

DIEBOLD INC (DIEBOLD) AND WINCOR NIXDORF AG (WINCOR) MERGER INQUIRY

Summary of a call with Nautilus Hyosung during the phase 1 inquiry on 1 August 2016

1. Nautilus Hyosung (Hyosung) had not entered the banking segment of the UK automated teller machine (ATM) market. In the independent ATM deployer (IAD) segment Hyosung had not sold any further ATMs in 2014 and 2015 due to their existing client's ongoing restructuring programme.
2. Hyosung have tried to expand their UK customer base but have been unsuccessful due to their lack of local presence. It considered that local maintenance services was an important factor for entering the UK market, especially the banking segment. For this purpose Hyosung was trying to find a UK partner company. Their search was ongoing, in its early stages and Hyosung was uncertain as to when any deal could be concluded.
3. Hyosung had already established high quality reputation in the US and had been contacted by interested banks in the UK. However, [X] Hyosung have had difficulties entering the UK market. Established suppliers already covered around 80% of the UK market and this added to Hyosung's weak local presence.
4. Hyosung explained that maintenance deals and local partnerships were their current priority to help facilitate entry but no further investments were planned. As competitors in Europe and the UK already had well integrated and high quality maintenance services in place, it was hard for Hyosung to find comparable providers.
5. Hyosung were also trying to find a partner that would also be able to provide sales and marketing services, in addition to maintenance, as they did not have this capability in the UK. Hyosung has been unable to source providers who could offer both sets of services. Hyosung were also exploring whether a potential partner could provide sales and marketing and then outsource the required maintenance services. Such companies were hard to find and Hyosung was still trying to establish the best possible solution.
6. Should attempts to establish a local partnership be unsuccessful, Hyosung said that one alternative would be to enter the UK market by utilising their presence in other European countries. That is by using their local marketing

and maintenance forces in Germany, France and/or Italy to provide marketing and maintenance support in the UK. This would be challenging as their partners in Europe were keen to focus on their local markets and international expansion was not their current priority.

7. Hyosung said they have only entered the UK with their low cost ATMs due to regulatory issues providing a barrier to the entry for their more advanced machines. Hyosung were planning to enter the UK with their more advanced ATMs but while these advanced machines complied with US standards they required further work before they would be suitable for the UK.
8. Hyosung said that UK customers had to catch up with the other global markets in terms of technology. For Hyosung, entering the UK was about establishing a good reputation or reference for their high quality products. Hyosung was unable to say for certain what would be a sufficient reference sale for them in Europe but they believed that customers follow market developments more widely, so they should be able to develop their reputation both in Europe and in the US.