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Dyno Nobel Boss Gears Up to Blast Off \$1.2 Billion Float 6 December 2005 **The Australian – 5 December 2005**

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MONDAY PROFILE: Peter Richards lifts the lid on plans to take on rival Orica while talking to Andrew Trounson.

Dyno Nobel chief executive Peter Richards usually plays it safe when he goes through Customs, telling officials he works in mining services. But one day in 2003 when going through U.S. Customs, his wife, Carol, let slip that her husband was actually in explosives.

"That raised a few eyebrows in trying to get into the country," Richards recalls.

Now that the West Australian has returned from the U.S. as head of the world's second-largest explosives maker and with a \$1.2 billion listing to promote, Richards is planning to be a little less reticent, however.

Richards, who is the first cousin of golfer Ian Baker Finch, has a compelling story to tell. Explosives are the life blood of the ongoing global resources boom. Dyno is relocating from Norway to Australia and pursuing a listing here in the backyard of arch-rival, and world No1 Melbourne-based, Orica.



The plan: Peter Richards takes it easy on Manly Beach yesterday. He says Dyno Nobel is keen to challenge Orica in the emerging markets. Picture: James Croucher

Founded in 1866 by the inventor of dynamite and father of the Nobel prize, Swede Alfred Nobel, Dyno Nobel was bought in September by an investment consortium led by the increasingly omnipresent Macquarie Bank for \$US1.7 billion (A\$2.3 billion).

At the heart of the purchase was a deal to sell to Orica Dyno's operations in Europe, Africa, the Middle East, Asia and Latin America for \$US685 million. The arrangement would allow Orica to buy Dyno's operations in emerging new mining frontiers while avoiding the competition problems it would have faced in buying out Dyno in North America and Australia.

Dyno is the leading supplier in North America with a 40 per cent market share, with Orica having just over 30 per cent. In Australia Orica has 60 per cent of the market and Dyno 40 per cent. The deal means Orica has stolen a significant march on its long-time rival. While the U.S. and Australia are the world's two largest explosives markets by value, the increasingly global hunt for minerals means growth is shifting to new areas such as Latin America, Russia, Asia and Africa.

Before private equity company Industri Kapital did the deal to sell Dyno to Orica, Dyno held about 19 per cent of the world's explosives market and Orica just ahead with about 21 per cent. But the deal means Orica is now the undisputed leader.

However, in Richards, Dyno has a chief executive officer keen to challenge Orica in those new emerging markets and to restore Dyno's global reach.

"We have the basis still of an extremely good business in two of the largest markets in the world. So we have the basis to rebuild and get back to our former glory," Richards says. "There are still a number of opportunities for us to grow, both organically, through mergers and acquisitions, and improving our current operational performance."

In particular, Richards believes Orica's dominance will create opportunities for Dyno in the markets that its owners have just sold out of. "Already there is recognition from the customer base that a strong Dyno Nobel is needed to ensure there is competition going forward."

"There are still a lot of regional players that operate in those areas that Orica have acquired and they would view a stronger Orica with some trepidation and may seek opportunities to partner with someone like ourselves," he says.

In Australia, Richards is keen to expand Dyno's ammonium nitrate manufacturing capacity. AN is the key feedstock of explosives manufacturing. In Western Australia, Dyno depends on sourcing AN from Wesfarmers but in Queensland, it jointly owns an AN plant with Wesfarmers at Moura. The partners are examining an expansion that could be completed in 2008.

Richards has taken a long route to the explosives business. People, he says, don't leave school with a burning desire to get into the explosives industry.

In his case, when he left school, he initially decided to study medicine at the University of Western Australia. But by the third week and after making a complete hash of a frog dissection, Richards decided his talents lay elsewhere and transferred into commerce and accountancy.

He had ideas of going into stock broking but, instead, on graduating joined BP in Perth when it still had a substantial minerals business. He found his niche in business development in the minerals arm and did a stint in London before transferring east to Sydney.

But when it came to being transferred back to London in 1986, he decided to try something new and quit to join an investment house back in Perth.

Unfortunately the timing was all wrong. Within a year, he found himself in the middle of the 1987 stock market crash.

"That tempered my views on the investment community and I decided the corporate life was more my style."

In 1990, he joined Wesfarmers, working in business development. It was through Wesfarmers that Richards made his way into explosives. At that time, Wesfarmers was in an explosives joint venture with Dyno, which supplied AN. But the joint venture was battling low market share. Richards was seconded to the joint venture as business development manager.

In 1995 when Dyno offered him the chance to move into management as head of its Australian operations, he jumped at the chance. Wesfarmers wanted him back but Richards says it was the opportunity to manage that tipped the scales.

Ten years later, he is still at the company but now as CEO.

From Australian chief, he graduated to head the Asia-Pacific business before moving to Salt Lake City in Utah to head the key North American business where he has been for the past three years.

Richards has now swapped hiking in the hills around Salt Lake City for jogging along Manly beach and is relishing the change. That counts double for his wife and two daughters, Alex and Joanne.

While Richards has been back just over a week, they moved back in January. Only his son, Nicholas, remains in Salt Lake City where he is going to university. But with North America accounting for 85 per cent of Dyno's revenues, Nicholas is likely to still see plenty of his father.

A keen Westcoast Eagles fan, Richards is happy to be back where people understand Aussie Rules but admits that, given the team's grand final loss to the Swans, living in Sydney can be hard to take.

Macquarie is aiming to float Dyno in the first quarter of next year and is expected to seek about \$700 million from the public for just over half the business.

Richards believes the investment community is looking forward to having a comparable company to Orica and he is hoping to leverage Dyno's focus on explosives against Orica's diversified business model.

While mining services has become Orica's largest business, the company remains well diversified with substantial chemical operations and a consumer division that boasts Dulux paints and Selleys hardware products. It also owns 70 per cent of the country's largest fertiliser company, Incitec Pivot, which has been battling tough market conditions and rising competition.

"The focus on Orica now is how their mining services operations are performing and how it is weighed down by its other business areas," Richards says.

Like Richards, Orica's new chief executive, Graeme Liebelt, is also recently arrived from heading his company's North American business. Liebelt succeeded long-time boss Malcolm Broomhead in August when Broomhead quit to focus on battling cancer. Orica was in the midst of the negotiations to do the Dyno deal with Macquarie and, given his strong background in explosives, Liebelt was well-placed to see it through.