air Regulation  
Florida Department of the Environment  
Twin Towers Office Bldg.  
260 Blair Stone Road  
Tallahassee, FL 32399-2400

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Bruce

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Scott G. Mackin  
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April 3, 2002

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Florida Department of the Environment  
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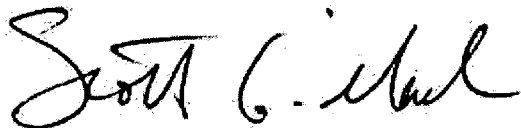
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- Trade, monetary, fiscal, taxation, energy regulation and environmental policies of governments, agencies and similar organizations in geographic areas where Covanta has a financial interest;
- Financial or regulatory accounting principles or policies imposed by the Financial Accounting Standards Board, the Securities and Exchange Commission, the Federal

Energy Regulatory Commission and similar entities with regulatory oversight, including without limitation the impact of newly adopted FASB 133 relating to accounting for derivatives which is effective beginning January 1, 2001. The impact of FASB 133 will vary between accounting periods based on changes in pricing of various items bought and sold by the Company.

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