

BRIEFING PAPER  
ILUKA'S CUSTOMER BASE

OCTOBER 2014

### OVERVIEW

This briefing paper provides information in relation to the structure of Iluka's high grade titanium dioxide feedstock and zircon end markets, as well as some elements of the company's marketing approach.

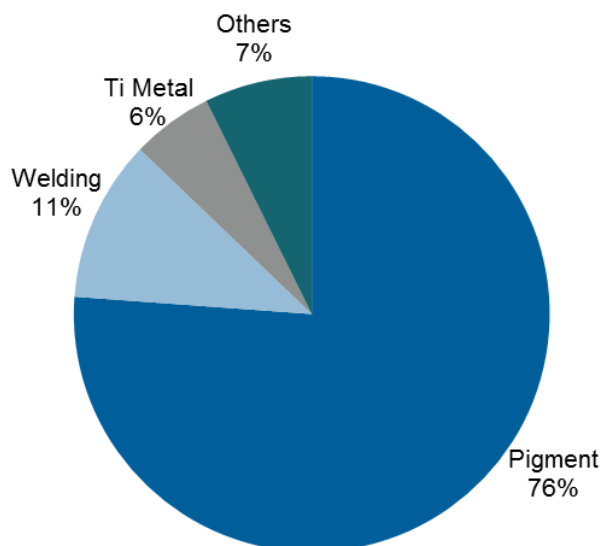
Titanium dioxide feedstocks and zircon are supplied into distinct markets with a variety of end use applications. The following information is provided:

- sales by sector and geographical markets;
- customer structure and evolution of customer base;
- major downstream producers; and
- Iluka's sales and marketing evolution.

### TITANIUM DIOXIDE

Iluka's sales of titanium dioxide feedstock products by revenue to various end markets in 2013 were as follows:

#### Titanium Feedstock Sales by Sector



### Iluka Customer Structure – Titanium Dioxide

Iluka’s sales of higher value titanium dioxide products of rutile, synthetic rutile and sales of chloride ilmenite are predominantly to the major chloride pigment producers located in North America and Europe. As such, the customer base is relatively consolidated.

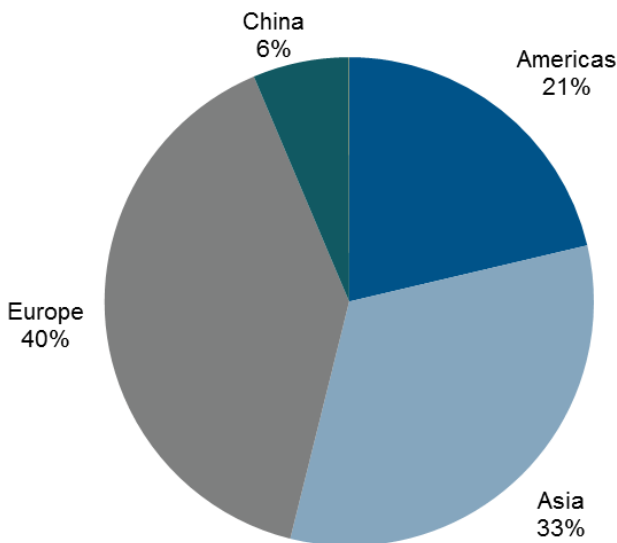
Iluka supplies high grade titanium dioxide products into titanium sponge markets, used for the manufacturing of titanium metal. This includes rutile and synthetic rutile to titanium sponge manufacturers in Japan, North America and China, amongst others. The titanium sponge market is a niche industry, dominated by a small number of major producers.

Rutile is a key product in the welding electrode flux market, with applications in ship building and construction industries. The welding electrode industry is relatively fragmented, especially in developing markets. Nonetheless, there are a small number of global welding producers which account for approximately 20 per cent of the total market.

Iluka has over 80 titanium dioxide feedstock customers. This has expanded over recent years as a result of Iluka’s marketing efforts to increase presence in markets such as Eastern Europe, Asia and India for welding and titanium sponge markets. Iluka also supplies smaller welding customers and in some cases, as part of its market development, utilises distributors for initial market development.

Iluka’s sales of high grade titanium dioxide products of rutile and synthetic rutile, by geographical market, are shown below. In North America and Europe, this mainly represents supply into the chloride pigment market.

### Iluka High Grade Titanium Ore Sales by Region



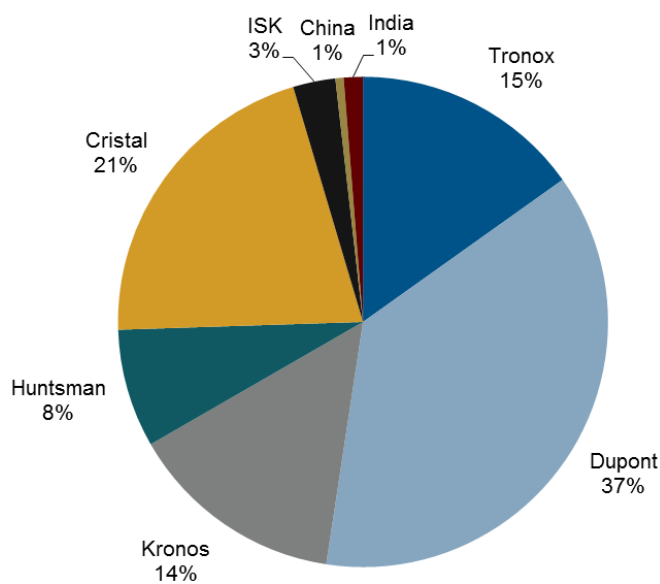
China is currently mainly a sulphate pigment producer and, as such, Iluka has not historically sold material volumes of titanium ore into this market. The sales volumes in China indicated in this diagram represent chloride products sold into the welding and titanium sponge markets.

## Pigment Producers

The following chart shows the major global pigment producers, with their respective market shares, at the end of 2013. It should be noted that this chart shows chloride pigment producers only, which is one sector of the global pigment market. The other sector constitutes sulphate pigment production; Iluka, currently, supplies limited quantities of sulphate ilmenite into this market.

The total chloride pigment market in 2013 was approximately 2.5 million tonnes. Sulphate pigment production was approximately 2.6 million tonnes. Over half of global sulphate pigment production derives from China. China is a major importer of chloride pigment for application in areas such as automotive and manufactured white goods coatings, and has a stated Government policy to develop chloride pigment capacity, with evidence of progress to achieving installed capacity. Iluka is engaging with emerging chloride pigment producers for the supply of high grade feedstocks.

### Chloride Pigment Producers - 2013



Source: TZMI and Iluka

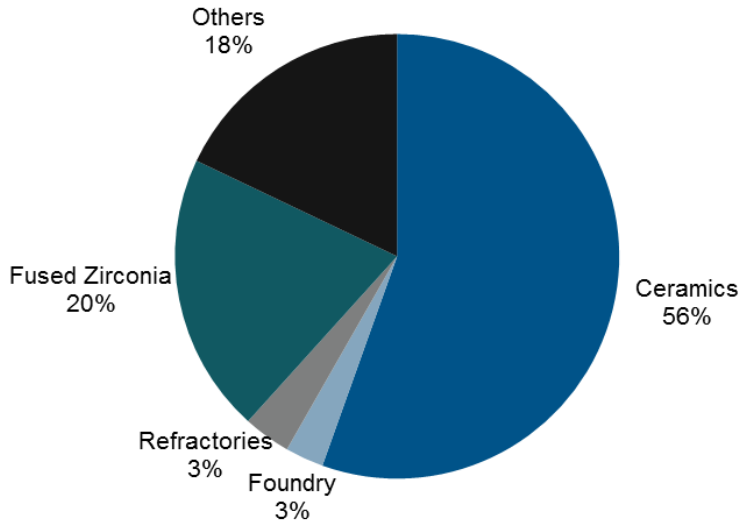
### Evolution of Iluka's Titanium Dioxide Customer Base 2006 – 2013

As part of broadening Iluka's customer base, the company now typically supplies smaller lot cargoes and has structured its logistics, in terms of warehousing facilities and packaging options, to achieve this flexibility.

## ZIRCON

Iluka's sales of zircon by revenue to the main end markets in 2013 were as follows:

### Zircon Sales by Sector

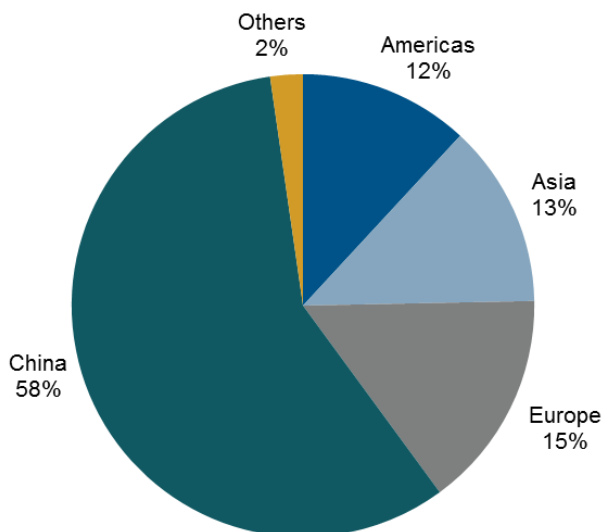


### Iluka Customer Structure - Zircon

The largest use of zircon is the production of opacifier, which is used in the manufacture of ceramic products, including tiles, sanitary ware and tableware. A rapidly growing sector for zircon is the production of zirconia, zirconium-based chemicals and zirconium metal. These products exhibit properties making them suitable for a diverse range of industrial and chemical applications. The other main end use markets for zircon include refractories and foundry applications.

Iluka's zircon customer base is more diverse or fragmented than is the case with titanium dioxide feedstocks, with a larger overall number of customers, and a wider range of end use applications. There is evidence of some consolidation, including in China. The vast majority of Iluka sales are direct.

### Iluka Zircon Sales by Region



## Major Opacifier Producers

The major European and American zircon millers represent around 50 per cent of global consumption. These companies produce opacifier and other products used in the manufacture of ceramics.

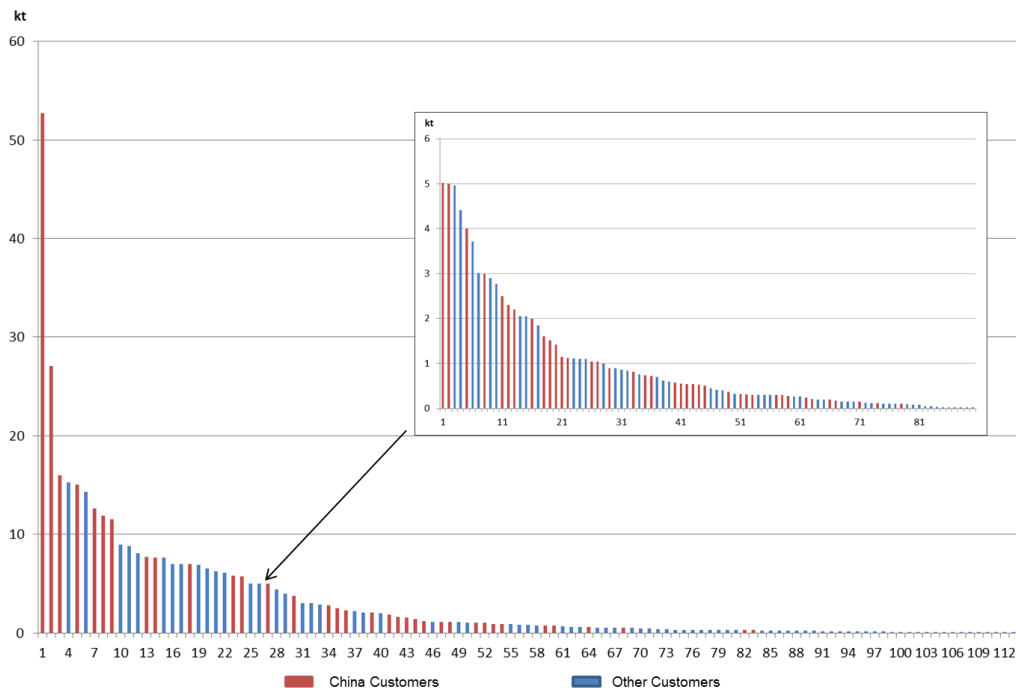
A number of Chinese opacifier producers are significant individual customers. These producers are supplemented by a large number of small and medium participants in the developing markets of India and South East Asia. China represents approximately 45 to 50 per cent of global ceramics tile manufacturing demand, followed by Brazil, India, Iran, Spain and Italy. China represents approximately 40 per cent of total world consumption, followed by Brazil, India, Iran, Indonesia, Vietnam and Saudi Arabia. (Source: World Production and Consumption of Ceramic Tiles, ACIMAC, 2013)

Iluka's customer base is diversified, with the company's sales to the major opacifier producers accounting for less than 20 per cent of total zircon sales. Of Iluka's European opacifier customers, a number have global operations, while a number also export materials (opacifier and other ceramic ingredients) to other markets. As such, the actual end consumption of the products deriving from zircon is less than the level of zircon sales into Europe. For example, Spain as a ceramics tile manufacturing centre exports more than 70 per cent of its production by volume to markets outside of Europe, while Italy exports approximately 40 per cent of its production to markets outside of Europe (Source: World Production and Consumption of Ceramic Tiles, ACIMAC, 2013).

## Evolution of Iluka's Zircon Customer Base

Iluka's zircon base has grown three fold since 2006 to 2013 to over 110 customers. The following chart shows the expanded Iluka zircon customer base.

### Global Zircon Customers



## EVOLUTION OF ILUKA'S MARKETING AND SALES FUNCTION

The technical nature of the buying decision for Iluka's products and the need to work directly with customers to understand their requirements and industry dynamics has led to the continual evolution of Iluka's marketing and sales function.

Iluka operates a global sales, marketing and distribution network, as shown in the map below:



Iluka's approach to sales and marketing has evolved over recent years in a number of key areas:

- establishing product aligned sales teams, supported by technical and analytical resources;
- new regional sales and marketing offices – particularly in emerging markets;
- enhanced customer relationship management systems;
- a focus on strategic customer alliances;
- an enhanced minerals trading platform;
- a local sales presence in all key regional markets;
- increased warehousing facilities and enhanced logistics capability;
- new pricing and contractual arrangements;
- higher level of servicing of Chinese market facilitated through regional offices and distribution facilities, local currency sales, local currency credit lines; and
- product innovation and development to allow better differentiation of products to meet customer needs.

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- exchange rate assumptions
- product pricing assumptions
- mine plans and/or resources
- equipment life or capability
- current or new technical challenges
- market conditions
- management decisions

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