

TRONOX INC  
Form 425  
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Subject Company: Tronox Incorporated (File No: 001-32669)

**Tronox Incorporated Reports Record First Quarter Results**

*Increases in Pricing and Sequential Volume Fuel Record Adjusted EBITDA Company Discloses Potential Capital Policy for Tronox Limited Going Forward*

- *First quarter revenue increased to \$433.6 million and Adjusted EBITDA increased to \$151.4 million*
- *Revenue grew 16% year-over-year and 13% quarter-over-quarter*
- *Adjusted EBITDA grew 64% year-over-year and 9% quarter-over-quarter*
- *Sequential volume growth combined with price increases drove strong performance*
- *Following the closing of the acquisition, management to recommend capital policy that addresses assumption of leverage, special dividend, regular dividend, share repurchases, etc.*

OKLAHOMA CITY, May 18, 2012 /PRNewswire/ Tronox Incorporated (TROX.PK), one of the world's leading producers and marketers of titanium dioxide pigment, announced record Adjusted EBITDA in the first quarter. In light of the pending nature of the company's proxy statement, Tronox noted that based on advice of counsel it will not be conducting its customary quarterly earnings call. The company anticipates holding meetings with investors following the closing of its transaction with Exxaro and the listing of Tronox Limited shares following receipt of the required favorable shareholder vote and certain regulatory approvals.

**TRONOX INCORPORATED****U.S. GAAP results, in millions of dollars except per share data and percentages (Unaudited)**

	<b>Successor</b> Three Months Ended March 31, 2012	<b>Successor</b> Two Months Ended March 31, 2011	<b>Predecessor</b> One Month Ended January 31, 2011	<b>Successor</b> Eleven Months Ended December 31, 2011	<b>Predecessor</b> One Month Ended January 31, 2011	<b>Predecessor</b> Twelve Months Ended December 31, 2010
Net Sales	\$ 433.6	\$ 267.1	\$ 107.6	\$ 1,543.4	\$ 107.6	\$ 1,217.6
Gross Margin	36.3%	14.0%	23.5%	28.4%	23.5%	18.2%
Income from Operations	\$ 113.0	\$ 17.8	\$ 19.9	\$ 301.5	\$ 19.9	\$ 209.6
Operating Margin	26.1%	6.7%	18.5%	19.5%	18.5%	17.2%
Net Income	\$ 86.3	\$ 10.2	\$ 631.3	\$ 241.5	\$ 631.3	\$ 5.8
Diluted net income per share (Successor)	\$ 5.48	\$ 0.65	N/A	\$ 15.46	N/A	N/A
Diluted net income per share (Predecessor)	N/A	N/A	\$ 15.25	N/A	\$ 15.25	\$ 0.14

**TRONOX INCORPORATED****Non-GAAP results, in millions of dollars (Unaudited)**

	<b>Successor</b> Three Months Ended March 31, 2012	<b>Successor</b> Two Months Ended March 31, 2011	<b>Predecessor</b> One Month Ended January 31, 2011	<b>Successor</b> Eleven Months Ended December 31, 2011	<b>Predecessor</b> One Month Ended January 31, 2011	<b>Predecessor</b> Twelve Months Ended December 31, 2010
Net Sales	\$ 433.6	\$ 267.1	\$ 107.6	\$ 1,543.4	\$ 107.6	\$ 1,217.6
Adjusted EBITDA	\$ 151.4	\$ 68.1	\$ 24.3	\$ 468.3	\$ 24.3	\$ 203.1

Tronox achieved Adjusted EBITDA in the first quarter of \$151.4 million, excluding transaction-related costs and other non-recurring costs. The record number marked a 64% increase from \$92.4 million in the prior year's first quarter; and a 9% increase from \$138.7 million in the fourth quarter of 2011.

Gains in the first quarter of 2012 in part reflect strong sales in the North American market and a deceleration in destocking, the process by which manufacturers and other end users pare down their inventories. Gradually improving volume combined with higher prices boosted first-quarter revenue by 13% quarter-over-quarter to \$433.6 million, which also represents a 16% year-over-year improvement from \$374.7 million in the first quarter 2011.

As a result, gross margin increased to a record 36.3% for the period. Net income for the first quarter was \$86.3 million.

Our results reflect excellent performance in a TiO<sub>2</sub> market that had not yet fully recovered, said Tom Casey, chairman and CEO of Tronox. Even in the face of widespread destocking and headwinds in Europe and China that subsided more slowly than we expected, Tronox has been able to maintain increased pricing for our products and produce another quarter of record results.

We believe that any slack in orders since the fourth quarter of 2011 is largely attributable to temporary factors, namely destocking in China, the efforts of the Chinese government to tame inflation and uncertainty primarily in southern Europe, said Casey. We continue to expect this period to evolve into more sustained growth as these conditions are resolved. But what won't change anytime soon is the combination of pigment producers operating near full capacity and global titanium ore demand at or exceeding supply. Our combination with Exxaro Mineral Sands remains on track and we believe will give us even greater strength in what we expect to be a resurgent TiO<sub>2</sub> global market. We remain focused on delivering shareholder value by providing first-class products and completing our acquisition to become the largest fully-integrated global TiO<sub>2</sub> company.

#### **Pigment Segment Results**

Pigment sales for the first quarter of 2012 were \$402.5 million, an increase of 19% from \$337.1 million during the same period in 2011, and an increase of 15% from \$349.2 million during the fourth quarter of 2011. Income from operations was \$141.1 million during the quarter, a 207% increase over the same period last year, and a 26% increase from the fourth quarter of 2011. The year-over-year increases were primarily due to the effects of higher selling prices, partially offset by a decrease in TiO<sub>2</sub> sales volumes. Consistent with the rest of the industry, the Company experienced higher raw material costs during the first quarter.

#### **Electrolytic and Other Chemical Products Results**

Electrolytic and other chemical products sales for the first quarter amounted to \$30.8 million, a 12% decrease from the first quarter of 2011 and an 11% increase from the fourth quarter of 2011. In the first quarter of 2012, the business line reported a loss of \$1.1 million compared to income of \$1.0 million during the same period in 2011 primarily due to decreased sales volumes. Income from operations improved \$0.4 million from a loss of \$1.5 million for the fourth quarter of 2011 as a result of unplanned outages at our sodium chlorate facility in Hamilton, Mississippi, during the fourth quarter of 2011, which have since been resolved.

#### **Corporate and Other**

Corporate and other reported an operating loss of \$27.0 million for the first quarter of 2012, compared to an operating loss of \$9.2 million during the comparable period in 2011 and an operating loss of \$10.9 million for the fourth quarter of 2011. The increased costs are due to costs associated with the acquisition of Exxaro Mineral Sands, including legal and professional fees, as well as costs associated with the preparation and finalization of the Form S-4 and costs associated with integration activities related to the Exxaro Mineral Sands transaction.

#### **Deployment of Capital**

Tronox Limited's policy with respect to the deployment of capital cannot be determined until after the closing of the combination when the newly constituted Tronox Limited Board can consider its plans and policies. However, management currently intends to recommend the following actions to the Board of Tronox Ltd. shortly following the closing:

Raising additional debt financing in an amount between \$750 and \$1.0 billion in either additional term loans and/or unsecured bonds;

Issuing a special dividend of \$25.00 per share;

Authorizing up to \$250 million of share repurchases under certain circumstances;

Adopting a regular quarterly dividend commencing in the fourth quarter 2012; and

A split of the shares on an approximate ratio of between 7:1 and 9:1.

There is no assurance that management will make these recommendations or, if the recommendations are made, that they will be adopted by the Board of Tronox Limited and ultimately pursued. These recommendations are subject to a number of factors, including, but not limited to, the availability of financing, the performance of the combined business, and the cash needs of the combined business.

### **Special Meeting of Stockholders**

As previously announced, Tronox will hold a special meeting of its stockholders to vote on the adoption of the transaction agreement for the purpose of approving the mergers contemplated by the agreement on May 30, 2012, at 10 a.m. ET, at the Company's headquarters, 1 Stamford Plaza, Stamford, Connecticut. Tronox stockholders of record as of the close of business on April 30, 2012 will be entitled to vote at the meeting.

Stockholders who wish to receive exchangeable shares in the mergers are encouraged to return their completed election forms and related materials as soon as practicable. The election deadline is 5:00 p.m., New York City Time, on the date that is three business days preceding the closing date for the transaction with Exxaro. Assuming shareholder approval of the transaction is received at the special meeting, we currently expect to close the transaction on the fifth business day after the special meeting, in which case the election deadline will be the second business day after the special meeting.

Tronox reserves the right to change the anticipated closing date and will formally announce the anticipated closing date after the special meeting. Tronox will publicly announce the election deadline at least five business days prior to the anticipated closing date. You may also obtain up-to-date information regarding the election deadline by calling the information agent for the transaction, MacKenzie Partners, Inc. at (800) 322-2885 (toll-free) or (212) 929-5500 (collect); or by consulting our Web site at [www.Tronox.com](http://www.Tronox.com)

### **Fresh-Start Accounting**

On February 14, 2011, (the "Effective Date"), Tronox Incorporated emerged from bankruptcy and continued operations as reorganized Tronox Incorporated. As a result, the Company applied fresh-start accounting under ASC 852 as of January 31, 2011, whereby the U.S. GAAP financial statements after February 1, 2011 are not comparable to the financial statements prior to that date. Fresh-start accounting required resetting the historical net book values of Tronox's assets and liabilities to their estimated fair values as of January 31, 2011. References to "Successor" refer to Tronox and its consolidated subsidiaries for the periods beginning on or after February 1, 2011, after giving effect to the cancellation of old common stock issued prior to January 31, 2011, the issuance of new common stock and settlement of existing debt and other adjustments in accordance with the reorganization plan, and the application of fresh-start accounting. References to "Predecessor" refer to Tronox and its consolidated subsidiaries for the periods through January 31, 2011.

### **About Tronox**

Tronox (TROX.PK) is one of the world's leading titanium dioxide producers and exclusively employs proprietary chloride technology. The chloride process technology yields consistently whiter, brighter pigment grades preferred in paint, coatings and plastics. The Company also operates an electrolytic and specialty chemicals business. Through the Company's global operations, Tronox serves more than 1,000 customers in approximately 90 countries. For more information, visit <http://www.tronox.com>.

### **Forward Looking Statements**

Statements in this release that are not historical are forward-looking statements. These forward-looking statements are based upon management's current beliefs and expectations and are subject to

uncertainty and changes in circumstances. The forward-looking statements involve risks that may affect the Company's operations, markets, products, services, prices and other risk factors as discussed in the Company's financial statements published on our website and in our filings with the Securities and Exchange Commission. Significant risks and uncertainties may relate to, but are not limited to, financial, economic, competitive, environmental, political, legal regulatory and technological factors. Unless otherwise required by applicable laws, the Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information or future developments.

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#### **ADDITIONAL INFORMATION AND WHERE TO FIND IT**

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities, or a solicitation of any vote or approval, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. In connection with the proposed transaction involving Tronox Incorporated, Tronox Limited and Exxaro, Tronox Limited and Tronox Incorporated have filed with the SEC a Registration Statement on Form S-4 that includes a definitive proxy statement of Tronox Incorporated that also constitutes a prospectus of Tronox Limited. The Registration Statement was declared effective by the SEC on May 4, 2012 and Tronox Incorporated commenced the mailing of the definitive proxy statement/prospectus to its stockholders on or about May 7, 2012. Tronox Incorporated urges investors and stockholders to read the definitive proxy statement/prospectus (including any amendments or supplements thereto) regarding the proposed transaction, as well as other documents filed with the SEC, because they contain important information. You may obtain copies of all documents filed with the SEC regarding this transaction, free of charge, at the SEC's website ([www.sec.gov](http://www.sec.gov)). You may also obtain these documents, free of charge, from Tronox Incorporated's website ([www.tronox.com](http://www.tronox.com)) under the heading Investor Relations.

**TRONOX INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**

	Successor	Successor	Predecessor	Successor	Predecessor	Predecessor
	Three Months Ended March 31, 2012	Two Months Ended March 31, 2011	One Month Ended January 31, 2011	Eleven Months Ended December 31, 2011	One Month Ended January 31, 2011	Twelve Months Ended December 31, 2010
(Millions of dollars)						
<b>Net sales</b>	\$ 433.6	\$ 267.1	\$ 107.6	\$ 1,543.4	\$ 107.6	\$ 1,217.6
Cost of goods sold	(276.3)	(229.8)	(82.3)	(1,104.5)	(82.3)	(996.1)
<b>Gross margin</b>	157.3	37.3	25.3	438.9	25.3	221.5
Selling, general, and administrative expenses	(44.3)	(19.5)	(5.4)	(151.7)	(5.4)	(59.2)
Litigation/arbitration settlement				9.8		
Provision for environmental remediation and restoration, net of reimbursements				4.5		47.3
<b>Income from operations</b>	113.0	17.8	19.9	301.5	19.9	209.6
Interest and debt expense	(7.9)	(5.3)	(2.9)	(30.0)	(2.9)	(49.9)
Other income (expense)	(1.4)	1.0	1.6	(9.8)	1.6	(8.3)
Reorganization income (expense)			613.6		613.6	(144.8)
Income from continuing operations before income taxes	103.7	13.5	632.2	261.7	632.2	6.6
Income tax provision	(17.4)	(3.3)	(0.7)	(20.2)	(0.7)	(2.0)
<b>Income from continuing operations</b>	86.3	10.2	631.5	241.5	631.5	4.6
Income (loss) from discontinued operations, net of income tax benefit of nil, nil, nil, nil, nil and nil, respectively			(0.2)		(0.2)	1.2
<b>Net Income</b>	\$ 86.3	\$ 10.2	\$ 631.3	\$ 241.5	\$ 631.3	\$ 5.8
<b>Earnings (loss) per share, basic and diluted</b>						
Basic						
Continued operations	\$ 5.72	\$ 0.68	\$ 15.29	\$ 16.12	\$ 15.29	\$ 0.11
Discontinued operations			(0.01)		(0.01)	0.03
Net income per share	\$ 5.72	\$ 0.68	\$ 15.28	\$ 16.12	\$ 15.28	\$ 0.14
Diluted						
Continuing operations	\$ 5.48	\$ 0.65	&nbs			