KRONOS WORLDWIDE INC
Form S-1
October 08, 2010

As filed with the Securities and Exchange Commission on October 8, 2010

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

KRONOS WORLDWIDE, INC.
(Exact Name of registrant as specified in its charter)

Delaware	2810	76-0294959
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
(972) 233-1700
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert D. Graham
Executive Vice President and General Counsel
Kronos Worldwide, Inc.
Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697
(972) 233-1700
(972) 448-1445 (facsimile)
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Don M. Glendenning
Toni Weinstein
Locke Lord Bissell & Liddell LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201
(214) 740-8000
(214) 740-8800 (facsimile)

Copies to:
Deanna L. Kirkpatrick
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017
(212) 450-4135
(212) 701-5135 (facsimile)

Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer	Accelerated filer
Non-accelerated filer ý	Smaller reporting company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per unit (1)	Proposed maximum aggregate offering price (1)	Amount of registration fee
Common Stock, par value $0.01 per share	8,970,000	$39.10	$350,727,000	$25,007

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of the Securities Act of 1933, as amended, on the basis of the average of the high and low prices reported on the New York Stock Exchange on October 6, 2010.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

PROSPECTUS SUBJECT TO COMPLETION, DATED OCTOBER 8, 2010

7,800,000 Shares

Common Stock

Kronos Worldwide, Inc. is offering 7,800,000 shares of its common stock.

Our common stock is listed on the New York Stock Exchange under the symbol "KRO." On October 6, 2010, the last sale price of our common stock reported on the New York Stock Exchange was $38.80 per share.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 11.

	Per Share	Total
Initial price to public	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Kronos Worldwide, Inc.	$	$

We have granted the underwriters an option to purchase up to 1,170,000 additional shares of our common stock to cover over-allotment, if any, exercisable at any time until 30 days of the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares on or about , 2010.

Joint Book-Running Managers

Wells Fargo Securities   Deutsche Bank Securities   Stephens Inc.

Co-Managers

BB&T Capital Markets Oppenheimer & Co.

Prospectus dated , 2010

TABLE OF CONTENTS

We have not authorized anyone to provide any information different from, or in addition to, that contained in this prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. Neither we nor any of the underwriters is making an offer to sell or seeking offers to buy these securities in any jurisdiction where or to any person to whom the offer or sale is not permitted. The information in this prospectus is accurate only as of the date on the front cover of this prospectus and the information in any free writing prospectus that we may provide you in connection with this offering is accurate only as of the date of that free writing prospectus. Our business, financial condition, results of operations and prospects may have changed since those dates.

For investors outside the United States: Neither we nor any of the underwriters has done anything that would permit this offering or possession or distribution of this prospectus or any free writing prospectus we may provide to you in connection with this offering in any jurisdiction where action for that purpose is required, other than in the United States. You are required to inform yourselves about and to observe any restrictions relating to this offering and the distribution of this prospectus and any such free writing prospectus outside of the United States.

PROSPECTUS SUMMARY

This summary does not contain all of the information you should consider before buying shares of our common stock. You should read the entire prospectus carefully, especially the “Risk Factors” section and our financial statements and the related notes appearing at the end of this prospectus, before deciding to invest in shares of our common stock. Unless the context requires otherwise, references in this prospectus to “Kronos,” “we,” “us” and “our” refer to Kronos Worldwide, Inc., including its consolidated subsidiaries.

About Kronos

We are one of the leading global producers and marketers of titanium dioxide pigments, or TiO2, a base industrial product used in a wide range of applications. Our TiO2 products are sold under the widely recognized Kronos™ brand name and are utilized in a diverse range of customer applications and end-use markets, including coatings, plastics, paper, food, cosmetics, inks, textile fibers, rubber, pharmaceuticals, glass, ceramics and other industrial and consumer markets. Our broad range of over 40 TiO2 pigment products are “quality-of-life” products that significantly enhance the key characteristics of our customers’ end-products by imparting whiteness, brightness, opacity and durability. We believe that there are no effective substitutes for TiO2. In addition, the TiO2 industry is characterized by high barriers to entry consisting of high capital costs, proprietary technology and significant lead times required to construct new facilities or expand existing capacity. We are committed to producing TiO2 pigments and related products as our core business. We believe our focused management team and business strategy have enabled us to develop considerable expertise and efficiency in the manufacture, sale and service of our products.

We serve over 4,000 customers located in over 100 countries. In Europe and North America, our primary markets, we estimate our current market share at 22% and 18%, respectively. We believe our strong competitive position is the result of our industry experience, reputation for high quality products, outstanding process technology, highly recognized brand name, vertical integration with respect to our sulfate process and experienced management team. In addition, we believe our high level of technical service and ability to satisfy our customers’ specific technical needs helps us to maintain strong customer relationships.

The following charts show our approximate sales volume by geographic region and end use:

We conduct our operations through six strategically-located manufacturing facilities, four in Europe and two in North America, which includes our 50% interest in a joint venture in the United States. We believe our production processes are among the most efficient in the industry, primarily resulting from our high operating rates, proprietary chloride process technology, technical expertise, ongoing debottlenecking programs and strict cost controls. In addition, we believe we have a significant competitive advantage by operating the only ilmenite ore mines in Western Europe, which supply this key raw material for all of our European sulfate operations and also produce ore for sale to third party customers.

We produced 258,000 metric tons of TiO2 in the first half of 2010, up 71% from 151,000 metric tons in the first half of 2009. We implemented production curtailments during the first half of 2009 in order to decrease our inventory levels and improve our liquidity from 2008. Consequently, our average production capacity utilization rates were approximately 58% during the first half of 2009, but increased to 94% during the second half of 2009. Our average production capacity utilization was at near full capacity during the first half of 2010, and we expect to continue to operate at such utilization rates for the remainder of 2010.

Our consolidated results for the year ended December 31, 2009 were significantly impacted by the production curtailments we implemented in the first half of the year. Our consolidated results for the first six months ended June 30, 2009 included net sales of $530.1 million and a net loss of $48.4 million, compared to net sales of $612.0 million and net income of $13.7 million in the period from July 1, 2009 through December 31, 2009. Our operating results in the first half of 2009 were negatively impacted by the approximately $80 million of unabsorbed fixed production costs that were charged directly to cost of sales as a result of the production curtailments. With the continued improvement in our operating results for the six months ended June 30, 2010, we reported net sales of $699.8 million and net income of $62.1 million for such period. Please see “Selected Historical Consolidated Financial and Operating Data” and “Business.”

TiO2 Industry

TiO2 is a white pigment used in a wide range of products for its exceptional ability to impart whiteness, brightness, opacity and durability. TiO2 is a critical component of everyday applications, such as coatings, plastics and paper, as well as many specialty products such as inks, food and cosmetics. TiO2 is widely considered to be superior to other alternative white pigments in large part due to its hiding power, which is the ability to cover or mask other materials effectively. Pigment extenders, such as kaolin clays, calcium carbonate and polymeric opacifiers, are used in a number of end-use markets as white pigments; however, we believe that there are no effective substitutes for TiO2 because no other white pigment has the physical properties for achieving comparable opacity and brightness or can be incorporated in as cost-effective a manner. TiO2 is designed, marketed and sold based on specific end-use applications. Two commercial process technologies are available to produce TiO2, the chloride and sulfate processes.

As of December 31, 2009, the end markets for TiO2 industry had consumption of approximately 4.7 million metric tons per annum, or mtpa. The top five TiO2 producers account for approximately 63% of the world’s production capacity. We believe that the industry dynamics for TiO2 are improving due to strong demand and higher selling prices. Since TiO2 is not a traded commodity, its pricing is largely a product of negotiation between suppliers and their respective customers. Over the last two years, several TiO2 manufacturers have permanently reduced capacity at facilities with high operating costs, in part in connection with environmental-related issues. Decreased capacity, along with the decline in customer inventory which occurred in the first half of 2009, has lead to industry-wide tightness in TiO2 inventories. As a result of these factors, TiO2 selling prices began to increase in the second half of 2009, and continued to increase during the first half of 2010. Further increases in TiO2 selling prices are expected to be implemented in the second half of 2010 and into 2011. We believe the decreased capacity, higher demand and improved pricing should result in improved operating rates and product margins for TiO2 producers.

Per capita consumption of TiO2 in the United States and Western Europe far exceeds that in other areas of the world, and these regions are expected to continue to be the largest consumers of TiO2. We believe that North America and Western Europe account for approximately 29% and 33% of global TiO2 consumption, respectively. Markets for TiO2 are emerging in Eastern Europe, the Far East and China and we believe could become significant as economies in these regions continue to develop and quality-of-life products, including TiO2, experience greater demand.

TiO2 is produced in two crystalline forms: rutile and anatase. Rutile TiO2 is manufactured using both a chloride production process and a sulfate production process, whereas anatase TiO2 is only produced using a sulfate production process. Although many end-use applications can use either form, especially during periods of industry tightness such as we currently experiencing, the chloride process is the preferred form for use in coatings and plastics, the two largest end-use markets. Due to environmental factors and customer considerations, the proportion of TiO2 industry sales represented by chloride process pigments has increased relative to sulfate process pigments and, in 2009, chloride process production facilities represented approximately 60% of industry capacity. The sulfate process represents a much smaller percentage of annual global TiO2 production and is preferred for use in selected paper products, ceramics, rubber tires, man-made fibers, food and cosmetics.

Chloride Process. The chloride process is a continuous process in which chlorine is used to extract rutile TiO2. The chloride process typically has lower manufacturing costs than the sulfate process due to higher yield, less waste, lower energy requirements and lower labor costs. This process has also gained share over the sulfate process because of the relatively lower upfront capital investment in plant and equipment required. The chloride process produces less waste than the sulfate process because much of the chlorine is recycled and feedstock bearing higher titanium content is used. The chloride process produces an intermediate base pigment with a wide range of properties.

Sulfate Process. The feedstocks used in this process include ilmenite and titanium slag. The sulfate process is a batch process, whereby the ilmenite or titanium slag is digested with sulfuric acid to form a mixture of soluble sulfates. After filtration and concentration, the soluble sulfate is hydrolyzed to an insoluble hydrous TiO2 that precipitates out after seeding crystals are added to the solution. The precipitate is collected, filtered, bleached, washed and calcined to yield a TiO2 ready for finishing treatment.

The chart below highlights primary end-use applications for TiO2:

Our Competitive Strengths

Highly attractive industry conditions and significant barriers to entry. The chloride process is the primary TiO2 production process in the industry, representing approximately 60% of TiO2 produced annually and approximately 75% of our TiO2 production capacity. The closely-held nature of this technology poses a significant barrier to entry for new entrants into the TiO2 industry as substantially all of the chloride process technology is held by the five largest producers. In addition, adding new TiO2 production capacity by constructing greenfield plants requires significant capital expenditures that we estimate to cost between $5,000 and $6,000 per metric ton, or an aggregate of $750 million to $900 million for a 150,000 metric ton facility, the smallest facility size we believe would be economically feasible. Lead times of between three to five years before initial production due to permitting and construction also pose significant barriers to entry in the industry. We built the last chloride plant in the Western hemisphere, which commenced operation in 1993.

Diverse product offerings, with superior product traits. We believe we have one of the broadest product offerings in the TiO2 industry. We offer over 40 different TiO2 grades, including rutile, anatase and non-pigmentary grades. We manufacture several key grades that we believe possess superior performance characteristics relative to the products of most of our competitors. For example, we have a significant share of the European PVC profile market, where we supply a TiO2 product grade that has more than 30 years of proven performance. Other TiO2 applications that we believe provide us with an advantage over many of our competitors include chloride grades for engineering plastics and paper laminate applications and sulfate grades for food, pharmaceutical, cosmetics and textile fiber applications. TiO2 is expected to remain the leading product in its industry as there are essentially no other economically viable substitutes with comparable opacifying power.

Leading market positions focusing on TiO2. Based on current operating capacities, we are the largest producer of TiO2 in Europe and the third largest producer worldwide. We believe our strong competitive position is the result of our industry experience, reputation for high quality products, outstanding process technology, highly recognized brand name and experienced management team. The production and sale of TiO2 is our core business. We believe this focus, combined with our long history and experience, help to make our operations among the most efficient in the industry.

Long-standing relationships across attractive and diverse end-use markets. We serve over 4,000 customers across a diverse range of end-use markets and market segments in over 100 countries worldwide with the majority of sales in Europe and North America. We have strong sales penetration in the two largest TiO2 end-use markets, coatings and plastics, and participate in a diverse range of other end-use markets and market segments. We work closely with our customers to optimize their formulations, thereby enhancing the use of TiO2 in their production processes. We believe this consistent dialogue assists us in developing and maintaining strong customer relationships. We sell the majority of our products through a direct sales force that we believe has contributed to our customer retention rate and strengthened our competitive position. Our top ten customers represented approximately 28% of net sales in 2009, with no single customer accounting for more than 10% of our 2009 net sales.

Global integrated infrastructure with high operating efficiency. Our business is geographically diversified, with manufacturing operations in North America and Western Europe, and has a worldwide distribution, sales and technical support network. We believe this diversification minimizes the potential impact of volatility from any one customer, industry or geographic region. We believe our manufacturing facilities are among the most efficient in the industry. All of our manufacturing facilities are ISO 9001 or ISO 14001 certified and our chloride production facilities use the same proprietary technology, equipment and process control systems, achieving implementation efficiencies with regard to production enhancements. We have achieved operating efficiencies through the standardization of equipment across our manufacturing facilities, employee training, innovative technology changes, and processing by-products to sell as co-products into the marketplace. Due in part to ongoing debottlenecking programs, our production capacity has increased by approximately 30% over the past ten years with only moderate capital investment. In addition, our research and development and process technology efforts focus on improving production processes and yields and product grades and quality.

We operate additional businesses that are related to our TiO2 business, which we believe further enhance our operational efficiencies. We operate two ilmenite mines in Norway that supply all of the feedstock for our European sulfate operations, which reduces our production costs at these plants. We also sell ilmenite to third parties. We manufacture and sell iron-based chemicals, which are co-products and processed co-products of TiO2 pigment production. Our co-products business provides important efficiencies and cost savings to our production process. We also manufacture and sell specialty titanium chemicals. Our ilmenite mines, chemicals co-product and specialty titanium chemical businesses represented approximately 10% of our 2009 net sales.

Strong track record through industry cycles. We have generated positive cash flows from operating activities for 17 consecutive years, throughout various industry cycles. Through ongoing process improvements we have reduced labor and other manufacturing costs and have added production capacity with moderate disciplined capital investment, resulting in a reduction in fixed costs, a significant improvement in margins and high free cash flow. We continue to focus on increasing manufacturing efficiencies through selected capital projects, process improvements and best practices in order to lower unit costs and improve margins. We also seek to increase margins by focusing our sales efforts on particular end-use and geographic markets where we believe we can realize relatively higher selling prices.

State-of-the-art R&D and technological innovation. We employ customer and end-use market feedback, technological expertise and fundamental research to create next-generation products and processes. Our technology development efforts include building value-added properties into our TiO2 to enhance its performance in our customers' end-use applications. Our research and development teams support our future business strategies, and we manage those teams using disciplined project management tools and a team approach to technological development. We have a strong focus on new product development as a result of the increasingly global market place.

Experienced management team. Each member of our senior operating management team has over 25 years of experience in the TiO2 and related industries and an average of 25 years of experience with us. This team is responsible for developing and executing our strategy, which has generated a track record of production growth, high operating rates, cost reductions, steady sales volume growth, strong customer relationships and significant cash flows. In addition to our strong senior operating management team, we have an experienced group of employees who work to maintain our market position by developing and maintaining customer relationships, expanding our product offerings and implementing innovative technological enhancements.

Our Business Strategy

Enhance operating efficiencies and improve margins. We are continually evaluating our business to identify opportunities to increase operational efficiency. We intend to continue focusing on increasing manufacturing efficiencies through selected capital projects, process improvements and best practices in order to lower unit costs and improve our margins.

Expand global leadership. We plan to continue to capitalize on our strong global market position and drive profitable growth by enhancing existing customer relationships, providing high quality products and offering technical expertise to our customers. Our broad product offering allows us to participate in a variety of end-use markets, and pursue those market segments that we believe have attractive growth prospects and profit margins. Our operations position us to participate in markets in Eastern Europe, Asia and North Africa, which we expect to provide attractive growth opportunities as these areas develop. We also seek to increase margins by focusing our sales efforts on those end-use and geographic markets where we believe we can realize relatively higher selling prices than in alternate markets. We believe our global commercial organization, distribution infrastructure, and local fulfillment capabilities will enable us to continue to pursue global growth.

Pursue technology-driven growth. We intend to continue to improve our competitive position by developing new products for coatings, plastics and other applications that increase sales volumes and drive higher margins. As an example, we recently developed a new coatings grade that has improved performance in certain coating applications, from interior water-based house paints to high gloss solvent-based industrial or original equipment manufacturer applications. We are also developing innovative TiO_2 products for applications in the growing catalyst markets, to be used in water purification and pollution reduction markets. We believe these developments will help to maintain or improve our market position.

Pursue a disciplined acquisition strategy. We believe we are well positioned to capitalize on growth initiatives. We plan to continue to evaluate and pursue opportunities that improve our existing business and to seek acquisition opportunities that increase our production capacity, enhance our product portfolio, expand our market presence or provide operational synergies and cost savings.

Our Risks

Our business and our ability to execute our business strategy are subject to a number of risks that you should be aware of before you decide to buy our common stock. In particular, you should consider the following risks, which are discussed more fully in “Risk Factors”:

- Demand for, and prices of, certain of our products are influenced by changing market conditions for our products, which may result in reduced earnings or operating losses.
- The TiO_2 industry is concentrated and highly competitive and we face price pressures in the markets in which we operate, which may result in reduced earnings or operating losses.
- Higher costs or limited availability of our raw materials may reduce our earnings and decrease our liquidity. In addition, many of our raw material contracts contain fixed quantities we are required to purchase.
- Our leverage may impair our financial condition or limit our ability to operate our businesses.
- Global climate change legislation could negatively impact our financial results or limit our ability to operate our businesses.

5

- We are currently party to, and may in the future be party to, certain related party transactions. Such transactions could involve potential conflicts of interest.
- We are subject to changes in our effective tax rate and may have exposure to additional tax liabilities.
- Failure to protect our intellectual property rights or claims by others that we infringe their intellectual property rights could substantially harm our business.
- The market price of our common stock could be adversely affected by sales of our common stock in this offering, subsequent sales of substantial amounts of our common stock in the public markets and the issuance of additional shares of common stock in future offerings.
- Our stock price may be volatile.
- It may be difficult for a third party to acquire us, which could discourage or prevent a change of control or merger transaction.

Ownership

On October 6, 2010, our common stock was owned 4% by unaffiliated stockholders and 96% by Harold C. Simmons and related persons and entities, including the following:

- Valhi, Inc., or Valhi (one of our two principal publicly-held parent corporations), which is a diversified holding company with principal investments in NL Industries, Inc., or NL, and us; and
- NL (our other principal publicly-held parent company), which is a diversified holding company with principal investments in CompX International Inc., or CompX (one of our publicly-held sister corporations that manufactures security products, furniture components and performance marine components), and us.

Valhi and NL are each subsidiaries of Contran Corporation, or Contran. Each of Contran, Valhi, NL and us may be deemed to be controlled by Mr. Simmons. Following completion of this offering, assuming no exercise of the underwriters' over-allotment option, our common stock will be owned 17.1% by unaffiliated stockholders and 82.9% by Mr. Simmons and related persons and entities (including Valhi and NL), and Mr. Simmons may continue to be deemed to control us. See "Principal Stockholders and Ownership of Management."

See "Risk Factors—The market price of our common stock could be adversely affected by sales of our common stock in this offering, subsequent sales of substantial amounts of our common stock in the public markets and the issuance of additional shares of common stock in future offerings" and "—We are currently party to, and may in the future be party to, certain related party transactions. Such transactions could involve potential conflicts of interest."

Company Information

We were incorporated in Delaware in 1989. Our principal executive offices are located at Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240, and our telephone number is (972) 233-1700. We maintain an internet web site at www.kronosww.com. We have not incorporated by reference into this prospectus the information on our website, and you should not consider it to be part of this prospectus.

Kronos™ is the trademark of Kronos Worldwide, Inc. This prospectus contains trademarks and service marks of other companies.

Our Corporate Structure

The following chart summarizes our corporate structure (ownership is 100% unless otherwise noted):

(a) .3% of Kronos France is held by minority shareholders.

(b) 50% of Louisiana Pigment Company is owned by Huntsman International LLC, or Huntsman. See "Business—TiO2 Manufacturing Joint Venture."

7

The Offering

Common stock offered	7,800,000 shares (or 8,970,000 shares if the underwriters' over-allotment option is exercised in full).
Common stock to be outstanding after this offering	56,777,549 shares of common stock (57,947,549 shares of common stock if the underwriters exercise their over-allotment option in full), approximately 82.9% of which (approximately 81.2% if the underwriters exercise their over-allotment option in full) will be owned by Harold C. Simmons and related persons and entities. See "Risk Factors—The market price of our common stock could be adversely affected by sales of our common stock in this offering, subsequent sales of substantial amounts of our common stock in the public markets and the issuance of additional shares of common stock in future offerings" and "—We are currently party to, and may in the future be party to, certain related party transactions. Such transactions could involve potential conflicts of interest."
Use of proceeds	We intend to use the net proceeds of this offering for general corporate purposes, which may include possible acquisitions of additional TiO_2 facilities that may become available in the future.
Risk factors	You should read the "Risk Factors" section of this prospectus for a discussion of factors to consider carefully before deciding to purchase any shares of our common stock.
NYSE symbol	KRO

The number of shares of common stock to be outstanding after this offering is based on 48,977,549 shares outstanding as of October 6, 2010, and excludes 115,500 shares available for future grant under our long-term incentive plan.

Except as otherwise indicated, all information in this prospectus assumes no exercise by the underwriters of their option to purchase up to an additional 1,170,000 shares of common stock to cover over-allotments, if any.

Summary Historical Consolidated Financial and Operating Data

The following summary historical financial data with respect to the years ended December 31, 2007, 2008 and 2009 is derived from our audited consolidated financial statements included in this prospectus. The summary historical financial data for the six months ended June 30, 2009 and 2010, and as of June 30, 2010, is derived from our unaudited condensed consolidated financial statements included in this prospectus. Such unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP, and we have made, in our opinion, all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of and for such interim dates presented. Our results of operations for the interim period ended June 30, 2010 may not be indicative of our operating results for the full year. The TiO2 operating statistics data is unaudited for each period presented. You should read this data together with our consolidated financial statements and related notes and the information under "Selected Historical Consolidated Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
				(unaudited)	
Statement of Income Data:					
Net sales	$1,310.3	$1,316.9	$1,142.0	$530.1	$699.8
Gross profit	$251.4	$220.6	$130.3	$18.3	$145.7
Selling, general and administrative expenses	162.1	167.4	148.2	69.0	81.4
Other income (expense), net (1)	(4.4)	(6.0)	2.2	2.5	(3.8)
Income (loss) from operations	84.9	47.2	(15.7)	(48.2)	60.5
Interest income	2.5	1.0	.2	.1	-
Interest expense	(39.4)	(42.2)	(41.4)	(20.0)	(20.1)
Income before income taxes	48.0	6.0	(56.9)	(68.1)	40.4
Provision for income taxes (benefit)	114.7	(3.0)	(22.2)	(19.7)	(21.7)
Net income (loss)	$(66.7)	$9.0	$(34.7)	$(48.4)	$62.1
Net income (loss) per basic and diluted share	$(1.36)	$.18	$(.71)	$(.99)	$1.27
Cash dividends per share (2)	$1.00	$1.00	$-	$-	$-
Basic and diluted weighted average common shares outstanding	49.0	49.0	49.0	49.0	49.0

	Years ended December 31,			Six months ended June 30,	
	2007	2008	2009	2009	2010
	(In millions, except TiO2 operating statistics)				
				(unaudited)	
Other operating data:					
Cash flows provided by (used in):					
Operating activities	$90.0	$2.7	$86.3	$44.5	$(3.4)
Investing activities	(47.4)	(68.1)	(23.7)	(14.2)	(15.0)
Financing activities	(39.8)	10.3	(49.8)	27.7	24.5
Depreciation and amortization expense	48.9	51.3	47.0	22.3	22.6
Capital expenditures	47.3	68.1	23.7	14.7	15.4
Kronos TiO2 operating statistics (unaudited):					
Sales volumes*	519	478	445	211	270
Production volumes*	512	514	402	151	258
Production capacity at beginning of period*	525	532	532	266	266
Production rate as a percentage of capacity	98%	97%	76%	58%	97%

	June 30, 2010 (In millions) (unaudited)
Balance sheet data:	
Cash and cash equivalents	$34.1
Working capital (3)	331.7
Total assets	1,262.4
Total debt, including current maturities	550.8
Common stockholders' equity	362.1

---

* Metric tons in thousands

(1) Other income (expense), net, includes currency transaction gains (losses), gains and losses from the disposition of property and equipment, corporate expense and other operating income and expense.

(2) On October 7, 2010, our board of directors determined to resume our regular quarterly dividend, and declared a cash dividend of $.25 per share, payable on December 23, 2010 to holders of record at the close of business on December 10, 2010. As a result, purchasers of stock in this offering will be entitled to receive this dividend to the extent they continue to hold the stock on December 10, 2010.

(3) Total current assets less total current liabilities.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information in this prospectus, before deciding whether to invest in shares of our common stock. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

Risks Related to Our Business

Demand for, and prices of, certain of our products are influenced by changing market conditions for our products, which may result in reduced earnings or operating losses.

Approximately 90% of our revenues are attributable to sales of TiO2. Pricing within the global TiO2 industry over the long term is cyclical and changes in economic conditions, especially in Western industrialized nations, can significantly impact our earnings and operating cash flows. Historically, the markets for many of our products have experienced alternating periods of increasing and decreasing demand. Relative changes in the selling prices for our products are one of the main factors that affect the level of our profitability. In periods of increasing demand, our selling prices and profit margins generally will tend to increase, while in periods of decreasing demand our selling prices and profit margins generally tend to decrease. In addition, pricing may affect customer inventory levels as customers may from time to time accelerate purchases of TiO2 in advance of anticipated price increases or defer purchases of TiO2 in advance of anticipated price decreases. As we have completed most of our identified debottlenecking initiatives, our ability to further increase capacity without additional investment in greenfield or brownfield capacity increases may be limited and as a result, our profitability may become even more dependent upon the selling prices of our products.

The demand for TiO2 during a given year is also subject to annual seasonal fluctuations. TiO2 sales are generally higher in the second and third quarters of the year. This is due in part to the increase in paint production in the spring to meet demand during the spring and summer painting season.

The TiO2 industry is concentrated and highly competitive and we face price pressures in the markets in which we operate, which may result in reduced earnings or operating losses.

The global market in which we operate our business is concentrated with the top five TiO2 producers accounting for 63% of the world's production capacity and highly competitive. Competition is based on a number of factors, such as price, product quality and service. Some of our competitors may be able to drive down prices for our products because their costs are lower than our costs. In addition, some of our competitors' financial, technological and other resources may be greater than our resources and such competitors may be better able to withstand changes in market conditions. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Further, consolidation of our competitors or customers may result in reduced demand for our products or make it more difficult for us to compete with our competitors. The occurrence of any of these events could result in reduced earnings or operating losses.

Higher costs or limited availability of our raw materials may reduce our earnings and decrease our liquidity. In addition, many of our raw material contracts contain fixed quantities we are required to purchase.

The number of sources for and availability of certain raw materials is specific to the particular geographical region in which a facility is located. For example, titanium-containing feedstocks suitable for use in our TiO2 facilities are available from a limited number of suppliers around the world. Political and economic instability in the countries from which we purchase our raw material supplies could adversely affect their availability. If our worldwide vendors were unable to meet their contractual obligations and we were unable to obtain necessary raw materials, we could incur higher costs for raw materials or may be required to reduce production levels. In addition, we may also experience higher operating costs such as energy costs, which could affect our profitability. We may not always be able to increase our selling prices to offset the impact of any higher costs or reduced production levels, which could reduce our earnings and decrease our liquidity.

We have long-term supply contracts that provide for our TiO2 feedstock requirements through 2014. We may not be successful in obtaining long-term extensions to these contracts prior to expiration. The agreements require us to purchase certain minimum quantities of feedstock with minimum purchase commitments aggregating approximately $549 million at December 31, 2009. In addition, we have other long-term supply and service contracts that provide for various raw materials and services. These agreements require us to purchase certain minimum quantities or services with minimum purchase commitments aggregating approximately $176 million at December 31, 2009. Our commitment under these contracts could adversely affect our financial results if we significantly reduce our production and were unable to modify the contractual commitments.

Our leverage may impair our financial condition or limit our ability to operate our businesses.

We currently have a significant amount of debt. As of June 30, 2010, our total consolidated debt was approximately $550.8 million, which relates to our senior secured notes, a revolving credit facility of certain wholly-owned subsidiaries of Kronos International, Inc., or KII, which is one of our wholly-owned subsidiaries with operations in Europe, and a revolving credit facility of our U.S. subsidiary. Our level of debt could have important consequences to our stockholders and creditors, including:

- making it more difficult for us to satisfy our obligations with respect to our liabilities;
- increasing our vulnerability to adverse general economic and industry conditions;
- requiring that a portion of our cash flows from operations be used for the payment of interest on our debt, which reduces our ability to use our cash flow to fund working capital, capital expenditures, dividends on our common stock, acquisitions or general corporate requirements;
- limiting the ability of our subsidiaries to pay dividends to us;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or general corporate requirements;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate; and
- placing us at a competitive disadvantage relative to other less leveraged competitors.

In addition to our indebtedness, we are party to various lease and other agreements pursuant to which, along with our indebtedness, we are committed to pay approximately $383.2 million in 2010. Our ability to make payments on and refinance our debt and to fund planned capital expenditures depends on our future ability to generate cash flow. To some extent, this is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. In addition, our ability to borrow funds under our subsidiaries' credit facilities in the future will, in some instances, depend in part on these subsidiaries' ability to maintain specified financial ratios and satisfy certain financial covenants contained in the applicable credit agreement.

Our business may not generate cash flows from operating activities sufficient to enable us to pay our debts when they become due and to fund our other liquidity needs. As a result, we may need to refinance all or a portion of our debt before maturity. We may not be able to refinance any of our debt in a timely manner on favorable terms, if at all, in the current credit markets. Any inability to generate sufficient cash flows or to refinance our debt on favorable terms could have a material adverse effect on our financial condition.

Global climate change legislation could negatively impact our financial results or limit our ability to operate our businesses.

We operate production facilities in several countries. In many of the countries in which we operate, legislation has been passed, or proposed legislation is being considered, to limit greenhouse gases through various means, including emissions permits and/or energy taxes. In several of our production facilities, we consume large amounts of energy, primarily electricity and natural gas. To date, the permit system in effect in the various countries in which we operate has not had a material adverse effect on our financial results. However, if further greenhouse gas legislation were to be enacted in one or more countries, it could negatively impact our future results from operations through increased costs of production, particularly as it relates to our energy requirements or our need to obtain emissions permits. If such increased costs of production were to materialize, we may be unable to pass price increases onto our customers to compensate for increased production costs, which may decrease our liquidity, operating income and results of operations.

We are currently party to, and may in the future be party to, certain related party transactions. Such transactions could involve potential conflicts of interest.

Certain of our directors or executive officers also serve as directors or executive officers of certain of our affiliates. Such relationships may lead to possible conflicts of interest under circumstances in which the affiliated companies may have adverse interests. In addition, from time to time we engage in transactions with affiliated companies. It is not a violation of our code of business conduct and ethics to enter into such a transaction if, in our opinion, such transaction is no less favorable to us than could be obtained from unrelated parties, or the transaction, in the absence of stockholder ratification or approval by our independent directors, is fair to all companies involved. Our executive officers are responsible for applying this policy to related parties. No specific procedures are in place that govern the treatment of transactions among us and our related entities. In certain instances, our executive officers may seek the approval or ratification of such transactions by our independent directors, but there is no quantified threshold for seeking this approval.

We have entered into various related party transactions. For example, we and Contran participate in a combined risk management program. Pursuant to the program, Contran and certain of its subsidiaries and related entities, including us and certain of our subsidiaries and related entities, as a group purchase insurance policies and risk management services. With respect to certain of such jointly owned insurance policies, it is possible that unusually large losses incurred by one or more insureds during a given policy period could leave the other participating companies without adequate coverage under that policy for the balance of the policy period. As a result, Contran and certain of its subsidiaries or related companies, including us, have entered into a loss sharing agreement under which any uninsured loss is shared by those companies who have submitted claims under the relevant policy.

See “Certain Relationships and Related Party Transactions.”

We are subject to changes in our effective tax rate and may have exposure to additional tax liabilities.

As a multinational corporation, we are subject to income taxes as well as non-income based taxes, in both the United States and various foreign jurisdictions. Changes in tax laws or tax rulings may have a significantly adverse impact on our effective tax rate. Although we believe that our tax estimates are reasonable, the final determination of tax audits or tax disputes may not be resolved in our favor due to the inherent uncertainties involved in settlement initiatives and court and tax proceedings.

As discussed under “Management’s Discussion and Analysis and Analysis of Financial Condition and Results of Operations—Executive Summary,” our net income in certain prior periods takes into account income tax benefits related to certain events, including a favorable resolution of tax issues in Germany and a decrease in our reserve for uncertain tax positions. These events may not occur again in the future or, if these or similar events do occur, they may not contribute to our net income, if any.

We record a valuation allowance to reduce our deferred income tax assets to the amount that we believe is more-likely-than-not to be realized. In the future, our expectation may change regarding whether it is more-likely-than-not that we would be able to utilize all or a portion of our deferred income tax assets, in which case it may be necessary to impose (or adjust) a valuation allowance on our deferred income tax assets. For example, as discussed under “Management’s Discussion and Analysis and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates,” we have substantial net operating loss carryforwards in Germany (the equivalent of $941 million for German corporate purposes and $288 million for German trade tax purposes at December 31, 2009) that are not currently subject to a valuation allowance. Prior to the complete utilization of these carryforwards, it is possible that we might conclude the benefit of these carryforwards no longer meets the more-likely-than-not criteria, at which point we would be required to recognize a valuation allowance on all or a portion of the then-remaining deferred income tax asset associated with such carryforwards.

13

Failure to protect our intellectual property rights or claims by others that we infringe their intellectual property rights could substantially harm our business.

We rely on patent, trademark and trade secret laws in the United States and similar laws in other countries to establish and maintain our intellectual property rights in our technology. Despite these measures, any of our intellectual property rights could be challenged, invalidated, circumvented or misappropriated. Others may independently discover our trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Further, there can be no assurance that any of our pending trademark or patent applications will be approved. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our intellectual property rights. In addition, the laws of certain countries do not protect intellectual property rights to the same extent as the laws of the United States. Therefore, in certain jurisdictions, we may be unable to protect our technology adequately against unauthorized third party use, which could adversely affect our competitive position.

Third parties may claim that we or our customers are infringing upon their intellectual property rights. Even if we believe that such claims are without merit, they can be time-consuming and costly to defend and distract management's and technical staff's attention and resources. Claims of intellectual property infringement also might require us to redesign affected technology, enter into costly settlement or license agreements or pay costly damage awards, or face a temporary or permanent injunction prohibiting us from marketing or selling certain of our technology. If we cannot or do not license the infringed technology on reasonable pricing terms or at all, or substitute similar technology from another source, our business could be adversely impacted.

Risks Related to This Offering and an Investment in Our Stock

The market price of our common stock could be adversely affected by sales of our common stock in this offering, subsequent sales of substantial amounts of our common stock in the public markets and the issuance of additional shares of common stock in future offerings.

As of October 6, 2010, 1,925,594 shares of our common stock not owned by Harold C. Simmons and related persons and entities were outstanding, representing approximately 4% of our outstanding common stock. The sale of shares in this offering could depress the market price of our common stock.

Sales of a substantial number of shares of our common stock in the public market after this offering or the perception that these sales may occur could cause the market price of our common stock to decline. In addition, the sale of these shares in the public market could impair our ability to raise capital through the sale of additional common or preferred stock.

Upon the completion of this offering, we will have 56,777,549 shares of common stock outstanding (57,947,549 shares if the underwriters' over-allotment option is exercised in full), approximately 82.9% of which (approximately 81.2% if the underwriters exercise their over-allotment option in full) will be owned by Harold C. Simmons and related persons and entities. These persons and our other affiliates will be free to sell shares, subject to the limitations of Rule 144 under the Securities Act of 1933, as amended, or the Securities Act.

Of the shares of our common stock owned by Harold C. Simmons and related persons and entities, an aggregate of approximately 82.1% of our common stock (approximately 80.4% if the underwriters' over-allotment option is exercised in full) immediately following this offering will be held by Valhi and NL, and some or all of such stock, by pledge of such stock or otherwise, may be subject to rights of creditors of Valhi or NL. Should either Valhi or NL experience a need for liquidity or a creditor of Valhi or NL exercise rights to such stock, some or all of our common stock may be sold in the open market or otherwise, which could adversely affect the market price for our common stock.

14

We cannot predict when any of our affiliates may sell their shares or in what volumes. The market price of our common stock could decline significantly if any of our affiliates sells a large number of shares into the public market after this offering or if the market believes that these sales may occur. In connection with this offering, we, along with our executive officers, directors and certain of our stockholders, will have agreed prior to the commencement of this offering, subject to limited exceptions, not to sell or transfer any shares of common stock for days after the date of this prospectus without the consent of Wells Fargo Securities, LLC, Deutsche Bank Securities Inc. and Stephens Inc.

In addition, in the future, we may issue shares of our common stock in connection with acquisitions of assets or businesses. If we use our shares for this purpose, the issuances could have a dilutive effect on the value of your shares, depending on market conditions at the time of an acquisition, the price we pay, the value of the business or assets acquired, and our success in exploiting the properties or integrating the businesses we acquire and other factors.

The public offering price of our common stock in this offering may not be indicative of the market price of our common stock after this offering and our stock price may be volatile.

During the third quarter of 2010, the average daily trading volume for our common stock as reported by the New York Stock Exchange, or the NYSE, was approximately 28,000 shares. A more active market for our common stock may not develop or may not be sustained after this offering. The market price of our common stock could be subject to significant fluctuations after this offering and may decline below the public offering price. You may not be able to resell your shares at or above the public offering price. The following factors could affect our stock price:

- our operating and financial performance and prospects;
- quarterly variations in the rate of growth of our financial indicators, such as net income per share, net income, revenues, cash flow per share and cash flow from operations;
- changes in revenue or earnings estimates or publication of research reports by analysts;
- speculation in the press or investment community;
- sales of our common stock by our major stockholders;
- conditions generally affecting the TiO2 industry;
- general market conditions, including fluctuations in TiO2 prices; and
- domestic and international economic, legal and regulatory factors unrelated to our performance.

Since our common stock became publicly traded in December 2003, certain of our affiliates have purchased our common stock in open market transactions from time to time, as disclosed in public filings with the SEC pursuant to the Securities Exchange Act of 1934, as amended, or the Exchange Act, which disclose purchases in material amounts, and such purchases may have impacted the historical market price for our stock. Such affiliates have ceased any further open market transactions in our common stock as of October 1, 2010, and will not effect any such transactions until the completion of this offering. Thereafter, such affiliates may continue purchases or make sales of our common stock in open market transactions, which may impact the market price for our stock in the future.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock.

15

It may be difficult for a third party to acquire us, which could discourage or prevent a change of control or merger transaction.

After the completion of this offering, Harold C. Simmons and related persons and entities will own approximately 82.9% of the voting power of our common stock (or approximately 81.2% if the underwriters exercise their over-allotment option in full). For as long as our affiliates own a majority of our common stock, a takeover of our company will require their approval.

In addition, provisions of our certificate of incorporation and bylaws may discourage, delay or prevent a merger or other change in control that a stockholder may consider favorable.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND MARKET DATA

This prospectus contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” In some cases, you can identify forward-looking statements by the following words: “may,” “will,” “could,” “would,” “should,” “expec “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “project,” “potential,” “continue,” “ongoing” or the negative of or other comparable terminology, although not all forward-looking statements contain these words. These statements relate to future events or our future financial performance or condition and involve known and unknown risks, uncertainties and other factors that could cause our actual results, levels of activity, performance or achievement to differ materially from those expressed or implied by these forward-looking statements. These risk and uncertainties, include, among others discussed in the “Risk Factors” section of this prospectus:

- future supply and demand for our products;
- the extent of the dependence of certain of our businesses on certain market sectors;
- the cyclicality of our businesses;
- customer inventory levels (such as the extent to which our customers may, from time to time, accelerate purchases of titanium dioxide, or TiO2, in advance of anticipated price increases or defer purchases of TiO2 in advance of anticipated price decreases);
- changes in raw material and other operating costs (such as energy costs);
- general global economic and political conditions (such as changes in the level of gross domestic product in various regions of the world and the impact of such changes on demand for TiO2);
- competitive products and substitute products;
- customer and competitor strategies;
- potential consolidation or solvency of our competitors;
- the impact of pricing and production decisions;
- competitive technology positions;
- our ability to protect our intellectual property rights in our technology;
- the introduction of trade barriers;
- possible disruption of our business or increases in the cost of doing business resulting from terrorist activities or global conflicts;
- fluctuations in currency exchange rates (such as changes in the exchange rate between the U.S. dollar and each of the euro, the Norwegian krone and the Canadian dollar);
-

operating interruptions (including, but not limited to, labor disputes, leaks, natural disasters, fires, explosions, unscheduled or unplanned downtime and transportation interruptions);

- our ability to renew or refinance credit facilities;

- our ability to maintain sufficient liquidity;
- the ultimate outcome of income tax audits, tax settlement initiatives or other tax matters;
- our ability to utilize income tax attributes, the benefits of which have been recognized under the more-likely-than-not recognition criteria;
- environmental matters (in particular those requiring compliance with emission and discharge standards for existing and new facilities);
- government laws and regulations and possible changes therein;
- the ultimate resolution of pending litigation, such as the class action described under "Business—Legal Proceedings"; and
- possible future litigation.

You should read this prospectus and the documents that we reference in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual results may differ materially from what we expect and from those expressed or implied by our forward-looking statements. In light of the significant uncertainties in our forward-looking statements, you should not place undue reliance on or regard these statements as a representation or warranty by us or any other person that we will achieve our objectives and plans in any specified timeframe, or at all. These forward-looking statements represent our estimates and assumptions only as of the date of this prospectus regardless of the time of delivery of this prospectus or any sale of our common stock and, except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this prospectus. The forward-looking statements contained in this prospectus are excluded from the safe harbor protection provided by the Private Securities Litigation Reform Act of 1995 and Section 27A of the Securities Act.

We have obtained some of the market data that we use in this prospectus from independent industry sources. Market data obtained in this manner include the size and growth rates for TiO_2 products and markets. We have not independently verified that data. Other data including market share, ranking and similar such information contained in this prospectus is based either on management's own estimates, industry publications or other published independent sources but, in each case, are believed by management to be reasonable estimates. Data of this nature is subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties.

USE OF PROCEEDS

We estimate that the net proceeds of this offering will be approximately $ million (or $ million in the event of the exercise of the over-allotment option in full), after deducting underwriting commissions and expenses.

We intend to use the net proceeds of this offering for general corporate purposes, which may include possible acquisitions of additional TiO2 facilities that may become available in the future.

DIVIDEND POLICY

Prior to 2009, we paid a regular quarterly dividend to stockholders of $.25 per share. In February 2009, our board of directors decided to suspend our quarterly dividend after considering the uncertainties in the global economy and credit markets. On October 7, 2010, our board of directors determined to resume our regular quarterly dividend, and declared a cash dividend of $.25 per share, payable on December 23, 2010 to holders of record at the close of business on December 10, 2010. As a result, purchasers of stock in this offering will be entitled to receive this dividend to the extent they continue to hold the stock on December 10, 2010. In determining to resume the dividend, the board considered our results of operations, financial condition, cash requirements for our business, the current long-term outlook for our business and other factors deemed relevant by the board. The declaration and payment of future dividends is discretionary, and the amount, if any, will be dependent upon such factors. There are currently no restrictions on our ability to pay dividends.

PRICE RANGE OF COMMON STOCK

Our common stock is listed and traded on the NYSE under the symbol "KRO." As of October 6, 2010, there were approximately 3,000 holders of record of common stock. The following table sets forth, for the periods indicated, the high and low sales prices per share for our common stock, as reported on the NYSE Composite Tape:

	High	Low
2008		
First Quarter	$24.57	$15.74
Second Quarter	31.42	15.39
Third Quarter	17.20	11.46
Fourth Quarter	14.08	8.05
2009		
First Quarter	$17.00	$5.25
Second Quarter	8.90	6.50
Third Quarter	10.31	5.85
Fourth Quarter	17.34	9.59
2010		
First Quarter	$17.20	$13.56
Second Quarter	20.25	14.65
Third Quarter	39.84	18.15
Fourth Quarter (through October 6)	39.06	38.68

On October 6, 2010, the closing price of our common stock according to the NYSE Composite Tape was $38.80.

19

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2010:

- on an actual basis;
- on a pro forma basis to give effect to our sale of 7,800,000 shares of common stock in this offering and the application of the net proceeds from this offering as described under "Use of Proceeds."

This information should be read in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of June 30, 2010	
	Actual	Pro forma
	(In millions of dollars) (unaudited)	
Cash and cash equivalents	$34.1	
Noncurrent liabilities:		
Long-term debt	$530.3	$530.3
Stockholders' equity:		
Preferred stock, $.01 par value, 100,000 shares authorized, no shares issued and outstanding	-	-
Common stock, $.01 par value, 60,000,000 shares authorized, 48,977,549 shares issued and outstanding actual; shares issued and outstanding pro forma	.5	
Additional paid-in capital	1,062.0	
Retained deficit	(540.5)	(540.5)
Accumulated other comprehensive loss:		
Currency translation	(80.3)	(80.3)
Postretirement benefit (OPEB) plans	(1.1)	(1.1)
Defined benefit pension plans	(78.5)	(78.5)
Total stockholders' equity	362.1	
Total capitalization	$892.4	

The number of shares of our common stock to be outstanding after the offering does not include 115,500 shares available for future grant under our long-term incentive plan.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OPERATING DATA

The statement of operations data for the years ended December 31, 2007, 2008 and 2009, and the balance sheet data as of December 31, 2008 and 2009, have been derived from our audited Consolidated Financial Statements included elsewhere in this prospectus. The statement of operations data for the years ended December 31, 2005 and 2006, and the balance sheet data as of December 31, 2005, 2006 and 2007 have been derived from our audited Consolidated Financial Statements not separately presented herein. The statement of operations data for the six months ended June 30, 2009 and 2010, and the balance sheet data as of June 30, 2010 have been derived from our unaudited Condensed Consolidated Financial Statements included elsewhere in this prospectus. The balance sheet data as of June 30, 2009 has been derived from our unaudited Condensed Consolidated Financial Statements not separately presented herein. In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to state fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of and for such interim dates presented. Our results of operations for the interim period ended June 30, 2010 may not be indicative of our operating results for the full year. The TiO2 operating statistics data is unaudited for each period presented. The selected financial and other data below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Years ended December 31,					Six months ended June 30,	
	2005	2006(2)	2007	2008	2009	2009	2010
						(unaudited)	
STATEMENTS OF OPERATIONS DATA:							
Net sales	$1,196.7	$1,279.4	$1,310.3	$1,316.9	$1,142.0	$530.1	$699.8
Gross margin	327.5	310.5	251.4	220.6	130.3	18.3	145.7
Income (loss) from operations	176.0	143.2	84.9	47.2	(15.7)	(48.2)	60.5
Net income (loss)	71.5	82.0	(66.7)	9.0	(34.7)	(48.4)	62.1
Net income (loss) per basic and diluted share	1.46	1.67	(1.36)	.18	(.71)	(.99)	1.27
Cash dividends per share (1)	1.00	1.00	1.00	1.00	-	-	-
BALANCE SHEET DATA:							
Total assets	$1,298.9	$1,421.5	$1,455.0	$1,358.7	$1,325.0	$1,337.6	$1,262.4
Notes payable and long-term debt including current maturities	465.3	536.2	606.2	638.5	613.2	672.0	550.8
Common stockholders’ equity	412.5	448.4	411.0	317.9	312.5	281.0	362.1

STATEMENTS OF CASH FLOW DATA:							
Net cash provided by (used in):							
Operating activities	$97.8	$71.9	$90.0	$2.7	$86.3	$44.5	$(3.4)
Investing activities	(39.7)	(50.9)	(47.4)	(68.1)	(23.7)	(14.2)	(15.0)
Financing activities	(44.8)	(35.0)	(39.8)	10.3	(49.8)	27.7	24.5

21

	Years ended December 31,					Six months ended June 30,	
	2005	2006(2)	2007	2008	2009	2009	2010
	(in millions, except per share data and TiO2 operating statistics)					(unaudited)	
TiO2 OPERATING STATISTICS (unaudited):							
Sales volume(3)	478	511	519	478	445	211	270
Production volume(3)	492	516	512	514	402	151	258
Production capacity at beginning of year(3)	495	516	525	532	532	266	266
Production rate as a percentage of capacity	99 %	Full	98 %	97 %	76 %	58 %	97 %

(1) On October 7, 2010, our board of directors determined to resume our regular quarterly dividend, and declared a cash dividend of $.25 per share, payable on December 23, 2010 to holders of record at the close of business on December 10, 2010. As a result, purchasers of stock in this offering will be entitled to receive this dividend to the extent they continue to hold the stock on December 10, 2010.

(2) We adopted the asset and liability recognition provisions of Accounting Standard Codification Topic 715, Compensation – Retirement Benefits, effective December 31, 2006. See Note 10 to our Consolidated Financial Statements.

(3) Metric tons in thousands.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

The factors having the most impact on our reported operating results are:

- Our TiO_2 sales and production volumes;
- TiO_2 selling prices;
- Currency exchange rates (particularly the exchange rate for the U.S. dollar relative to the euro, Norwegian krone and the Canadian dollar); and
- Manufacturing costs, particularly raw materials, maintenance and energy-related expenses.

Our key performance indicators are our TiO_2 average selling prices and our level of TiO_2 sales and production volumes. TiO_2 selling prices generally follow industry trends and prices will increase or decrease generally as a result of competitive market pressures.

We reported a net loss of $34.7 million, or $.71 per diluted share for 2009, compared to net income of $9.0 million, or $.18 per diluted share for 2008. Our diluted earnings per share decreased from 2008 to 2009 due primarily to the net effects of (i) lower income (loss) from operations in 2009 resulting principally from lower sales and production volumes and (ii) an income tax benefit we recognized in 2008. In late 2008, as a result of the sharp decline in global demand, we experienced a build up in our inventory levels. In order to decrease our inventory levels and improve our liquidity, we implemented production curtailments during the first half of 2009. In addition, throughout all of 2009 we implemented cost controls and reduced our capital spending. Through these actions we successfully reduced our inventory and increased our liquidity, although the resulting curtailments led to a net loss in 2009 due to the large amount of unabsorbed fixed production costs we charged to expense as incurred.

We reported net income of $9.0 million, or $.18 per diluted share for 2008, compared to a net loss of $66.7 million, or $1.36 per diluted share for 2007. Our diluted earnings per share increased from 2007 to 2008 due primarily to the net effects of (i) an income tax benefit we recognized in 2008, (ii) lower income from operations in 2008 resulting principally from lower sales volumes and higher raw material and energy costs and (iii) the unfavorable effect of certain provisions for income taxes recognized in 2007.

For the first six months of 2010, we reported net income of $62.1 million, or $1.27 per diluted share, compared to a net loss of $48.4 million, or $.99 per diluted share, in the first six months of 2009. Our diluted earnings per share increased in the first six months of 2010 as compared to the same period of 2009 primarily due to (i) the net effects of higher income from operations in 2010 resulting principally from higher sales and production volumes in the 2010 periods and (ii) a non-cash deferred income tax benefit of $35.2 million (or $.72 per diluted share) recognized in the first quarter of 2010.

Net income for the first six months of 2010 includes a $35.2 million income tax benefit ($.72 per diluted share) related to a European Court ruling that resulted in the favorable resolution of certain German income tax issues.

Net income for 2009 includes a $4.7 million income tax benefit ($.10 per diluted share) related to a net decrease in our reserve for uncertain tax positions.

Net income for 2008 includes a $7.2 million income tax benefit ($.15 per diluted share) related to a European Court ruling that resulted in the favorable resolution of certain income tax issues in Germany and an increase in the amount of our German corporate and trade tax net operating loss carryforwards.

Net loss for 2007 includes (i) a non-cash charge of $90.8 million ($1.85 per diluted share) relating to a decrease in our net deferred income tax asset in Germany resulting from the reduction of the German income tax rates, (ii) a non-cash charge of $8.7 million ($.18 per diluted share) related to the adjustment of certain German income tax attributes and (iii) a $2.0 million income tax benefit ($.04 per diluted share) resulting from a net reduction in our reserve for uncertain tax positions.

We currently expect improved results from operations in 2010 compared to 2009 primarily as a result of higher sales volumes, higher average selling prices and lower production costs as compared to 2009. We currently expect to report net income in 2010 as compared to reporting a net loss in 2009 due to higher expected income from operations in 2010 as well as the impact of the $35.2 million non-cash income tax benefit recognized in the first quarter of 2010, as discussed above.

We believe the analyses presented in the following tables are useful in understanding the comparability of our results of operations for the periods presented. Each of these items are more fully discussed below in the applicable sections of this "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations" or elsewhere in this prospectus.

Net Sales, Gross Margin and Income From Operations

	Six months ended June 30,		
	2009	2010	% Change
	(In millions, except volumes)		
Net sales	$530.1	$699.8	32 %
Cost of sales	511.8	554.1	8 %
Gross margin	18.3	145.7	696 %
Selling, general and administrative expense	(69.0)	(81.4)	
Currency transaction gains (losses), net	6.5	(0.5)	
Other operating expense, net	(4.0)	(3.3)	
Income (loss) from operations	$(48.2)	$60.5	225 %
TiO_2 operating statistics:			
Sales volumes*	211	270	28 %
Production volumes*	151	258	71 %
Percent change in net sales:			
TiO_2 product pricing			3 %
TiO_2 sales volumes			28
TiO_2 product mix			-
Changes in currency exchange rates			1
Total			32 %

24

Net Sales, Gross Margin and Income From Operations

	Years ended December 31,			% Change	
	2007	2008	2009	2007-08	2008-09
	(In millions, except volumes)				
Net sales	$1,310.3	$1,316.9	$1,142.0	1 %	(13)%
Cost of sales	1,058.9	1,096.3	1,011.7	4 %	(8)%
Gross margin	251.4	220.6	130.3	(12)%	(40)%
Selling, general and administrative expense	(162.1)	(167.4)	(148.2)		
Currency transaction gains (losses), net	0.2	.6	9.9		
Other operating expense, net	(4.6)	(6.6)	(7.7)		
Income (loss) from operations	$84.9	$47.2	$(15.7)	(44)%	(133)%
TiO2 operating statistics:					
Sales volumes*	519	478	445	(8)%	(7)%
Production volumes*	512	514	402	- %	(22)%
Percent change in net sales:					
TiO2 product pricing				2 %	(1)%
TiO2 sales volumes				(8)	(7)
TiO2 product mix				2	(2)
Changes in currency exchange rates				5	(3)
Total				1 %	(13)%

---

* Thousands of metric tons

Critical Accounting Policies and Estimates

The accompanying "Management's Discussion and Analysis of Financial Condition and Results of Operations" is based upon our Consolidated Financial Statements, which have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. On an on-going basis, we evaluate our estimates, including those related to the recoverability of long-lived assets, pension and other post-retirement benefit obligations and the underlying actuarial assumptions related thereto, the realization of deferred income tax assets and accruals for litigation, income tax and other contingencies. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from previously-estimated amounts under different assumptions or conditions.

The following critical accounting policies affect our more significant judgments and estimates used in the preparation of our Consolidated Financial Statements:

- Long-lived assets. We recognize an impairment charge associated with our long-lived assets, including property and equipment, whenever we determine that recovery of such long-lived asset is not probable. Such determination is made in accordance with the applicable GAAP requirements of Accounting Standard Codification (or ASC) Topic 360-10-35 Property, Plant and Equipment and is based upon, among other things, estimates of the amount of future net cash flows to be generated by the long-lived asset and estimates of the current fair value of the asset. Significant judgment is required in estimating such cash flows. Adverse changes in such estimates of future net cash flows or estimates of fair value could result in an inability to recover the carrying value of the long-lived asset, thereby possibly requiring an impairment charge to be recognized in the future. We do not assess our property and equipment for impairment unless certain impairment indicators specified in ASC Topic 360-10-35 are present. We did not evaluate any long-lived assets for impairment during 2009 because no such impairment indicators were present.

- Benefit plans. We maintain various defined benefit pension plans and postretirement benefits other than pensions (or OPEB). The amounts recognized as defined benefit pension and OPEB expenses and the reported amounts of pension asset and accrued pension and OPEB costs are actuarially determined based on several assumptions, including discount rates, expected rates of returns on plan assets and expected health care trend rates. Variances from these actuarially assumed rates will result in increases or decreases, as applicable, in the recognized pension and OPEB obligations, pension and OPEB expenses and funding requirements. These assumptions are more fully described below under "—Defined Benefit Pension Plans" and "—OPEB Plans."

- Income taxes. We recognize deferred taxes for future tax effects of temporary differences between financial and income tax reporting in accordance with the recognition criteria of ASC Topic 740 Income Taxes. We record a valuation allowance to reduce our deferred income tax assets to the amount that is believed to be realized under the more-likely-than-not recognition criteria. While we have considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for a valuation allowance, it is possible that in the future we may change our estimate of the amount of the deferred income tax assets that would more-likely-than-not be realized in the future, resulting in an adjustment to the deferred income tax asset valuation allowance that would either increase or decrease, as applicable, reported net income in the period such change in estimate was made. For example, we have substantial net operating loss carryforwards in Germany (the equivalent of $941 million for German corporate purposes and $288 million for German trade tax purposes at December 31, 2009). At December 31, 2009, we have concluded that no deferred income tax asset valuation allowance is required to be recognized with respect to such carryforwards, principally because (i) such carryforwards have an indefinite carryforward period, (ii) we have utilized a portion of such carryforwards during the most recent three-year period and (iii) we currently expect to utilize the remainder of such carryforwards over the long term. However, prior to the complete utilization of such carryforwards, particularly if the economic recovery were to be short-lived or we were to generate losses in our German operations for an extended period of time, it is possible that we might conclude the benefit of such carryforwards would no longer meet the more-likely-than-not recognition criteria, at which point we would be required to recognize a valuation allowance against some or all of the then-remaining tax benefit associated with the carryforwards.

- Reserve for uncertain tax positions. We record a reserve for uncertain tax positions in accordance with ASC Topic 740 Income Taxes, for tax positions where we believe it is more-likely-than-not our position will not prevail with the applicable tax authorities. It is possible that in the future we may change our assessment regarding the probability that our tax positions will prevail that would require an adjustment to the amount of our reserve for uncertain tax positions that could either increase or decrease, as applicable, reported net income in the period the change in assessment was made.

- Undistributed earnings. In addition, we evaluate at the end of each reporting period as to whether or not some or all of the undistributed earnings of our non-U.S. subsidiaries are permanently reinvested (as that term is defined in GAAP). While we may have concluded in the past that some of such undistributed earnings are permanently reinvested, facts and circumstances can change in the future and it is possible that a change in facts and circumstances, such as a change in the expectation regarding the capital needs of our non-U.S. subsidiaries or a change in tax law, could result in a conclusion that some or all of such undistributed earnings are no longer permanently reinvested. In such an event, we would be required to recognize a deferred income tax liability in an amount equal to the estimated incremental U.S. income tax and withholding tax liability that would be generated if all of such previously-considered permanently reinvested undistributed earnings were distributed to the U.S.

- Contingencies. We record accruals for legal and other contingencies when estimated future expenditures associated with such contingencies and commitments become probable and the amounts can be reasonably estimated. However, new information may become available or circumstances (such as applicable laws and regulations) may change, thereby resulting in an increase or decrease in the amount required to be accrued for such matters (and therefore a decrease or increase in reported net income in the period of such change).

Income from operations is impacted by certain of these significant judgments and estimates, such as allowance for doubtful accounts, reserves for obsolete or unmarketable inventories, impairment of equity method investments and long-lived assets, defined benefit pension plans and loss accruals. In addition, net income (loss) is impacted by the significant judgments and estimates for deferred income tax asset valuation allowances and loss accruals.

Results of Operations

Six Months Ended June 30, 2010 Compared to Six Months Ended June 30, 2009

Net Sales. Net sales increased 32% or $169.7 million compared to the six months ended June 30, 2009 primarily due to a 28% increase in sales volumes along with a 3% increase in average TiO2 selling prices and the positive impact of currency exchange rates. We estimate the favorable effect of changes in currency exchange rates increased our net sales by approximately $4 million, or 1%, as compared to the same period in 2009. TiO2 selling prices will increase or decrease generally as a result of competitive market pressures and changes in the relative level of supply and demand. We currently expect average selling prices in the second half of 2010 to be higher than the average selling prices in the first six months of 2010.

Record sales volumes in the six months ended June 30, 2010 increased 28% as compared to the same period in 2009 due to higher demand across all market segments resulting from the improvement in current economic conditions. We expect demand will continue to remain above 2009 levels for the remainder of the year.

Cost of Sales. Cost of sales increased $42.3 million or 8% in the six months ended June 30, 2010 compared to the same period in 2009 due to the net impact of a 28% increase in sales volumes, a 71% increase in TiO2 production volumes, lower raw material costs of $7.4 million, lower utility costs of $11.7 million and an increase in maintenance costs of $10.9 million. In addition, cost of sales in the first six months of 2010 was negatively impacted by approximately $8 million as a result of higher production costs in 2010 at our ilmenite mines in Norway. Cost of sales as a percentage of net sales decreased to 79% in the first six months of 2010 compared to 96% in the same period 2009 primarily due to the significantly higher production volumes in 2010, as we implemented temporary plant curtailments during the first half of 2009 in order to reduce our finished goods inventories to an appropriate level and due to higher selling prices in 2010. Such temporary plant curtailments resulted in approximately $80 million of unabsorbed fixed production costs which were charged directly to cost of sales in the first six months of 2009.

Income (Loss) from Operations. Income (loss) from operations increased by $108.7 million from an operating loss of $48.2 million in the first six months of 2009 to operating income of $60.5 million in the first six months of 2010. Income (loss) from operations as a percentage of net sales increased to 9% in the first six months of 2010 from (9)% in the same period for 2009. This increase is driven by the improvement in gross margin, which increased to 21% for the first six months of 2010 compared to 4% for the first six months of 2009. Our gross margin has increased primarily because of higher sales volumes, higher selling prices and lower manufacturing costs per ton resulting from higher production volumes. However, changes in currency exchange rates have negatively affected our gross margin and income (loss) from operations. We estimate that changes in currency exchange rates decreased income (loss) from operations by approximately $20 million in the first six months of 2010 as compared to the same period in 2009.

Interest Expense. Interest expense for the first six months of 2010 was comparable to the same period for 2009 as the effect of higher interest rates on our European credit facility was offset by decreased average borrowings under our revolving credit facilities. The interest expense we recognize will vary with fluctuations in the euro exchange rate.

Income Tax Benefit. Our income tax benefit was $21.7 million in the first six months of 2010 compared to an income tax benefit of $19.7 million in the same period last year. Our income tax benefit in 2010 includes a $35.2 million income tax benefit related to a European Court ruling that resulted in the favorable resolution of certain income tax issues in Germany and an increase in the amount of our German corporate and trade tax net operating loss carryforwards. See Note 9 to our Condensed Consolidated Financial Statements for a tabular reconciliation of our statutory income tax benefit to our actual tax benefit.

Effects of Currency Exchange Rates. We have substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of our sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of our sales generated from our non-U.S. operations is denominated in the U.S. dollar. Certain raw materials used worldwide, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are purchased primarily in local currencies. Consequently, the translated U.S. dollar value of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, our non-U.S. operations also generate currency transaction gains and losses which primarily relate to the difference between the currency exchange rates in effect when non-local currency sales or operating costs are initially accrued and when such amounts are settled with the non-local currency.

Overall, we estimate that fluctuations in currency exchange rates had the following effects on our sales and income (loss) from operations for the periods indicated.

Impact of Changes in Currency Exchange Rates
Six months ended June 30, 2010 vs. June 30, 2009

	Transaction gains/(losses) recognized			Translation gain/loss-impact of rate changes	Total currency impact 2009 vs. 2010
	2009	2010	Change		
			(in millions)		
Impact on:					
Net sales	$-	$-	$-	$4	$4
Income (loss) from operations	7	(1)	(8)	(12)	(20)

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Sales. Net sales decreased 13% or $174.9 million for 2009 compared to 2008, primarily due to a 7% decrease in sales volumes and a 1% decrease in average selling prices. Variations in grades of products sold unfavorably impacted net sales by 2%. In addition, we estimate the unfavorable effect of changes in currency exchange rates decreased our net sales by approximately $35 million, or 3%, as compared to the same period in 2008. TiO_2 selling prices generally follow industry trends and prices will increase or decrease generally as a result of competitive market pressures. As a result of these market pressures our average TiO_2 prices in 2009 were 1% lower than the prior year. During the first half of 2009, our average selling prices were generally declining, as we faced weak demand and excessive inventory levels. Beginning in mid-2009, we and our competitors announced various price increases. A portion of these price increase announcements were implemented during the third and fourth quarters of 2009, and as a result our average selling price at the end of the second half of 2009 was 3% higher than at the end of the first half of 2009.

Our 7% decrease in sales volumes in 2009 is primarily due to lower sales volumes in Europe and North America as a result of a global weakening of demand due to poor overall economic conditions, principally in the first half of 2009.

Cost of Sales. Cost of sales decreased 8% or $84.6 million for 2009, compared to 2008, primarily due to the net impact of a 7% decrease in sales volumes, lower raw material costs of $11.6 million, a decrease in maintenance costs of $29.8 million as part of our efforts to reduce operating costs where possible and currency fluctuations (primarily the euro). The cost of sales as a percentage of net sales increased to 89% in the year ended December 31, 2009 compared to 83% in the same period of 2008 primarily due to the unfavorable effects of the significant amount of unabsorbed fixed production costs resulting from reduced production volumes during the first six months of 2009. TiO_2 production volumes decreased due to temporary plant curtailments during the first six months of 2009 that resulted in approximately $80 million of unabsorbed fixed production costs which were charged directly to cost of sales in the first six months of 2009.

Income (Loss) From Operations. Income (loss) from operations declined by $62.9 million from income from operations of $47.2 million in 2008 to a loss from operations of $15.7 million in 2009. Income (loss) from operations as a percentage of net sales declined to (2%) in 2009 from 4% in 2008. This decrease is driven by the decline in gross margin, which fell to 11% for 2009 compared to 17% for 2008. Our gross margin has decreased primarily because of the significant amount of unabsorbed fixed production costs resulting from the production curtailments we implemented during the first six months of 2009 as well as the effect of lower sales volumes. However, changes in currency rates have positively affected our gross margin and income (loss) from operations. We estimate that changes in currency exchange rates increased income (loss) from operations by approximately $40 million in 2009 as compared to 2008.

As a percentage of net sales, selling, general and administrative expenses were relatively constant at approximately 13% for both 2008 and 2009.

Other Non-Operating Income and Expense, Net. Interest expense decreased $.8 million from $42.2 million in 2008 to $41.4 million in 2009 due to changes in currency exchange rates which offset the effect of increased average borrowings under our revolving credit facilities and higher interest rates on our European credit facility. The interest expense we recognize will vary with fluctuations in the euro exchange rate.

Income Tax Benefit. Our income tax benefit was $22.2 million in 2009 compared to $3.0 million in 2008. See Note 9 to our Consolidated Financial Statements for a tabular reconciliation of our statutory income tax benefit to our actual tax benefit. Some of the more significant items impacting this reconciliation are summarized below.

- Our income tax benefit for 2009 includes a non-cash benefit of $4.7 million related to a net decrease in our reserve for uncertain tax positions, primarily as a result of the resolution of tax audits in Belgium and Germany in the third and fourth quarters.

- Our income tax benefit for 2008 includes a non-cash benefit of $7.2 million relating to a European Court ruling that resulted in the favorable resolution of certain income tax issues in Germany and an increase in the amount of our German corporate and trade tax net operating loss carryforwards.

Year ended December 31, 2008 compared to year ended December 31, 2007

Net Sales. Net sales increased 1% or $6.6 million for 2008 compared to 2007, primarily due to favorable currency exchange rates, which we estimate increased our net sales for 2008 by approximately $61 million, or 5%, compared to the same period in 2007. Variations in grades of products sold favorably impacted net sales by 2%, along with a 2% increase in average TiO_2 selling prices. TiO_2 selling prices generally follow industry trends and prices will increase or decrease generally as a result of competitive market pressures. During the early part of 2008, our average selling prices were generally flat. During the second and third quarters of 2008, we and our competitors announced various price increases and surcharges in response to higher operating costs. A portion of these increase announcements were implemented during the second, third and fourth quarters of 2008. The positive impact of currency, product mix and pricing in 2008 were substantially offset by an 8% decrease in sales volumes.

Our 8% decrease in sales volumes in 2008 is primarily due to lower sales volumes in all markets as a result of a global weakening of demand due to poor overall economic conditions.

Cost of Sales. Cost of sales increased 4% or $37.4 million for 2008, compared to 2007, due to the impact of a 22% or approximately $27 million increase in utility costs (primarily energy costs), a 10% or approximately $35 million increase in raw material costs and currency fluctuations (primarily the euro). The cost of sales as a percentage of net sales increased to 83% in the year ended December 31, 2008 compared to 81% in the same period of 2007 primarily due to the net effects of higher operating costs and slightly higher average selling prices.

Income From Operations. Income from operations in 2008 declined by 44% to $47.2 million compared to 2007; income from operations as a percentage of net sales decreased to 4% in 2008 from 6% for 2007. The decline in income from operations is driven by the decline in gross margin, which decreased to 17% in 2008 compared to 19% in 2007. While our average TiO2 selling prices were higher in 2008, our gross margin decreased primarily because of lower sales volumes and higher manufacturing costs, which more than offset the impact of higher sales prices. Changes in currency rates have also negatively affected our gross margin. We estimate the negative effect of changes in currency exchange rates decreased income from operations by approximately $4 million when comparing 2008 to 2007.

As a percentage of net sales, selling, general and administrative expenses were relatively consistent at approximately 12% for 2007 and approximately 13% for 2008.

Other Non-Operating Income and Expense, Net. Interest expense increased $2.8 million from $39.4 million for 2007 to $42.2 million for 2008 due to unfavorable changes in currency exchange rates in 2008 compared to 2007 and increased borrowings in 2008 (primarily under our European credit facility).

Provision (Benefit) for Income Taxes. Our benefit for income taxes was $3.0 million in 2008 compared to an income tax provision of $114.7 million for 2007. See Note 9 to our Consolidated Financial Statements for a tabular reconciliation of our statutory income tax expense to our actual tax expense. Some of the more significant items impacting this reconciliation are summarized below.

- Our income tax benefit for 2008 includes a non-cash benefit of $7.2 million relating to a European Court ruling that resulted in the favorable resolution of certain income tax issues in Germany and an increase in the amount of our German corporate and trade tax net operating loss carryforwards.

- Our income tax expense in 2007 includes a non-cash charge of $90.8 million relating to a decrease in our net deferred income tax asset in Germany resulting from the reduction in its income tax rates;

  - a non-cash charge of $8.7 million relating to the adjustment of certain German income tax attributes; and

- a non-cash income tax benefit of $2.0 million resulting from a net reduction in our reserve for uncertain tax positions.

Effects of Currency Exchange Rates. We have substantial operations and assets located outside the United States (primarily in Germany, Belgium, Norway and Canada). The majority of our sales from non-U.S. operations are denominated in currencies other than the U.S. dollar, principally the euro, other major European currencies and the Canadian dollar. A portion of our sales generated from our non-U.S. operations is denominated in the U.S. dollar. Certain raw materials used worldwide, primarily titanium-containing feedstocks, are purchased in U.S. dollars, while labor and other production costs are purchased primarily in local currencies. Consequently, the translated U.S. dollar value of our non-U.S. sales and operating results are subject to currency exchange rate fluctuations which may favorably or unfavorably impact reported earnings and may affect the comparability of period-to-period operating results. In addition to the impact of the translation of sales and expenses over time, our non-U.S. operations also generate currency transaction gains and losses which primarily relate to the difference between the currency exchange rates in effect when non-local currency sales or operating costs are initially accrued and when such amounts are settled with the non-local currency.

Overall, we estimate that fluctuations in currency exchange rates had the following effects on our sales and income (loss) from operations for the periods indicated.

Impact of Changes in Foreign Currency - 2008 vs. 2009

	Transaction gains/(losses) recognized			Translation gain/loss-impact of rate changes	Total currency impact 2008 vs. 2009
	2008	2009	Change (in millions)		
Impact on:					
Net sales	$-	$-	$-	$(35)	$(35)
Income (loss) from operations	1	10	9	31	40

Impact of Changes in Foreign Currency - 2007 vs. 2008

	Transaction gains/(losses) recognized			Translation gain/loss-impact of rate changes	Total currency impact 2007 vs. 2008
	2007	2008	Change (in millions)		
Impact on:					
Net sales	$-	$-	$-	$61	$61
Income (loss) from operations					