



2005 annual report



TRONOX, HEADQUARTERED IN OKLAHOMA CITY, IS THE WORLD'S THIRD-LARGEST PRODUCER AND MARKETER OF TITANIUM DIOXIDE PIGMENT, WITH A PRODUCTION CAPACITY OF 624,000 TONNES AT YEAR-END 2005. TITANIUM DIOXIDE PIGMENT IS AN INORGANIC WHITE PIGMENT USED IN PAINT, COATINGS, PLASTICS, PAPER AND MANY OTHER EVERYDAY PRODUCTS. THE COMPANY'S FIVE PIGMENT PLANTS, WHICH ARE LOCATED IN THE UNITED STATES, AUSTRALIA, GERMANY AND THE NETHERLANDS, SUPPLY HIGH-PERFORMANCE PRODUCTS TO MORE THAN 1,100 CUSTOMERS IN APPROXIMATELY 100 COUNTRIES. IN ADDITION, TRONOX PRODUCES ELECTROLYTIC PRODUCTS, INCLUDING SODIUM CHLORATE, ELECTROLYTIC MANGANESE DIOXIDE, BORON TRICHLORIDE, ELEMENTAL BORON AND LITHIUM MANGANESE OXIDE. TRONOX COMPLETED ITS INITIAL PUBLIC OFFERING ON NOV. 28, 2005. TRONOX INCORPORATED CLASS A COMMON STOCK IS LISTED ON THE NEW YORK STOCK EXCHANGE UNDER THE SYMBOL "TRX," AND ITS CLASS B COMMON STOCK IS LISTED UNDER "TRX.B."



Financial Highlights

Millions of dollars, except per-share amounts	2005	2004
Net Sales	\$ 1,364.0	\$ 1,301.8
Income (Loss) from Continuing Operations	46.4	(81.8)
Net Income (Loss)	18.8	(127.6)
Net Cash Provided by Operating Activities	61.5	190.8
Capital Expenditures	87.6	92.5
Depreciation and Amortization	103.1	104.6
Total Assets	1,758.3	1,595.9
Total Debt	550.0	—
Business/Stockholders' Equity	489.0	889.9
Adjusted EBITDA ⁽¹⁾	232.0	162.2
Common Shares Outstanding at year end (thousands)	40,776	—
Per Common Share — diluted (pro forma)		
Income from Continuing Operations	\$ 1.15	
Net Income	\$ 0.47	

⁽¹⁾ Adjusted EBITDA is a non-GAAP financial measure. A detailed reconciliation to the comparable GAAP financial measures can be found on page 32 of this annual report.



Thomas W. Adams, Chairman and Chief Executive Officer

Dear Fellow Shareholders

I am honored to introduce you to Tronox Incorporated, a newly formed company that has 40 years of experience in the inorganic chemical industry, previously operating as part of Kerr-McGee Corporation. ■ We began 2005 with a new strategy focused on increasing cash flow, profits and returns. To successfully implement this new plan, we established a diversified, experienced team to lead our talented employees. In addition, during the first quarter of 2005 when Kerr-McGee announced its plans to separate its chemical business (Tronox), we began the process of preparing the company to stand on its own. I am proud to report that through the hard work and dedication of our more than 2,000 employees, we successfully completed our initial public offering (IPO).

Our disciplined approach of driving our business from the customers' perspective contributed to improved financial and operating results. By year end, we were extracting more value from the company's existing assets. In 2005, we:

- Completed the IPO, issuing 17.5 million shares of Tronox Incorporated Class A common stock (NYSE: TRX) to the public, with 22.9 million Class B shares held by Kerr-McGee at year-end 2005 (Kerr-McGee distributed the Class B common stock to its stockholders in March 2006)
- Capitalized on higher-margin markets and higher average titanium dioxide (TiO₂) pigment selling prices achieving income from continuing operations of \$46.4 million in 2005, compared with a loss of \$81.8 million in 2004
- Recorded net income for 2005 of \$18.8 million, up from a 2004 net loss of \$127.6 million
- Grew sales by 5%, with price increases announced for all regions and implemented as contracts allowed
- Increased Adjusted EBITDA by 43% to \$232.0 million in 2005, compared with \$162.2 million in 2004
- Declared a quarterly dividend of 5 cents per share of Class A and Class B common stock for the quarter ending March 31, 2006

In operations, Tronox employees:

- Set a company record for employee safety performance – achieving the best employee safety record since we began collecting data 26 years ago
- Concluded the year with record production volumes for existing TiO₂ facilities through increased uptime and process improvements
- Commercialized a new pigment grade for paper coatings and developed a new grade for architectural paints in close cooperation with our customer base. New and enhanced grades for coatings, plastic, paper laminate and specialty applications are in the pipeline for introduction in 2006 and 2007.

Industry Leader

In 2005, Tronox maintained its position as the world's third-largest producer and marketer of the differentiated intermediate product TiO₂. This pigment is a whitener and opacifier used in the manufacture of hundreds of everyday consumer products, including paint, coatings, plastics, paper and specialty items. We customize the pigment by market and region to meet varying customer requirements. In our targeted end-use markets, no effective replacements for TiO₂ exist.



The pigment market historically has experienced an average annual demand growth of nearly 3% and is driven by global economic activity. In 2006, we anticipate strong global TiO₂ demand growth, in the range of 4% to 6%. High capacity utilization rates, no announced greenfield plants coming online until 2010, and organic growth aver-

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Above, Tronox titanium dioxide pigments provide opacity, resistance to thermal discoloration and durability to engineered plastics products. Right, the company offers customized, high-purity titanium dioxide grades used as a raw material in the manufacturing of electronic components and catalysts.



aging 1.5% annually should result in continued tight supply and demand fundamentals.

We believe Tronox, with our value strategy, global assets and customers, and talented work force, is well positioned to capture future opportunities in the markets in which we compete.

Value Strategy

With the company's IPO completed, our energy and resources are focused on executing our strategic plan, which includes:

- End-use market segmentation. We are focused on increasing our share of the plastics and specialty markets, while maintaining a strong position in the coatings and paper markets. We are aligning research and development, manufacturing and customer service to provide products and services that meet customers' needs in higher-margin markets.
- Operational excellence — getting more out of our existing assets with a focus on fundamentals. In 2005, Tronox increased uptime and ended the year with record production levels. While it was a difficult year for the manufacturing industry in terms of process chemical and energy cost increases, Tronox successfully mitigated some of the increases through supply-chain and operating strategies.

We believe there is tremendous upside in our business to expand margins by further improving performance in fundamental areas such as quality, uptime and fixed and variable cost efficiencies. In addition, we will continue our efforts to offset inflationary pressures through specific supply-chain and Six Sigma-driven continuous improvement strategies.

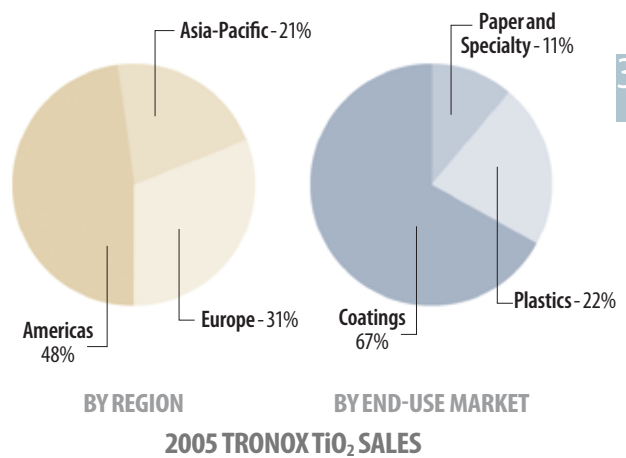
- Safety and care for the environment. These initiatives are an invaluable part of the Tronox culture because they impact our people and communities. As noted, last year we achieved record-setting performance in employee safety. I am extremely proud of this accomplishment, and safety



will continue to be a top objective. Our ultimate goal is zero incidents — so all employees and contractors go home injury-free every day. We also remain committed to taking a proactive approach to environmental stewardship and will continue to work to minimize the environmental impact of our operations.

As a result of former operations, the company has residual obligations related to remediation of legacy sites. Our environmental experts work to efficiently and effectively manage these projects. We mitigate some costs related to remediation through insurance policies, land asset sales and government reimbursements. In addition, Kerr-McGee has agreed to a seven-year cash cost-reimbursement program of up to \$100 million, for 50% of eligible remediation expenditures in excess of reserves. In early 2006, Tronox announced a settlement with the U.S. government that includes a \$20.5 million cash payment received in the first quarter and the government's agreement to fund a portion of remediation related to the Henderson, Nev., site after 2011 (when insurance coverage expires).

- Financial discipline. Our financial priorities as a stand-alone entity are straightforward. We have a disciplined focus on free cash flow generation. Debt reduction is a priority, and excess free cash flow generated will be used to reduce



debt in the short term. The company also plans to return value to shareholders through quarterly dividend payments, with the first dividend declared for the first quarter of 2006.

In addition to TiO₂, Tronox produces electrolytic manganese dioxide, sodium chloride, boron trichloride, elemental boron and lithium manganese oxide. These products accounted for approximately 7% of the company's 2005 total sales, and we will continue to focus on enhancing profitability and generating cash flow from this business segment.

Global Assets and Customers

Today, Tronox has an approximate 13% share of the global TiO₂ market. We are the second-largest producer of chloride process pigment and one of five major producers with proprietary chloride technology. This type of pigment, which accounts for 83% of our capacity, is preferred for many end-use applications and has experienced a higher annual demand growth rate than sulfate-process pigment. Tronox protects this proprietary process through patents and expertise.

Tronox's five pigment production facilities are strategically located in major global markets, allowing us to service multinational customers and high-growth regions. Tronox is positioned to leverage growth in the Asia-Pacific region, with a world-class, fully integrated (from mining to end product) system in Western Australia. Each of our chloride facilities offers opportunities for low-cost organic or brown-field expansions that will allow us to increase capacity as demand warrants.

During the past four decades, Tronox has developed long-standing customer relationships based on the distinct



TRONOX PIGMENT PLANTS

(Annual gross capacity at year-end 2005)

CHLORIDE PROCESS

Hamilton, United States – 225,000 tonnes

Savannah, United States – 110,000 tonnes

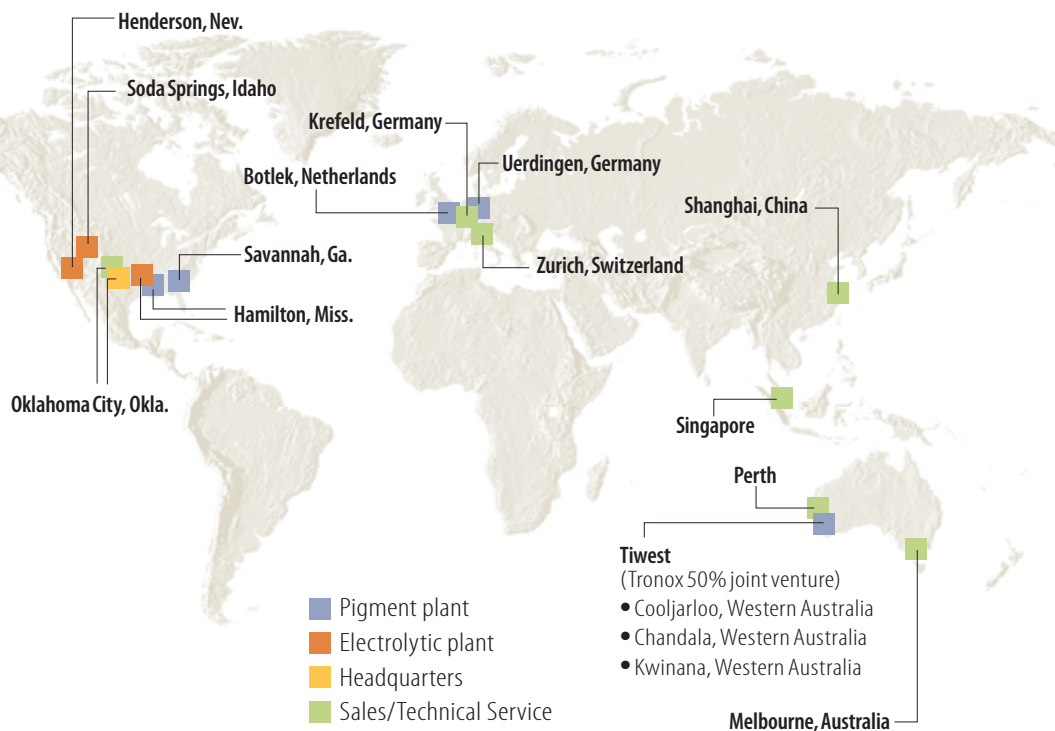
Botlek, Netherlands – 72,000 tonnes

Kwinana, Australia – 110,000 tonnes

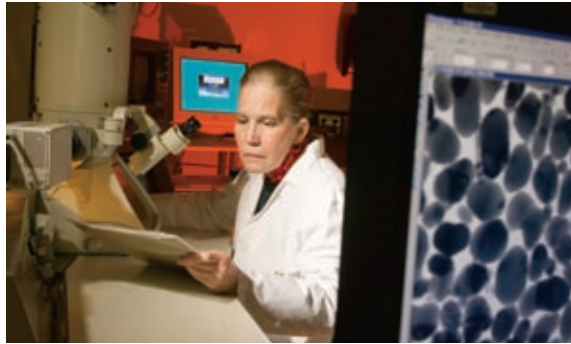
(Tiwest Joint Venture – Tronox 50%)

SULFATE PROCESS

Uerdingen, Germany – 107,000 tonnes



advantages we offer — competitive products, reliable and consistent supply and delivery, and unparalleled customer and technical service. Our customer base, which includes more than 1,100 customers in approximately 100 countries, is diversified across end-markets and regions. We are committed to our customers' success and have dedicated teams of experts located around the world to assist customers where they operate. Working closely with each customer, we help them reduce costs by maximizing the performance of Tronox products in their formulations.



Outstanding People

I truly believe the company's success is attributable to our talented, creative employees, our strong leadership team with its vast experience, and our diversified, dedicated board of directors.

To continue the momentum Tronox had at year end and increase the speed at which we execute our strategic plan, we must make sure each employee knows how he or she aligns with our strategy. One of our first priorities as a new company was to take a fresh look at the employee compensation program. Earlier this year, Tronox rolled out a new in-



centive program that provides "line of sight" metrics, so all employees know exactly how their work contributes to the company's success. These metrics, which include specific targets for cash flow, net income and return on invested capital, as well as quality, uptime and costs, are in line with our stockholders' priorities. I believe that this alignment with our strategy will have a measurable impact on our bottom line in 2006.

We built our business on a foundation of strong core values and have earned a reputation as an ethical company — a company that anyone would want as a supplier, employer or investment. Recogniz-

ing the importance of protecting our reputation, we expect all employees, officers and board members to follow our corporate governance and code of conduct guidelines. As CEO, I am committed to transparency in our business dealings and to candid discussions of our successes, failures and future expectations.

Capturing Opportunities

Our success in 2005 was a credit to people — our employees, leadership team, directors, customers and shareholders. With attractive industry fundamentals, a strong strategic plan, well-positioned global assets, long-term customers and outstanding employees, I am confident we will capture future opportunities to increase the value of your investment in Tronox.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Adams".

Thomas W. Adams
Chairman and Chief Executive Officer

Board of Directors

Robert M. Wohleber

Chairman, Tronox Incorporated;
Senior Vice President
and Chief Financial Officer,
Kerr-McGee Corp.

Thomas W. Adams

Chief Executive Officer,
Tronox Incorporated

Jerome Adams

Retired Senior Vice
President of Administration,
BMC Software, Inc.

Peter D. Kinnear

President and Chief Operating
Officer, FMC Technologies, Inc.

J. Michael Rauh

Vice President and Controller,
Kerr-McGee Corp.

Bradley C. Richardson

Executive Vice President
Finance and Chief Financial
Officer, Modine Manufacturing
Company

Marty J. Rowland

Chief Operating Officer,
Tronox Incorporated

Board Committees:

Audit

Jerome Adams
Peter D. Kinnear
J. Michael Rauh
Bradley C. Richardson (Chair)
Robert M. Wohleber

Executive Compensation

Jerome Adams
Peter D. Kinnear
J. Michael Rauh
Bradley C. Richardson
Robert M. Wohleber (Chair)

Corporate Governance and Nominating

Jerome Adams
Peter D. Kinnear
J. Michael Rauh
Bradley C. Richardson
Robert M. Wohleber (Chair)

Board members as
of March 15, 2006*

Corporate Officers

Thomas W. Adams

Chief Executive Officer

Marty J. Rowland

Chief Operating Officer

Mary Mikkelson

Senior Vice President and
Chief Financial Officer

Roger G. Addison

Vice President, General
Counsel and Secretary

Robert Y. Brown

Vice President, Strategic
Planning and Development

Patrick S. Corbett

Vice President, Safety and
Environmental Affairs

Robert C. Gibney

Vice President, Investor
Relations and External Affairs

Kelly A. Green

Vice President,
Market Management

Mark S. Meadors

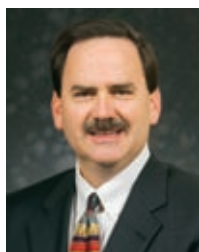
Vice President,
Human Resources

John D. Romano

Vice President, Sales

Gregory E. Thomas

Vice President, Supply
Chain and Strategic Sourcing



T. W. Adams



Rowland



Mikkelson



Addison



Brown



Corbett



Gibney



Green



Meadors

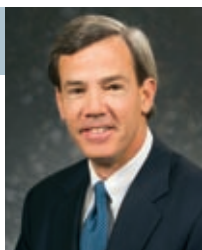


Romano



Thomas

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Wohleber



T. W. Adams



J. Adams



Kinnear



Rauh



Richardson



Rowland

*In connection with the distribution by Kerr-McGee of its shares of Tronox Incorporated Class B common stock on March 30, 2006, Robert M. Wohleber, J. Michael Rauh and Marty J. Rowland resigned from the Tronox board of directors. The board named Thomas W. Adams chairman and chief executive officer upon Wohleber's resignation.

Corporate Information

Stock Exchange Listings

Tronox Incorporated Class A common stock is listed on the New York Stock Exchange (NYSE) under the symbol "TRX." Tronox Incorporated Class B common stock is listed on the NYSE under the symbol "TRX.B."

2006 Annual Meeting

Tronox's annual meeting will be held at 9 a.m. Central Time on May 11, 2006, in the Robert S. Kerr Auditorium, 123 Robert S. Kerr, Oklahoma City.

Stockholder Assistance

Contact UMB Bank, N.A., at 1-800-884-4225 toll free in North America or 1-816-860-7786 for assistance with:

- Direct deposit of cash dividends
- Transfer of stock certificates
- Replacement of lost or destroyed stock certificates and dividend checks

Shareholder Services

Call 1-866-775-3940 toll free in North America or 1-405-775-5105 for general information and assistance or to request the company's annual report on Form 10-K and quarterly reports on Form 10-Q, as filed with the U.S. Securities and Exchange Commission, and the company's annual report.

Information also is available on the company's website, including webcasts of conference calls discussing quarterly financial and operating results.

Investor Information

Stockholders, security analysts and other interested parties may direct inquiries to Robert Gibney, Vice President of Investor Relations and External Affairs, at 1-866-775-5009 toll free in North America or 1-405-775-5105, P.O. Box 268859, Oklahoma City, OK, 73126-8859.

Transfer Agent and Registrar

UMB Bank, N.A.
Securities Transfer Division, 5th Floor
928 Grand Blvd.
Kansas City, MO 64106
P.O. Box 419064
Kansas City, MO 64141-6064
1-800-884-4225 toll free in North America
or 1-816-860-7786

Corporate Headquarters

Tronox Incorporated

123 Robert S. Kerr
Oklahoma City, OK 73102
P.O. Box 268859
Oklahoma City, OK 73126-8859
1-405-775-5000
Website: www.tronox.com

Global Sales and Customer Service Offices

<http://www.tronox.com/products/sales.htm>

Forward-Looking Statements

Statements in this annual report regarding the company's or management's intentions, beliefs or expectations, or that otherwise speak to future events, are "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements include those statements preceded by, followed by or that otherwise include the words "believes," "will," "expects," "anticipates," "intends," "estimates," "projects," "target," "budget," "goal," "plans," "objective," "outlook," "should," or similar words. Future results and developments discussed in these statements may be affected by numerous factors and risks, such as the accuracy of the assumptions that underlie the statements, the market value of Tronox's products, demand for consumer products for which Tronox's businesses supply raw materials, the financial resources of competitors, changes in laws and regulations, the ability to respond to challenges in international markets, including changes in currency exchange rates, political or economic conditions in areas where Tronox operates, trade and regulatory matters, general economic conditions, and other factors and risks as discussed in the Risk Factors section beginning on page 17 of Tronox's Form 10-K included in this annual report. Actual results and developments may differ materially from those expressed or implied in this annual report. The company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statement was made. Investors are urged to consider closely the disclosures and risk factors identified in the company's U.S. Securities and Exchange Commission (SEC) filings, available from Tronox's offices or website, www.tronox.com. These also may be obtained from the SEC by calling 1-800-SEC-0330.

TRONOX

INCORPORATED

P.O. Box 268859
Oklahoma City, OK 73126-8859
1-405-775-5000

www.tronox.com