

TRONOX INCORPORATED

EBITDA and Adjusted EBITDA are not presentations made in accordance with generally accepted accounting principles, or GAAP. The following table reconciles net income (loss) to EBITDA and Adjusted EBITDA for the periods presented:

	Year ended December 31,			
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
	(Millions of dollars)			
Net income (loss)	\$(106.4)	\$ (0.2)	\$ 18.8	\$ (127.6)
Interest and debt expense	50.1	50.4	4.5	0.1
Net interest on borrowings with affiliates and interest income ^(a)	(3.2)	(2.8)	11.9	9.5
Income tax provision (benefit)	43.0	8.4	7.0	(63.0)
Depreciation and amortization expense	<u>112.3</u>	<u>103.0</u>	<u>103.1</u>	<u>104.6</u>
EBITDA	95.8	158.8	145.3	(76.4)
Savannah sulfate facility shutdown costs	-	-	-	29.0
Loss from discontinued operations	1.3	39.9	42.4	69.7
Provision for environmental remediation and restoration, net of reimbursements	2.4	(20.4)	17.1	4.6
Extraordinary, unusual or non-recurring items ^(b)	10.0	(6.2)	-	(0.3)
Gain on sale of assets	(1.4)	(1.3)	-	-
Noncash charges constituting:				
One-time fees, costs and expenses related to separation from Kerr-McGee	-	1.7	-	-
(Gain) loss on sales of accounts receivables	2.9	-	(0.1)	8.2
Write-downs of property, plant and equipment and other assets ^(c)	10.0	2.5	9.3	104.8
Impairment of intangible assets	-	-	-	7.4
Asset retirement obligations ^(d)	(0.1)	(7.5)	1.4	-
Other items ^(e)	<u>20.3</u>	<u>24.4</u>	<u>16.6</u>	<u>15.2</u>
Adjusted EBITDA	<u>\$ 141.2</u>	<u>\$ 191.9</u>	<u>\$ 232.0</u>	<u>\$ 162.2</u>

- (a) Included as a component of other income (expense), net in the company's consolidated statements of operations.
- (b) The 2007 amount represents costs associated with a work force reduction program. The 2006 amount represents an arbitration award received from Kemira in the amount of \$8.9 million, partially offset by legal costs of \$2.7 million related to the matter.
- (c) The 2007 amount includes \$3.8 million related to the raw material feed project at the company's Savannah, Georgia, facility and \$3.5 million related to the write-down of a system project that will no longer be implemented as originally planned.
- (d) The 2006 amount resulted primarily from updating our estimates of closure costs (including timing) related to our former Mobile, Alabama, synthetic rutile facility and the former Savannah, Georgia, sulfate facility.
- (e) Includes noncash stock-based compensation, noncash pension and postretirement cost and accretion.

Adjusted EBITDA, which is used by management to measure performance, is a non-GAAP financial measure. Management believes that adjusted EBITDA is useful to investors because it is used in the company's debt instruments to determine compliance with financial covenants. It is included as a supplemental measure of the company's operating performance because it eliminates items that have less bearing on operating performance and highlights trends in the core business that may not otherwise be apparent when relying solely on GAAP financial measures. In addition, adjusted EBITDA is one of the primary measures management uses for planning and budgeting processes and to monitor and evaluate financial and operating results. Adjusted EBITDA is not a recognized term under GAAP and does not purport to be an alternative to measures of the company's financial performance as determined in accordance with GAAP, such as net income (loss). Because other companies may calculate adjusted EBITDA differently, this presentation of adjusted EBITDA may not be comparable to other similarly titled measures of other companies.