

ATTRACTIVE SECTORS FOR
INVESTMENT
IN BOSNIA AND HERZEGOVINA







govina has one of the lowest rates of VAT (17%) in the region and Europe, as well as the very acceptable corporate tax rates that are also among the lowest in the region and Europe (10%). Bosnia and Herzegovina has made considerable progress in 2015. and Council of Ministers have encouraged private initiative, the necessary reforms are well under way, the deregulation procedure is also happening, and as a result we are seeing the development of a competitive, functional market. The level of foreign investment is far below the needs and opportunities of the country, but Bosnia and Herzegovina has some competitive advantages which should encourage investors to come here.

We hope that you will decide to start and successfully manage to implement your business in Bosnia and Herzegovina and we are here to assist you in achieving this.

Deputy Chairman of the Council of Ministers of B&H
Minister of Foreign Trade and Economic Relations B&H
Mr. Mirko Šarović

Foreword

The economy of Bosnia and Herzegovina offers strong human and resources base, long industrial tradition, as well as favourable business environment, which enable sustainable and profitable investment. B&H's economy is offering potential investors significant opportunities of penetration into a wider regional market and of running their business on the world scale, since B&H is the signatory of the Central European Free Trade Agreement (CEFTA), which provides free access to this consumer market with 50 million people. Bosnia and Herzegovina also has free trade agreements with the European Free Trade Association (EFTA) countries of Iceland, Liechtenstein, Norway and Switzerland and with the Republic of Turkey, as well as preferential export regimes with the European Union, USA, New Zealand, Switzerland, Norway, Japan, Russia, Kazakhstan, Belarus, Canada, Australia and Iran. Therefore, starting a business in Bosnia and Herzegovina means the opportunity of exporting to a market of over 500 million people with significant custom benefits!

B&H has become a great location to invest in, with numerous investment opportunities in various sectors. Law on the Policy of Foreign Direct Investments of Bosnia and Herzegovina ensures the national treatment of foreign investors and foreign investors enjoy the same property rights in respect to real estate as B&H legal entities. Also, Bosnia and Herze-



fer assistance in solving any of these issues through the collaborative network of all government levels in B&H.

I believe this brochure will help you to get better acquainted with the business environment and economic potentials of B&H.

I would like to invite you to contact our expert staff committed to assisting you and your business interests at the most efficient way.

Thank you for choosing Bosnia and Herzegovina as your next investment destination!

Director of FIPA
Mr. Gordan Milinić

Dear investors,

Foreign Investment Promotion Agency of Bosnia and Herzegovina (FIPA) is a state agency established by the Council of Ministers of B&H and it is the leading governmental organization responsible for promotion and attraction of foreign direct investment in Bosnia and Herzegovina.

Our mission is to attract and maximize the flow of foreign direct investments and encourage existing investors to further expand and develop their businesses in Bosnia and Herzegovina.

FIPA supports investors every step of the way: from choosing a location and during the process of business registration to brokering contacts and providing business promotion and aftercare services.

If you contact us, we will provide you with the best consultation and with the information on investment-related indicators, business environment, legal framework, attractive sectors, available investment projects and locations.

Among some of our other key activities, we provide aftercare services to existing investors. Some of very specific goal of aftercare is to identify any administrative, regulatory or operational issues which are affecting specific investors. The task is not just to collect information on these issues but to also of-



TOURISM SECTOR IN BOSNIA AND HERZEGOVINA



NEW UNEXPLORED DESTINATION

With its natural beauties, good geographical location, wonderful hospitality of Bosnian people, rich heritage and history and gastronomy offerings, and its status as a still unknown tourism destination for major markets, BiH has all pre-determinants for an extremely successful tourism industry story.

According to the World Tourism Organization, Bosnia and Herzegovina is defined as one of only three tourism destinations in the world with overall tourism market growth potential in excess of 10% annually through 2020.

Also, according to the World Tourism Organization (UNWTO), Bosnia and Herzegovina is on the list of the 10 countries that have recorded the most significant increase in tourist arrivals. The number of tourist arrival in Bosnia and Herzegovina increased by 28, 2% in 2015, as compared to 2014.

In 2015, Lonely planet ranked Bosnia and Herzegovina at 5th position among the top countries in the world worth visit.

The National Geographic ranked BiH in the top ten destinations in 2012 - in addition to the world's destination for rafting, hiking, skiing and other sports, BiH was chosen for its the best mountain biking trails. Also, Bosnia has been awarded the leisure destination in the outside world by the National Geographic. The Rough Guides have chosen Sarajevo as their second best city to visit in 2014. Following their motto 'Make the most of your time on earth' their experts on 200 worldwide travel destinations put the city second in their Top 10 Cities list after Rio de Janeiro and Sarajevo was described as 'a mini-Istanbul'.

Natural wealth and its diversity (mountains, rivers and forests) is a strong base for development of outdoor tourism in BiH. Geographic location in the center of Europe creates opportunity to attract large number of potential tourists within range of up to three hours flight. Unique cultural and historical heritage including religious sights are also major opportunities for development of creative tourism offer in this segment. Internationally recognized and important event such as Sarajevo Film Festival attracts significant number of tourists.

Relatively low cost of services and good food and drink offer make BiH a destination recognized as good value for money. Hospitality is very important factor for creation of overall good experience and repeated visits to Bosnia and Herzegovina and exit polls show that tourists are highly satisfied with this aspect of tourism service in BiH.

LAND OF INREDIBLE BEAUTY ... you'll be amazed to find that BiH is one of the most culturally and naturally diverse lands in all of Europe... Green Visions

REASONS TO INVEST

The BiH tourism Industry has recorded positive trends in all major growth indicators over the past ten years, with still considerable room for further utilization of its unquestionable potential.

Invest in BiH and take advantage of these opportunities:

- BiH becomes an emerging tourism destination
- Unexplored and untouched natural beauties
- Opening and construction of new tourism resorts
- Upgrading of accommodation, entertainment and recreation facilities of existing resorts
- Hotels privatisation



- Nature Parks commercialisation
- Resort operators
- Investment in tourism supporting infrastructure
- Excellent climate conditions
- Long tradition in winter tourism
- Favourable legal environment with guarantees and right protecting your investment
- Highly educated and price competitive labour force - Average net salary in tourism sector in 2015 was around 267 EUR

TOURISM STATISTICS

With its rich tourist offer BIH can satisfy the needs of the global travelers regardless of their budget and preferences. Revenue from tourism in Bosnia and Herzegovina from the past year reached about a billion KM, tourism workers estimate. In the period January-December 2015 tourists realised 1.029.000 tourist arrivals in Bosnia and Herzegovina which represent the increase by 21,5% and 2.143.118 tourist nights which represent the increase by 25,2%, as compared to 2014. The number of domestic tourist nights increased by 15,1% as compared to 2014. Foreign tourist nights were increased by 31,0% as compared to 2014. Domestic tourists share of total number of overnight stays was 33,5% and foreign tourists share was 66,5%. Concerning the structure of foreign tourist nights in 2015, the most of them (13,2%) were realised by tourists from Croatia, than Serbia (9,7%), Italy (8,6%), Turkey (8,5%), Slovenia (6,0%), Poland (5,0%) and Germany (3,7%). Tourists from other countries realised 45,3% of tourist nights.

Number of tourists in Bosnia and Herzegovina:

Year	Total number	Increase	Overnight stays	Increase
2015	1.029.000	21,5%	2.143.118	25,2%
2014	846.581	0,30%	1.711.480	- 6,1%
2013	844.189	12,9%	1.822.927	10,8%
2012	747.827	9,0%	1.645.521	9,4%
2011	686.148	4,5%	1.504.205	6,2%
2010	656.333	5%	1.416.691	11,7%

Source: Central Bank of B&H

Foreign tourists are frequently selecting Bosnia and Herzegovina as a place where they will spend their holidays. So last year Bosnian and Herzegovina was visited by around 1 million tourists. But, total number of tourist arrivals in Bosnia and Herzegovina is four times higher than official statistics data.

“The country has immense opportunities for tourism development given its rich natural and cultural heritage, its unique mix of cultures and religions, as well as its strategic location close to major European source markets” - UNWTO Secretary General, Mr. Taleb Rifai

Companies from tourism sector according to the number of employees (%):

Hotels and catering sector	Number of employees 0-9	Number of employees 10-19	Number of employees 20-49	Number of employees 50-249	Number of employees ^250
2015	74.3%	12.3%	9.5%	3.6%	0.3%
2014	75.6%	11.1%	9.5%	3.5%	0.3%
2013	77.1%	11.0%	8.2%	3.5%	0.1%
2012	78.9%	9.7%	8.3%	3.0%	0.1%
2011	79.0%	9.7%	8.2%	3.1%	0%

Source: B&H Agency for Statistics, Business Register

Number of companies from tourism sector according to the revenue:

Revenue	Less than 50 000 EUR	from 50 000 to 250 000 EUR	from 250 000 to 2 million EUR	from 2 to 10 million EUR	More than 10 million EUR
2015	354	235	127	9	-
2014	372	222	120	10	-
2013	413	209	110	11	-
2012	426	211	98	9	-
2011	458	214	82	11	-

Source: BIH Agency for Statistics, Business Register

FDI per years in tourism sector of Bosnia and Herzegovina:

FDI	Amount of FDI December 2014 in mill EUR	2009	2010	2011	2012	2013	2014
		FDI inflow per years in mill EUR					
Accommodation	91.47	6.13	10.22	6.64	2,50	9.2	9,35
Preparing of food and drinks	1.73	-	-	-	0,35	0,15	0,25
Travel agencies	-	1.5	-	-	-	-	0,2
Creative arts and entertainment activities	-	0.5	0	-	-	-	-
Sports and recreation activities	4.29	-	-	-	0,92	0,10	-
Total	107,73	8.18	10.22	6.69	3,78	9,45	9,81
Total amount of FDI for all sectors	5,953.06	179.97	306.77	357.1	307,3	227,52	378,1
Share of FDI in tourism in total amount of FDI	1.81%	4.7%	3.4%	1.9%	1.2%	4.2%	2.6%
Real estate	338,48	- 11.24	16.36	40.23	6,18	7,4	85,79
Share of real estate FDI in total amount of FDI	5.69%	/	5.3%	11.3%	2.0%	3.3%	22.7%

Source: Central bank of Bosnia and Herzegovina

The tourism market in BIH is gradually increasing and BIH becomes an emerging tourism destination!
The most promising tourism segments:

- Health and Spa
- Ecotourism
- Ski and Mountain tourism
- Cultural Heritage & Religious tourism
- Adventure tourism
- Sea tourism

HEALTH AND SPA TOURISM

In recent years the tourists are increasingly interested in health and spa tourism of Bosnia and Herzegovina, because the country is rich in high-quality thermal and mineral springs, health resorts and spas. The Health Care laws do not distinguish between the private and public sector. According to the Law on Health Protection of the Federation of Bosnia and Herzegovina ("Official Gazette of BiH", number: 46/10) domestic or foreign persons or companies may be founders of private health institutions, including: clinics, general hospitals, special hospitals, spas, pharmacies, institutions for home care, for palliative care, and dialysis centers. According to the Law on Health Protection of the Republic of Srpska ("RS Official Gazette", No. 106/09) private health institution may be established by natural or legal person, including: family medicine clinic, dental clinic, pharmacy, special clinic, a special centres,



hospital, institute for physical medicine and rehabilitation, institutions for home care, laboratory and stem cell bank.

Conditions for opening the health institutions in BIH are as follows:

- 1) To have employees with appropriate level of educational attainment, passed professional exam and license issued by the competent chamber, and for the special activities to have employees with adequate specialization or scientific/educational degree;
- 2) To have adequate diagnostic, therapeutic and other equipment for safe and modern health care
- 3) To have adequate space and facilities for the reception of patients, for diagnostic and therapeutic activities and accommodation of patients, as well as for the storage of drugs and medical devices;
- 4) To have adequate type and quantity of drugs and medical devices needed to do certain health activities;
- 5) To have adequate safety system in health institution;
- 6) To have adequate system for medical waste management in accordance with applicable standards, as well as special regulations;
- 7) to have opinion on the justification of the establishment of health institution issued by the cantonal and federal Institute of Public Health and adequate medical chamber (in entity Federation of Bosnia and Herzegovina), respectively issued by the Ministry of Health and Social Security (in entity Republic of Srpska).

Based on the decision on fulfillment of conditions for performing health activities and on founding act, health institution should make registration at competent court register.

Examples of successful foreign investments in health sector in Bosnia and Herzegovina:

- Fresenius Medical Care Germany - dialysis centers in Bosnia and Herzegovina
- Bahceci Turkey - private clinic for IVF in Hadzici near Sarajevo
- Foreign co-ownership in Centar za srce BH in Tuzla - health institutions specialized in treatment of heart and blood vessels diseases

The belief in the curative powers of mineral waters goes back to prehistoric times. Such practices have been popular worldwide, but are especially widespread in Europe and Japan. Japan is maybe too far away, so you have come to the right place... Bosnia and Herzegovina, the heart of Europe...

Until the beginning of 1990-ties, Bosnia and Herzegovina was well known and popular in entire region as a destination for health and spa tourism. Bosnia is apparently derived from an old Indo-European word 'bosana', meaning water.

Usually nestled in beautiful surroundings with unspoiled nature and clean air, health resorts in Bosnia and Herzegovina offer true rest and relaxation, in addition to health care.

At present there are 15 health spas in BIH registered as health care institutions. There are located in the areas of Olovo, Fojnica, Bjeljina, Bihac, Srebrenica, Gradacac, Sarajevo, Kiseljak, Laktasi, Bosanska Dubica, Sanski Most, Teslic, Prnjavor, Banja Luka and Visegrad.

In last few years BIH has actively worked in development of its spas in order to offer better services to its guests.

"One of the prettiest places on the Earth", as E.B.Lanin wrote about Ilidza in The Contemporary Review in 1894 in London.

However, most of spas need investments in upgrading and modernization of existing facilities and programs, seeking for potential strategic partners to readjust their business models, management philosophy and marketing strategy.

ECOTOURISM

BIH has already established a number of national and nature parks such are:

- Sutjeska national park
- Kozara national park
- Una national park
- Hutovo Blato nature park
- Bardaca nature park
- Blidinje nature park

Sutjeska national park is one of the first established in Europe and still holds the last remaining thousand year old rainforest Perucica.

A country also has the two swamps which are natural reservations and bird habitats. In the north, there is the Bardaca swamp, and the south Hutovo Blato – both have been declared destinations of an international significance by the Ramsar International Convention about swamps.

The canyons, lakes, beautiful rivers, waterfalls, springs, and many more unspoiled natural resources have created a unique Bosnian eco tourism product. Furthermore, the villages in mountain regions, offer tourists the possibility to enjoy the special rural ambient with traditional hospitality, and rich culinary offer of domestic products. BIH has numerous locations extremely suitable for eco, geo and ethno tourism development particularly in cooperation with capital investors.

SKI AND MOUNTAIN TOURISM

Skiing, hiking and alpinism tradition in Bosnia and Herzegovina has existed for over a hundred years, but the expansions of winter tourism came after the XIV Olympic Games held in Sarajevo.

Tourists and especially skiers say that you can find everything in Bosnia and Herzegovina: the perfect ski slopes of Jahorina, the best alpine skiing track on Bjelasnica, and the massive, tall and absolutely tame and open Vlasica, and harsh Kupres, and colorful Igman.

The Olympic Mountains Jahorina, Bjelasnica, Igman, Trebevic and Vlasica, as well as recreation centers of Kupres and Risovac, and ski resorts on Kozara, Busovaca, Ostrelj, Vlasenica, Vranica, Borje and others, offer more than 60 kilometers of perfect ski slopes.

The British Telegraph in 2015 ranked Jahorina in the top 10 ski destination in Eastern Europe.

Sarajevo, the national capital hosted the 1984 Winter Olympics, which, at that time, were the largest Winter Games ever (in terms of athletes and media).

The mountain centres are ideal for development of winter, sports, recreation, hunting and fishing tourism. Undoubtedly, Bosnia and Herzegovina has the strongest comparative advantages compared to other countries in the region.

At the moment all these huge potentials and opportunities are only partly exploited and numerous investment chances are offered to foreign investors including: investment in vertical transportation, infrastructure, ski slopes, accommodation and other facilities.

With further development and capital investment, the mountain centres of BIH can offer the diverse and quality tourist offers, which can fulfill the needs of the most demanding tourists.

“Some of the best-and cheapest-alpine skiing in all of Europe” Outside Magazine



CULTURAL HERITAGE & RELIGIOUS TOURISM

Bosnia and Herzegovina is a country of long and rich history, which cultural heritage presents a complex mixture of Mediterranean, Byzantine, Ottoman and Central European influences making the country an unique attraction for cultural and religious tourism.

There are a number of towns, memorial of the past time and testimonial of continuity of habitation at these places from antique and medieval periods to present time such are: Mostar, Pocitelj, Banja Luka, Trebinje, Travnik, Bihac, Visegrad, Jajce, etc.

As a meeting point of different civilizations and cultures over centuries, most of major religions Judaism, Roman Catholics, Christian Orthodox and Islam exist in harmony in BIH offering a number of sacred places and unique experience to domestic and international visitors.



Old Bridge
Mostar, UNESCO's World Heritage



Mehmed Pasa Sokolovic Bridge
Visegrad, UNESCO's World Heritage



The Sarajevo Film Festival
the first and the largest film festival in the region!



Tekija (Dervish monastery)
Blagaj, 16th-century



Medjugorje
One of the largest catholic pilgrim sites in the World

ADVENTURE TOURISM

“Bosnia & Herzegovina is an emerging adventure-tourism destination, with excellent whitewater rafting on the Una and Neretva rivers” Lonely Planet

Adventure trips and packages offer different types of active holidays for tourists including: rafting, kayaking, walking the canyons of a series of crystal clear waters of the river Tara, Una, Neretva, Vrbas, climbing rocks, hiking, mountain-biking, paragliding and hang-gliding, skydiving, adventure driving off-road vehicles in a beautiful and magical ambience of the Olympic Mountains, Treskavica, Romania, Prenja Cvrsnica, Zelengore, Veleza, Vranica, Ozren, etc.

Adventure tourism in the country is still not sufficiently explored, but thanks to the natural beauty of mountains, rivers, canyons and lakes, adventure tourism can become BIH's tourism brand.

National Geographic ranked Bosnia and Herzegovina among the 10 best adventure destinations for 2012. Among the destinations that offer excellent rafting, mountaineering, skiing and other adrenaline sports, BIH was named as offering the best mountain biking trails. In 2009 Rafting World Championship was successfully organised in Bosnia and Herzegovina at the River Vrbas and The Rivera Tara.

ATA (Association of Adventure Tourism BIH) represents BIH outdoor tourism in international fairs (i.e. 2011 Outdoor Retailer Summer Market (ORSM) - Salt lake City, Utah; Adventure World Travel Summit - Luzerne, Switzerland). ATA currently has eleven members offering diverse programs that include: hiking, rock climbing, mountain biking, kayaking, rafting, canyoning and fly-fishing.

SEA TOURISM

With its 23 kilometres of the Adriatic coast and 240 sunny days every year, Bosnia and Herzegovina each year attracts more tourists from all over the world. The town of Neum represents BIH's Adriatic Gate and is the only coastal town in Bosnia and Herzegovina. It was first mentioned in 533 (under the name Neunense), and developed as a maritime retreat in 1965. The Old Town of Neum is 2 km inland.

Scuba-diving, parasailing, boating and jet skiing can be arranged in any of the major hotels. Guests are also offered very attractive tourist visits to Dubrovnik, Mostar, Medjugorje, Hutovo Blato and Vjetrenica.

The current accommodation in Neum cannot meet the needs of tourists during the season, which offers investors an excellent opportunity for upgrading and construction of new facilities.

UNESCO WORLD HERITAGE SITES IN BOSNIA AND HERZEGOVINA

United Nations Educational, Scientific and Cultural Organization (UNESCO) has included the following Bosnia and Herzegovina sites on its World Heritage List:



The Old Mostar Bridge (Stari Most)



Mehmed Paša Sokolović Bridge in Višegrad



Properties submitted on the Tentative List:



Sarajevo - unique symbol of universal multicultural - continual open city



Vjetrenica cave



The natural and architectural ensemble of Jajce



The historic urban site of Počitelj



The natural and architectural ensemble of Blagaj



The natural and architectural ensemble of Blidinje



The natural and architectural ensemble of Stolac



Stećaks - Mediaeval Tombstones

ENORMOUS DEVELOPMENT POTENTIALS

Tourism sector in BIH has enormous potential for development, possessing all preconditions to play a significant role within the country economy. For this reason, the tourism development was consequently recognized as one of the top priorities of the overall national economic development policy. Significant efforts have been put into creation of favourable business and investment environment for potential investors.

Investment Opportunities

- Opening and construction of new tourism resorts
- Upgrading of accommodation, entertainment and recreation facilities of existing resorts
- Hotels privatisation
- Nature Parks commercialisation
- Resort operators
- Investment in tourism supporting infrastructure

Investment Modes & Approaches

- Individual private project
- Joint ventures
- PPP
- Concession
- Acquisition
- Privatisation
- Long term loans

Tourism in Bosnia and Herzegovina offers a favourable business environment with increasingly active tourism promotion system.

SUCCESS STORIES



Hotel Central, Sarajevo

Investor: Templeville Development, Ireland



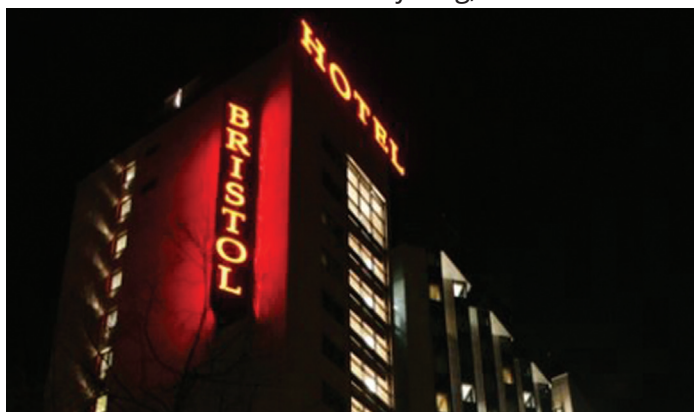
Hotel Grand, Neum

Investor: B.M.V. Inženjering, Croatia



Residence Inn by Marriott, Sarajevo

Investor: South European Investment Company,
Saudi Arabia, UAE, Bahrain



Bristol Hotel, Sarajevo

Investor: Shiddi International, Saudi Arabia



RESIDENCE INN BY MARRIOTT

Mr. Enes Kazazic, Director SEIC Group - *"We are proud to announce that SEIC Hospitality's journey from making the decision to invest to opening this hotel has taken only 14 months. Thus we have proved that Bosnia and Herzegovina is a country which should be built and invest in. The opening of the first international hotel's brand after 30 years is a gift not only to citizens of Sarajevo and Bosnia and Herzegovina, but also for the region"*

HOTEL BRISTOL SARAJEVO (SAUDI ARABIA)

Hotel Bristol Sarajevo is managed by the international brand Shaza Hotels, an independent five star hotel operator supported by an affiliation of prestigious partners. These include Kempinski, proud hoteliers since 1897, and Guidance Hotel Investment Company as Shaza's regional financial partner. Hotel Bristol Sarajevo is the only first class international hotel in Bosnia and Herzegovina. Contemporary design, stylish dining and state of the art meeting facilities, all carefully planned to provide memorable and cheerful moments in Sarajevo. Sarajevo seems at a glance - a typical capital city with modern way of life - it is one of the rare cities in the world that possesses one wonderful feature - unique ambiance. Sarajevo is a city where everyone feels at home immediately, a millennium old tradition of hospitality and receptiveness make it the Jerusalem of Europe. Shaza is more than a hotel. Shaza is an experience.

Kai Behrens, ex General Manager, Hotel Bristol Sarajevo - *"The Bristol Sarajevo, one of the most recent opened hotels in Bosnia and Herzegovina. Hotel Bristol Sarajevo is the first internationally operated hotel which opened after the Olympic Games in 1984. We have taken a lot of efforts and investment to showcase Bosnian hospitality. We have taken a lot of interest in promoting Bosnia and Sarajevo to the world. Why Bosnia and Herzegovina? We as an international hotel operator Shaza Hotels which is a partner of Kempinski, have great interest in developing tourism sector in this part of the world. Bosnia has so much to offer in the tourist sector which needs to be discovered and promoted worldwide."*

What can Bosnia offer? I mean, we have a fantastic landscape, fantastic leisure activities. Bosnia has been awarded the leisure destination in the outside world by the National Geographic. It has been awarded the best destination; the best city to visit in 2012. The issue is we need to communicate this to the local and international community. From an investment point of view, Bosnia and Herzegovina has huge potential in the tourist sector, not only leisure but also in other segments. Bosnia and especially Sarajevo is the heart of the Balkans. Here we have a very large potential in developing it as the meeting in convention, hosting city, in not only the Balkans but South European region. We can attract, and we have already started attracting multinational corporations hosting the events in the city and showcasing to them what Bosnia can do. Over the next couple of years Bosnia will see a huge growth in that segment predominantly by the European Union as the European Union enlarges, Bosnia becomes surrounded by European Union. Nevertheless it will be a relatively budget destination. So there is very big growth ahead of us. This is why we have put in this hotel in Sarajevo as the first investment with the second one coming up in the next 18 months to make sure we are moving ahead and showing that Bosnia is the prime destination for SE Europe."

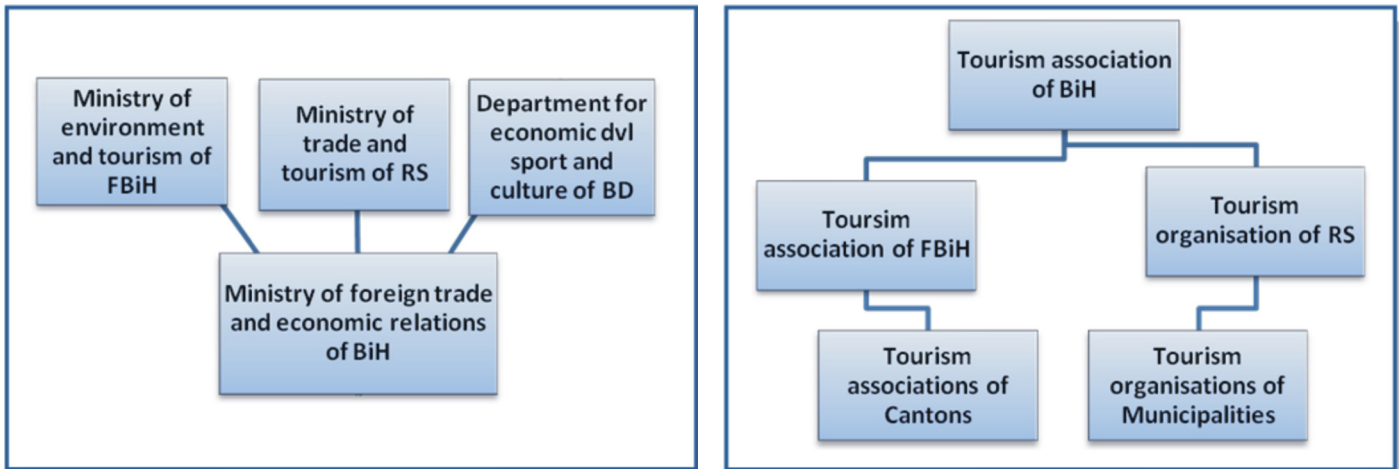
HOTEL & SPA MEDJUGORJE (ITALY)

The story of Medjugorje is well known to most Catholics. Since 1981, it has become a popular site of religious pilgrimage due to reports of apparitions of the Virgin Mary to six local Catholics. Millions of faithful Catholics from all over the world visit this sacred spot. Medjugorje Hotel & Spa is a 4 star hotel located on a wide area just a short walk from St. Jacob Church, along the road that leads to the Apparition Hill (Podbrdo). Attention to details, comfort, warm welcome and efficient service will make your stay, and can satisfy even the most discerning guests, who can also enjoy the delights of Mediterranean cuisine in the house Restaurant "Ai Dogi" and relax in the Wellness Center Aqua spa, for a full refreshment of spirit and body.

Mr. Luca Cobre, Director, Hotel & Spa Medjugorje - *"We came here in Medjugorje, in the beginning to buy a flat for one of our owners who came here 20 years ago, and when we arrived here we saw a lot of opportu-*

...nities to do business, especially in Hotelijersko company and we decided to check and to try which place in this village can be nice and good for us. Here we found a very good ambience and very good relations with FIPA and local govrenemnt"

KEY INSTITUTIONS



USEFUL CONTACTS

Ministry of environment and tourism of FBiH - www.fmoit.gov.ba

Ministry of trade and tourism of RS - www.mtt.vladars.net

Tourism Association of BiH - www.bhtourism.ba

The most popular tourism web portal - www.visitmycountry.net



TOURISM AND REAL ESTATE SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA

Eco tourism projects in B&H:

- Ecological park Borik, Buzim
- Boracko Lake, Konjic
- Risovac, Jablanica
- Mlinska Rijeka, Celinac
- Eco-Village of Grabovica, Tomislavgrad
- Nursing home, Gradiska
- Etno village, Borina Mostar
- Tourism Catering facilities Bardaca, Srbac
- Ranc C, Laktasi
- Eco zone Koricani, Vlasici
- Ethno village Sokolovgrad, Sokolac

Hotels, Motels projects in B&H:

- Hostel Zuglici, Jablanica
- Motel and Bungalows, Paradise beach, Bratunac
- Ruza Hotel, Mostar
- Sutjeska Hotel, National park Sutjeska
- Treskavica Hotel, Trnovo
- 5 star Hotel, Skenderija
- Konjic Motel, Konjic
- Club Vegas, Tuzla
- Retirement Home, Cazin
- Hotel Bristol, Mostar
- Armonia Retirement home, Mostar
- Hotel complex, Bihac- Jablanica Hotel, Jablanica

Spa tourism projects in B&H:

- Jahorina Eco Wellness Trnovo
- Visegrad Spa, Visegrad
- Ljesljani Spa, Novi Grad
- Mljecanica Spa, Kozarska Dubica
- Thermal resort Logobare, Tesanj
- Rehabilitation and wellness spa center Goranci, Mostar
- Thermo mineral water, Kakanj

Winter tourism projects in B&H:

- Cable Railway, Hrasnica
- Express cable car, Pavlovac Jahorina
- Jahorina 5 stars Hotel
- Gondola Jahorina Express, Jahorina
- Mountain Lisina, Knezevo
- Sports and Recreation Center Cajusa, Kupres
- Ski Centre Srebrenik, Knezevo

Cultural tourism projects in B&H:

- Kastel Fortress, Banja Luka
- Trebinje Tourism Resort, Trebinje
- Former girl's high school building, Mostar

Sea tourism projects in B&H:

- Tiha Luka, Neum
- Tourism resort Golden Shell, Neum

Recreation, Sport and Adventure tourism projects in B&H:

- Aqua park, Istocno Novo Sarajevo
- Aqua park with sports center and business complex, Maglaj
- Kula Project, Istocna lidza
- Bistricka Rika, Gornji Vakuf Uskoplje
- Hotel complex, Hippodrome, Sport & Recreational centre, Capljina
- Sebesic Tourism Zone, Novi Travnik
- Sport & Recreation Centre Vrapcici, Mostar
- Sport & Recreation centre, Drvar
- Sports and recreation centre Slatina, Laktasi
- Neretva Elite Resort, Konjic
- Sports and recreation centre, Sokolac
- Tourist fishing settlement in the valley of the river Lim, Rudo- Mountain centre Crvena Stijena, Sokolac

Real Estate sector projects in Bosnia and Herzegovina:

- Balkan Distribution Center, Sarajevo
- Business & Entertainment Centre, Sarajevo
- Metalurg City Centre, Zenica
- New Business-Commercial Centre, Sarajevo
- Senior Accommodation, Busovaca
- Trading Centre, VMC Mall, Sarajevo
- Traffic Business Centre, Sarajevo
- Young Entrepreneurship Centre RRC Juznilogor, Mostar- Residential and business centre EUREKA, Banja Luka





AGRICULTURE AND FOOD PROCESSING INDUSTRY IN BOSNIA AND HERZEGOVINA

GENERAL INFORMATION ABOUT BOSNIA AND HERZEGOVINA

Official name	Bosnia and Herzegovina (BiH)
Geographic position	South-East Europe, borders with Croatia (932 km), Serbia (312 km), and Montenegro (215 km)
Area size, population	51,209 km ² / 3.8 million
Administrative structure	2 entities: Federation of BiH (FBiH) with 10 cantons; Republika Srpska (RS); Brčko District of BiH
Currency and exchange rate	Convertible Mark (BAM – official abbreviation; KM – in daily use); 1 EUR = KM 1.95 (fixed exchange rate)
Relief	Predominantly mountainous country with Dinaric mountains, the highest peak on the mountain of Maglić, at altitude of 2,387 m. In the north, the Sava River created a fertile valley which is the largest lowland vastness intersected by low mountains. The southern part has karst relief, with access to the Adriatic Sea in the southwest, with 23 km of coastline.
Climate	Mountain climate, moderately continental climate, and Mediterranean climate with strong annual variations of temperature and precipitation levels

BOSNIA AND HERZEGOVINA: NEW INVESTMENT DESTINATION IN AGRICULTURE AND FOOD PROCESSING

UNTAPPED RESOURCES AT COMPETITIVE COSTS

- Fruits and vegetables privileged growing conditions thanks to fertile and unpolluted soils, abundance of fresh water resources and favorable and varied climatic conditions remain an untapped resource at very competitive costs.
- BiH's varied topography and climate conditions allow for longer growing and harvesting seasons.
- The vast number of rivers and lakes offer great opportunities for fish farming.
- Excellent opportunities for the production of Halal meat and foods in general.
- Access to markets with more than 600 million consumers: EFTA and CEFTA member states, Turkey, and Preferential Trade Agreement with EU countries.
- Attractive location bordering the EU (Croatia), Serbia, Montenegro and the Adriatic Sea: an excellent platform to reach Central and Eastern Europe, the Middle East and West Asia.
- Maximum 1 to 2 day truck transport to most EU markets.
- Relatively small distance between major fruits and vegetable production areas within BiH - maximum 100 km.
- Excellent opportunity to cover the Balkan market demand as well as BiH, which imports over 75% of its food and agricultural product needs.
- Less than 10% of fruits and vegetables are processed in BiH, offering unique opportunities for investments in processing, cold storage and deep freeze capacities - these would lead to higher production.
- Opportunity for organic production for most of agricultural products.
- Favorable and safe environment for investment with a stable currency pegged to the Euro, low inflation, low
- VAT rate (17%) and CIT rate (10%); and competitive operating costs.



BOSNIA AND HERZEGOVINA: A NEW DISCOVERY FOR THE MOST DEMANDING MARKETS

While BiH's fertile soils, abundant fresh water resources and unpolluted land are the guarantee for the quality of all agricultural, aquaculture and livestock products of the country; fruit, vegetables, milk and dairy today are BiH's most direct competitive agribusiness segments.

Fruit and vegetables

- BiH is among leading world producers of raspberries (10th), plums (15th), and strawberries (35th) and produces significant quantities of high quality vegetables: potatoes, peppers, cabbage and cucumbers.
- Average market prices for raspberries and plums in BiH are the lowest among the top 10 producing countries.
- The country has a long tradition in agriculture which represents an excellent ground for applying new, modern production and processing technologies.
- Modern processing capacities are available for fruit & vegetable value added products.
- Current BiH fruit and vegetable production vastly exceeds existing cool storage and processing capacities, while demand is consistently growing and over 75% of food in the country is imported.
- Fruit & vegetable production in BiH is concentrated in the same areas - distance between major production areas is not more than 100 km.
- BiH's fruit & vegetables export figures remain below 10% of total production.

Milk and dairy products

- BiH milk average production is about 727 million liters/year, with only 7% of total fresh milk production exported. This represents a significant potential for expansion.
- 56% of the total agricultural land is meadows and pastures.
- Only 23% of total milk production is used in dairy industry.
- Average annual fresh milk export growth rate was 8% in the period 2008/2013.
- Opportunities exist in increasing yields which currently remain still low in comparison with the EU and region's average production on specialized farms.

INVESTMENT OPPORTUNITIES

- Enlarging production of fresh raspberries, plums, cherries, grapes, cabbage, cucumbers and young potato.
- Cold storage and deep freeze centers for various fruits and vegetables.
- Further development of the existing Agro Logistic Business Park.
- Processing centers for plums, peppers, cucumbers, and cabbages.
- Development of an Air Cargo Center in a site located in the most prominent agricultural area in BiH which has an existing suitable landing air cargo runway.
- Strong potential to aggregate smaller producers and collect larger quantities of high quality products for export.



FOREIGN DIRECT INVESTMENT IN BIH AGRICULTURE AND FOOD PROCESSING INDUSTRY

Foreign companies that already invested in BiH food processing industry

BiH COMPANY	SUBSECTOR	FOREIGN COMPANY
BIMAL, Brčko	Edible oil	SEED OIL.HOL. (Studen Group), Austria
SL TAKOVO d.o.o. Trebinje	Confectionery & fruit juices	SWISSLION-Takovo d.o.o., Serbia
BOSNAPLOD, Brčko	Fruit production & processing	MJM MNOŽINA, Slovenia
VOČAR, Brčko	Fruit production & processing	VOČAR, Slovenia
VITAMINKA, Banja Luka	Vegetables & fruits processing	KREISEN INDUSTRY, Switzerland
INMER d.o.o. & Lactalis BH d.o.o., Gradačac	Milk and milk products	LACTALIS, France
MEGGLE MLJEKARA, Bihac	Milk and milk products	MEGGLE Eastern Europe, Germany
MLIJEKO PRODUKT, Bosanska Dubica	Milk and milk products	Danube Foods Group, Salford Group, GB
ZOTT SEE d.o.o. Gradačac	Milk and milk products	ZOTT, Germany
PRERADA I PROMET MLIJEKA d.d. Tuzla	Milk and milk products	Ljubljanske mlekarne d.d., Slovenia
LEDO, Čitluk	Ice cream	LEDO, Croatia
NESTLE ICE CREAM, Bijeljina	Ice cream	NESTLE ICE CREAM, Serbia
BOS AGRO FOOD, Sarajevo	Fruit berries processing	Pile Svansson AB, Sweden
HiPP Bosnia & Herzegovina, Sarajevo	Organic baby food	Hipp GmbH, Germany
MIRA, Prijedor	Confectionery	KRAŠ, Croatia
ARGETA, Sarajevo	Spreads production	DROGA KOLINSKA, Slovenia
PERUTNINA BiH, Breza	Poultry production & processing	PERUTNINA Ptuj, Slovenia

Top 5 Foreign Investors in BiH's Agriculture & Food Processing sector

NO	BiH COMPANY	SUBSECTOR	FOREIGN COMPANY
1.	COCA COLA HBC-BH, Hadžići	Beverages	CC Beverages, Nederland
2.	PERUTNINA PTUJ, Breza	Chicken meat processing	Perutnina Ptuj, Slovenia
3.	VITAMINKA, Banja Luka	Vegetable processing	Kreisen Ind. Switzerland
4.	VITAMINKA, Banja Luka	Sugar production	Studen-Agrana, Austria
5.	LEDO, Čitluk	Ice cream production	Ledo, Croatia

Source: Ministry of Foreign Trade and Economic Relations of BiH

WHAT DO INVESTORS SAY ABOUT BIH AGRI SECTOR

"Bosnia and Herzegovina is selected as the best location for construction of a sugar refinery that will greatly contribute to the strategic development of the food industry and the economy of this country. The sugar refinery will be a leader in Southeast Europe by production capacity, and will promote the economy of Bosnia and Herzegovina on its path to Europe." - **Ilija Studen, President of the Board of Studen & CO Holding, Austria**

"In cooperation with the Norwegian company "Geno" I made the decision to invest in BiH. The reason for the decision lies in the enormous opportunities that this country offers, especially when it comes to the agriculture. I would especially stress that skilled labor force, high level of unemployment and climatic conditions provide significant opportunity for the development of agriculture, and I think there lies the future of this country." - **Jusuf Arifagić, Director, Arifagić Investment doo export-import Kozarac, Prijedor**

"Slovenian investors are satisfied with the operations in Bosnia and Herzegovina and their goal is a long term presence and strengthening at the BiH market." - **Samir Brodović, Director, ARGETA Sarajevo - Droga Kolinska, Slovenia**

With 50 million liters of processed milk in the last year Meggle exceeded its production capacities. The company decided to extend capacities and build a new production facility, install new software and a new Tetra

Pak machine, which will make Meggle the only company in this part of BiH with the newest technology for keeping dairy products.

"This year the total amount of investments is 11 million BAM and it shows our commitment to invest and modernize Meggle Dairy Company in Bihać. Upon completion of this investment the dairy production will be modernized and we will make a step forward in increasing the milk processing," said Director Hrnjić.

- Kemal Hrnjić, Director of Meggle Dairies, Bihać

Company KREIS INDUSTRIEHANDEL AG Basel from Switzerland has invested into two companies in Bosnia and Herzegovina, KREIS BH Ilidža and Vitaminka Banja Luka.

"Vitaminka Banja Luka currently employs 220 and our core activity is fruit and vegetable processing. This company is a positive example to the other foreign investors ready to invest their money in BiH. Vitaminka exports their products to the Region, EU countries, USA and Australia." - **Dževad Šipka, Director of Kreis BH, Sarajevo**

STRENGTH IN DIVERSITY OF NATURAL CONDITIONS & PRODUCTION FACTORS

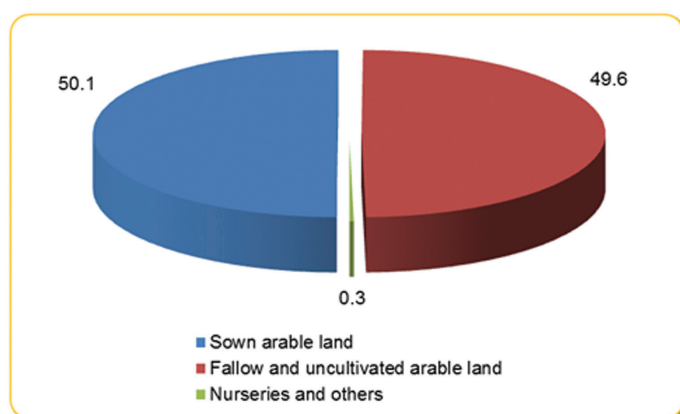
Land resources

- Agricultural land in BiH occupies 2,572 million hectares (25,720 km²), which is 50.3 %, from the total land area.

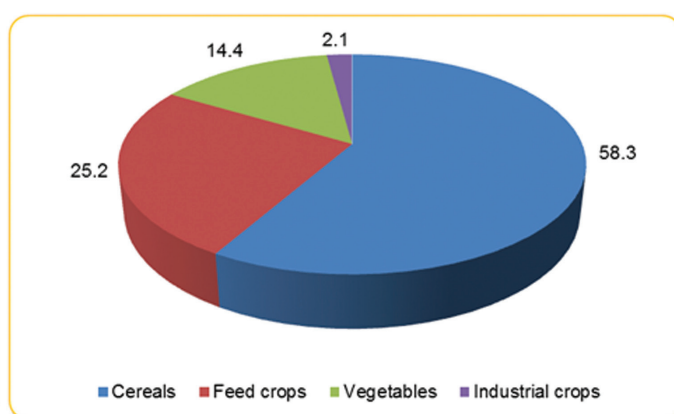
- Cultivated land is 1,585 million hectares (15,850 km²), which is 62% of agricultural land, while the arable land covers about 1 million hectares, of which about 47% is unused.

- The structure of sowing areas has not changed for longer period of time, it is dominated by cereals with a share of 58%, then 26% of fodder crops, 14% of vegetables and 2% of industrial plants.

Arable land in BiH, 2015



Sown arable land by types of crops in BiH, 2015

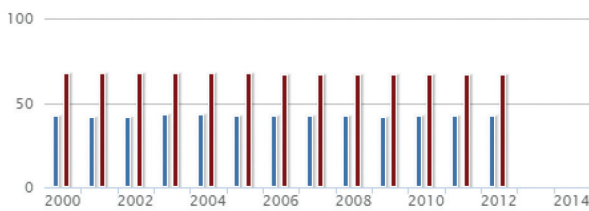


Arable land by the type of cultivation in 000 ha								
Year	Arable land	Total cultivated arable land	Cereals	Fodder Crops	Vegetables	Industrial crops	Other arable land	Fallow & uncultivated arable land
2015	1029	516	301	130	74	11	3	510

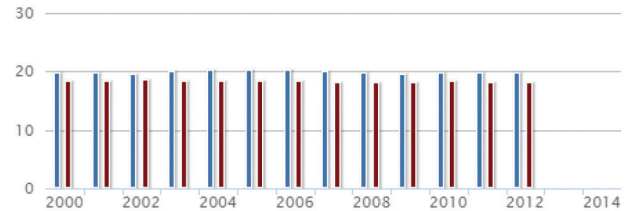
Source: BiH Agency for Statistics



Agricultural land (% of land area)



Arable land (% of land area)



■ Europe & Central Asia (developing only) ■ Bosnia & Herzegovina

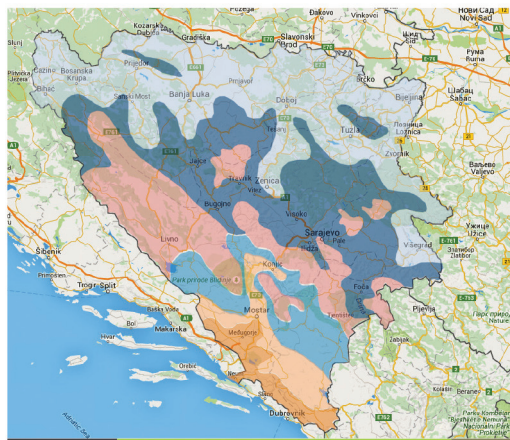
Source: http://sdwebx.worldbank.org/climateportal/index.cfm?page=country_impacts_agriculture&ThisRegion=Europe&ThisCcode=BiH

CLIMATE

Bosnia and Herzegovina's climate is not dominated by a single type of weather. There are neither dry seasons nor harsh and long winters. The country can be divided into three climatic regions with more or less sharp boundaries or moderate transition zones:

- Northern region, has a temperate continental climate and average temperature in January from -0.2oC to 2.0oC, in July 20oC to 22oC.
- Hilly-mountains region, with variations of continental, high- mountainous and alpine climate, average temperatures in January from -0.3oC to -7.4oC, in July 10.2oC to 21.2oC.
- Southern region, with characteristics of Mediterranean climate, average temperatures in January being 2.3oC, in July 22.5oC to 25.7oC, and precipitation of about 2,000 mm/m2.

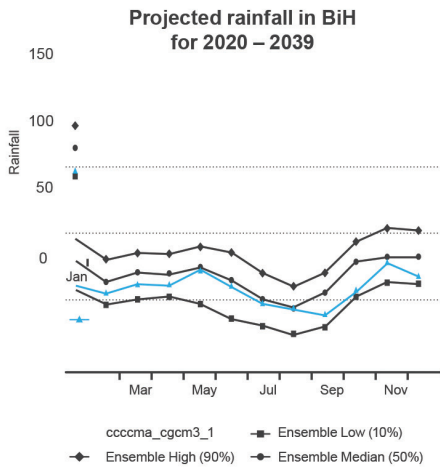
Climate Zones



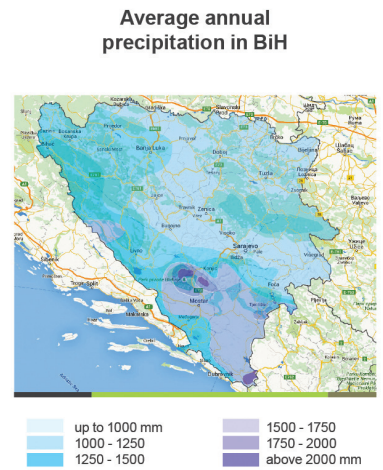
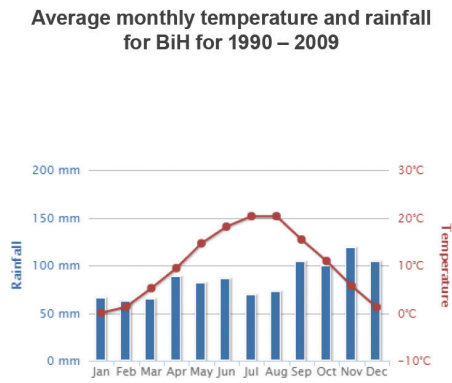
Source: <http://map.fipa.gov.ba/apex/f?p=1601:2:4290295430869452>

The climate is predominantly moderate continental, particularly characteristic for Central Bosnia and Herzegovina, while northern part of the country has predominantly continental climate.

South of the country has Sub-Mediterranean and Mediterranean climate, characterized by long summers and short, mild winters, with more than 200 sunny days and an average of 1,400 mm/km2 of precipitation per year.



Source: http://sdwebx.worldbank.org/climateportal/index.cfm?page=country_future_climate&ThisRegion=Europe&ThisCcode=BiH



Source: <http://map.fipa.gov.ba/apex/f?p=1601:2:3428907475021263>

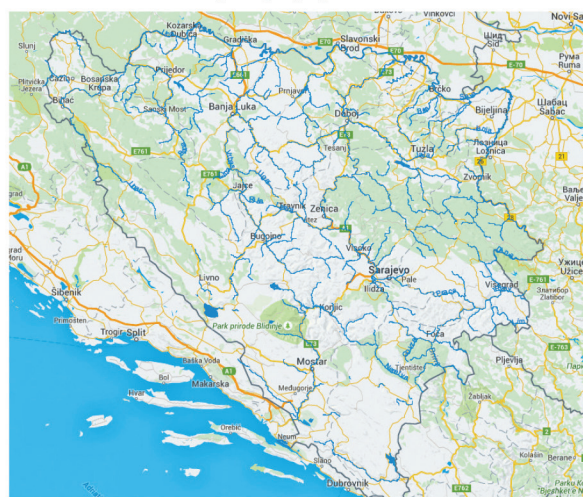
The varying climatic conditions offer wide possibilities for land farming, agricultural production and cultivation of different crops: fruit, vegetables and vine growing, forage crops growing and livestock production.

VARIETY OF HIGH QUALITY PRODUCTS READY FOR EU AND WORLD MARKET COMPETITION

The most convenient fruit-growing regions are the hilly and hilly-mountainous regions, also regions along the rivers (Sava, Bosna, Drina, Una, Neretva, and others), abundant in sunny sites with the right type of well-drained soil, and the Mediterranean region (Southern BiH).

Currently, there are an estimated 24 million trees of plums, pears, apples, cherries, peaches, walnuts and other fruit, and 13.5 million of grape vines for processing, sale at a local market, and export. Due to favorable climatic and economic conditions for berry fruit production (raspberries, strawberries, blueberries, blackberries and chokeberry), the area of more than 2,500 ha planted with berries is increasing every year.

Hydrography in BiH



Source: <http://map.fipa.gov.ba/apex/f?p=1601:2:3428907475021263>

The increased interest in indoor vegetable production can be noticed all over the country, with production of a high quality potatoes and cabbage, as well as rye, barley, oat, fruit berries etc.

Around 1,800 ha of greenhouses area in BiH is located mainly in the South (Herzegovina region), Northwest (Una-Sana Canton) and Northeast of BiH. Protected area for growing vegetables and berries is increasing by about 20 ha every year.

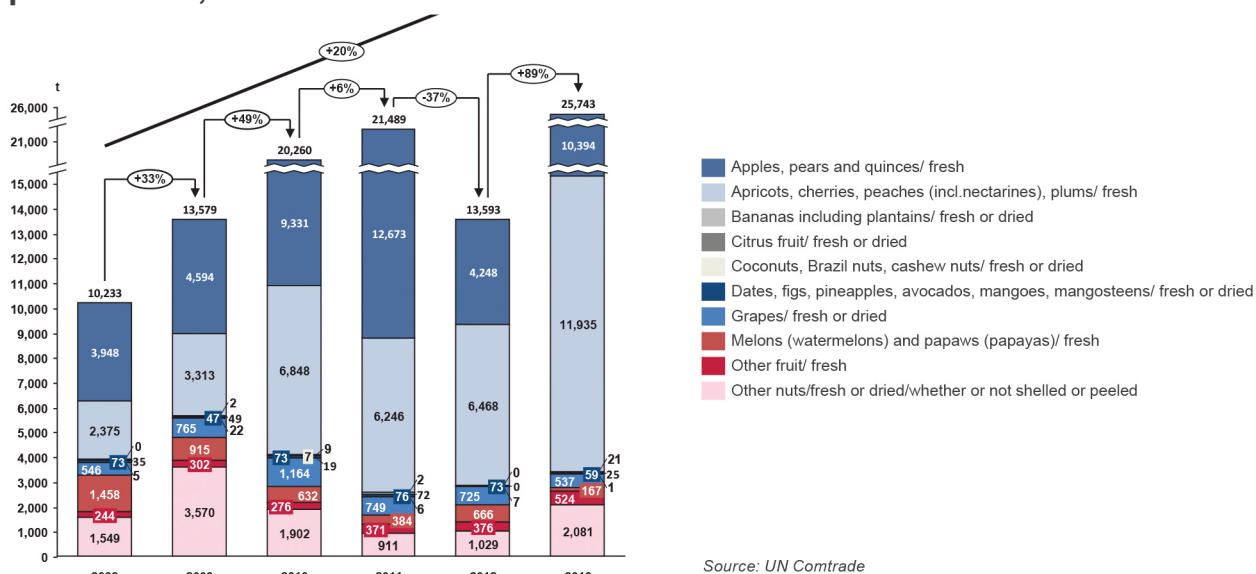


FRUIT & VEGETABLE SECTOR PERFORMANCE HIGHLIGHTS

- Lowest production costs against world leading producers for raspberry, plum, cabbage, and among the lowest for green peppers and cucumbers.
- Fruit exports from BiH have nearly quadrupled since 2008 to 26.500 tons.
- BiH raspberries and plum exports increased on aggregate 32% and 42% respectively since 2008.
- Cabbage production increased by 20% and exports by 75% since 2010.
- BiH cucumbers and gherkins export potential of nearly 6,000 tons annually.
- BiH can export fruits & vegetables to EU freely.

EXPORT OF FRESH, FROZEN AND DRIED FRUITS

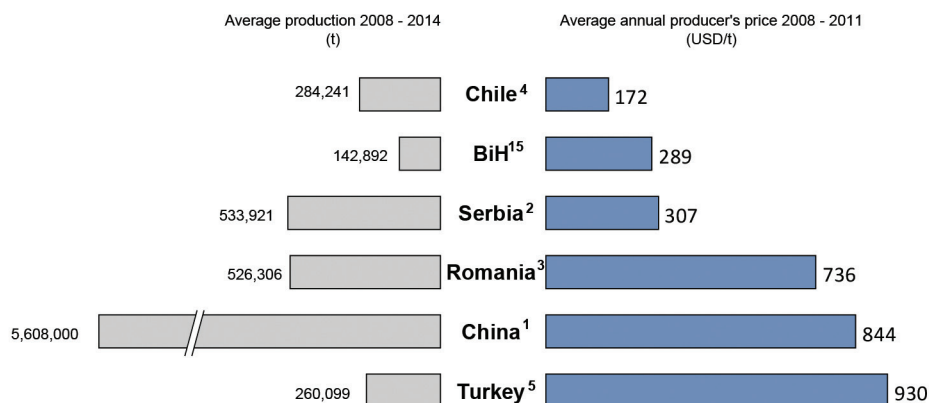
Export of fresh, frozen and dried fruits



BiH export of fresh, frozen or dried fruit in the period 2008-2013

Source: UN Comtrade

Plums and Raspberries: BiH among top world producers

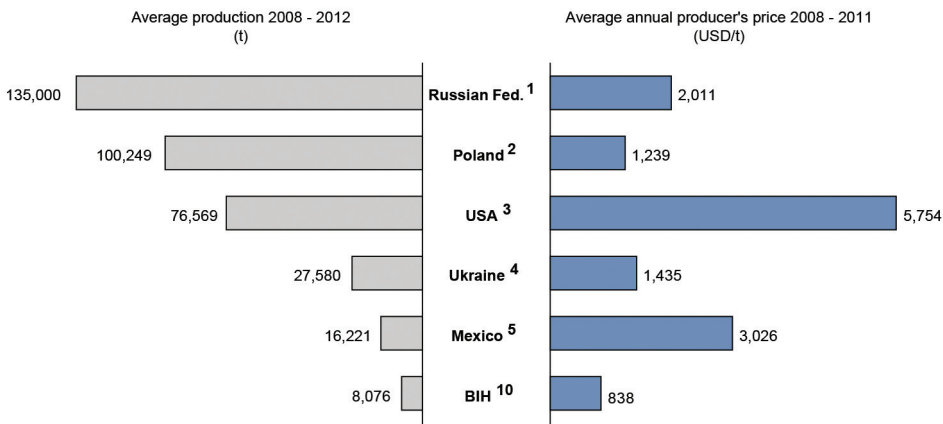


BiH holds 15th plums production place in 2012, with average production yield of 142,892 t/year and producers price 289 USD/t

Source: FAOSTAT

Top world's plums producers



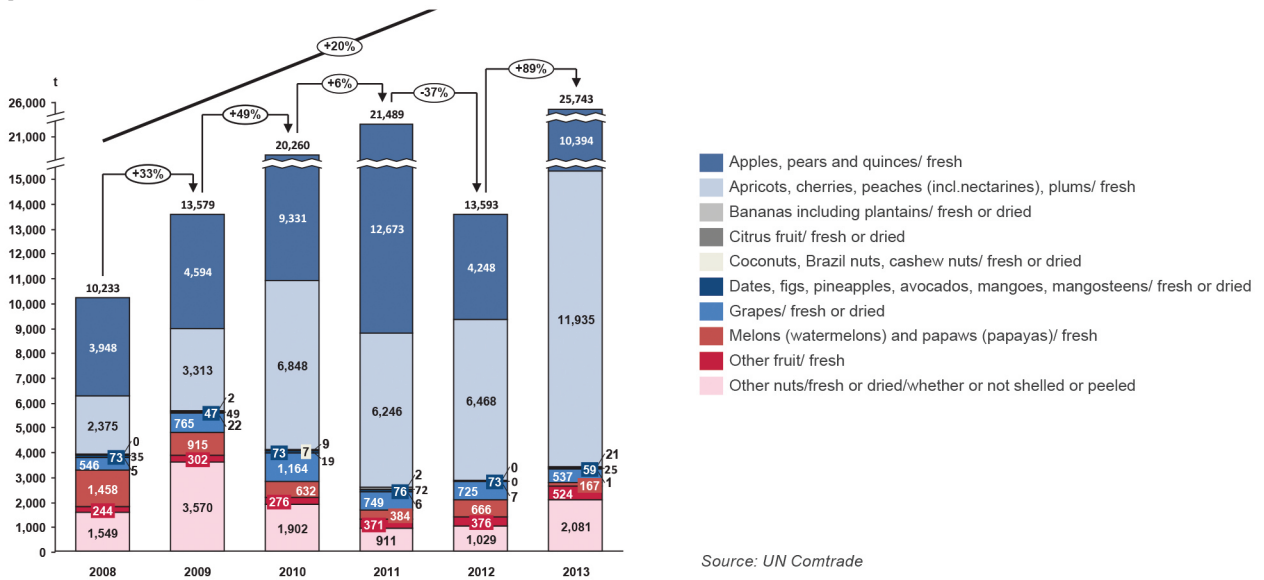


BiH holds 10th raspberries production place in 2012, with average production yield of 8,076 t/year and producers price 838 USD/t

Source: FAOSTAT

Top world's raspberries producers

Export of fresh, frozen and dried fruits



BiH export of fresh, frozen or dried fruit in the period 2008-2013

Source: UN Comtrade

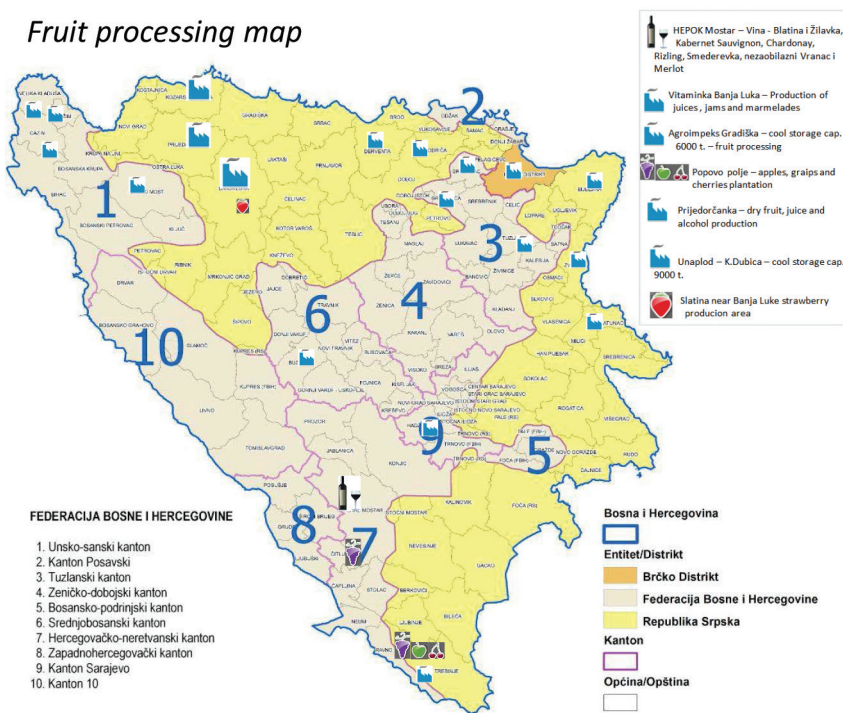


FRUIT PROCESSING

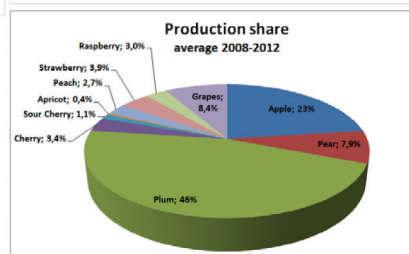
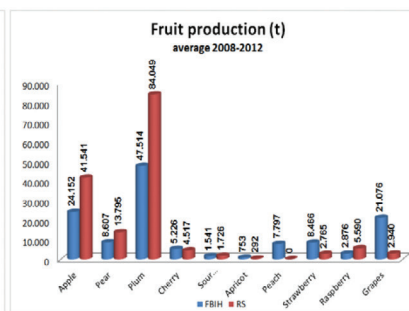
- Industrial processing of fruit in BiH involves mainly fruit drying and production of fruit juices (or concentrates), syrups, jams and marmalades.
- Harmonized System - 4 level analyses showed that some fruit categories (frozen fruits & nuts and jams, fruit jellies & marmalades) have above average advantage in EU and World markets.
- About one third of fruit juices are imported, as a local production cannot meet the local demand.
- There are approximately 20 fruit and vegetable processors in BiH.

COMPANY	PRODUCTS	CONTACTS
APIFRUCHT, Sanski Most	HQ apple, pear, quince and strawberry juices	www.apifruucht.ba
ECO-LINE d.o.o. Mostar	HQ production of fruit syrups from wild rosehip, sage and elderberry	www.ecoline.ba
EIN NATURAL d.o.o. Sarajevo	HQ natural juices without preservatives, sugar and water	www.sok.ba
HEKO d.o.o. / H&H Fruit, Bugojno	HQ planting and processing, storing and sale of berry fruits	www.heko.ba
ZZ INSIEME, Bratunac	HQ jams & juices from blueberry, raspberry, blackberry and forest fruits	www.coop-insieme.com
KUĆA PRIRODE d.o.o., Ilidža	HQ fruit juices without preservatives, sugar and water	www.kucaprirode.ba
PRIJEDORČANKA AD, Prijedor	Concentrated fruit juices, aseptic puree, frozen and dried fruits	www.prijedorcanka.com
VITAMINKA, Banja Luka	Fruit juices, syrups, jams and marmalades	www.vitaminka-kreis.com

Fruit processing map



Source: RS Institute of Statistics & FBiH Institute for Statistics

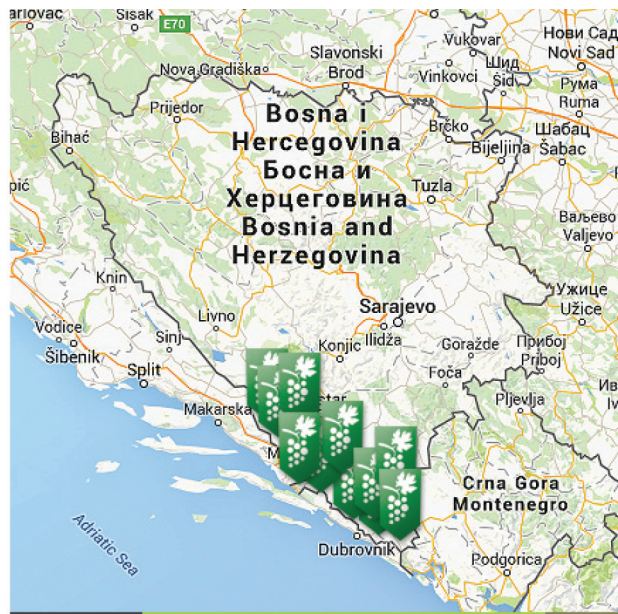


BiH fruit processing locations

WINE

The culture of winegrowing and wine production in Bosnia and Herzegovina dates back to the period of the Illyrian and the Thracians, who introduced the grapevine seedlings to the Balkans.

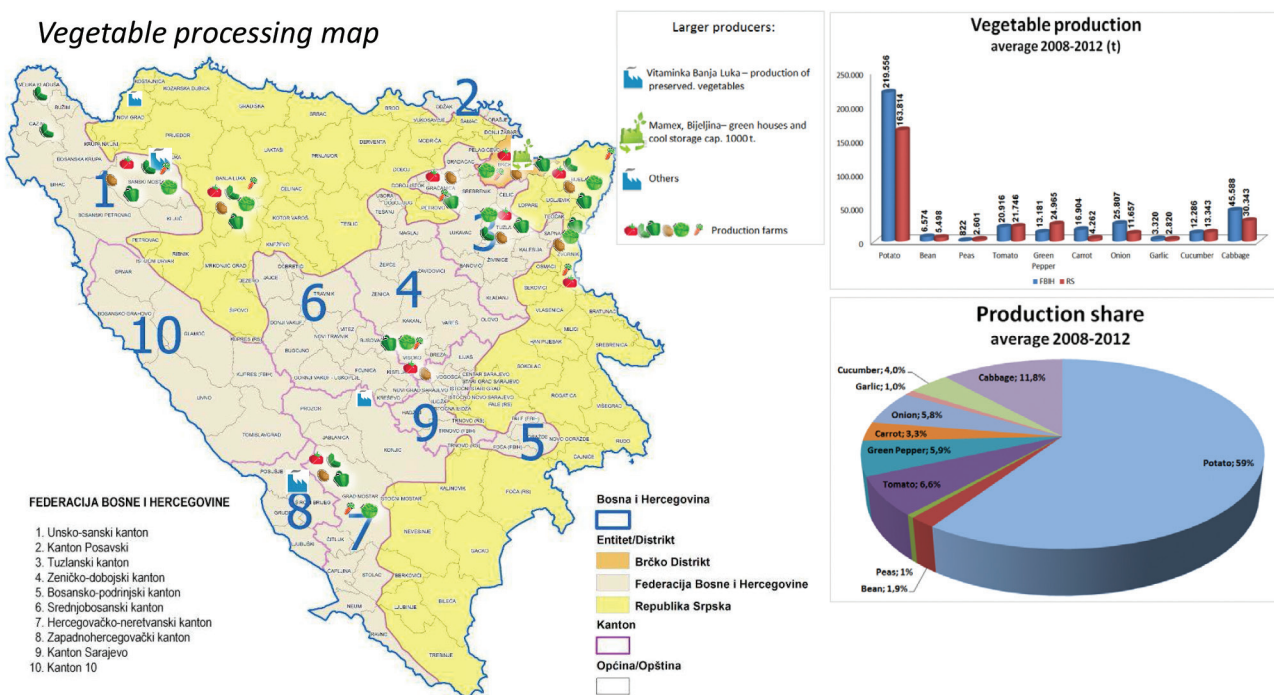
Herzegovinian winemakers aspire to be recognized for Žilavka and Blatina as unique grape varieties in the world of wine and to present themselves to the world through the wine that captures the savor of the soil and the fervency of the Herzegovinian sun. The BiH wine growing takes place in Herzegovina region near City of Mostar and area of Municipalities of Čitluk, Stolac, Ljubuški, Trebinje and Čapljina. Wine producers from Bosnia and Herzegovina have won numerous awards from the most prestigious and acclaimed competitions in the wine industry.



Bosnia and Herzegovina winegrowing areas

Vegetable Processing

Vegetable processing map



Source: RS Institute of Statistics & FBiH Institute for Statistics

BiH vegetable processing locations



INVESTMENT OPPORTUNITIES IN FRUIT & VEGETABLE VALUE CHAINS

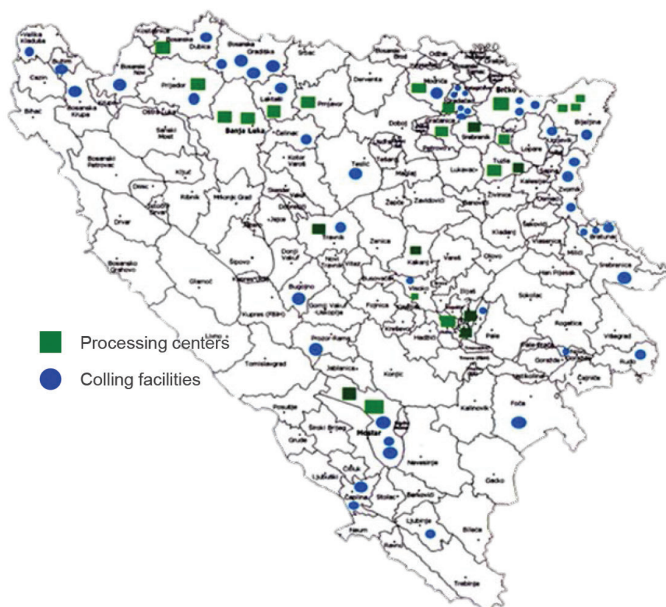
Strong potential to aggregate smaller producers and collect larger quantities of high quality products for export

Cooling and processing - Capitalizing on BiH's high quality products

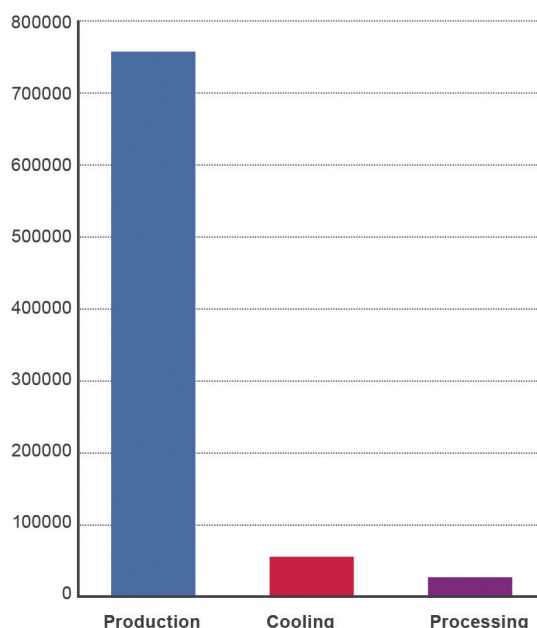
- Despite a considerable amount of cooling and processing centers in BiH, these remain small capacity limiting the country's production potential of various fruit and vegetables.
- Concentration of these centers is currently around the key production areas but many are limited to private owners' production needs.

The graph below shows the huge disproportion between production of fruit and vegetable, and existing cooling and processing capacities. Investments in cooling and processing capacities in BiH represent a significant opportunity for investors.

Cool storages & processing capacities for fruits & vegetables in BiH



Fruits & vegetable production vs. cooling & processing capacities (tons)



MILK

- Nowadays, dairy sector is recording achievements and development in most of the indicators; however, the yield is still low in comparison with the EU neighboring countries.
- BiH has 100 dairies with total production capacity of 2 million liters/day.
- Approximately 45 dairies exceed capacity of 1,000 liters/day and 10 dairies exceed capacity of 100,000 liters/day.
- In 2014 the total production of ewe's milk increased by 4.9% and goat's milk by 6.6% comparing with the same period in 2013.
- BiH is cleared to export milk to EU.

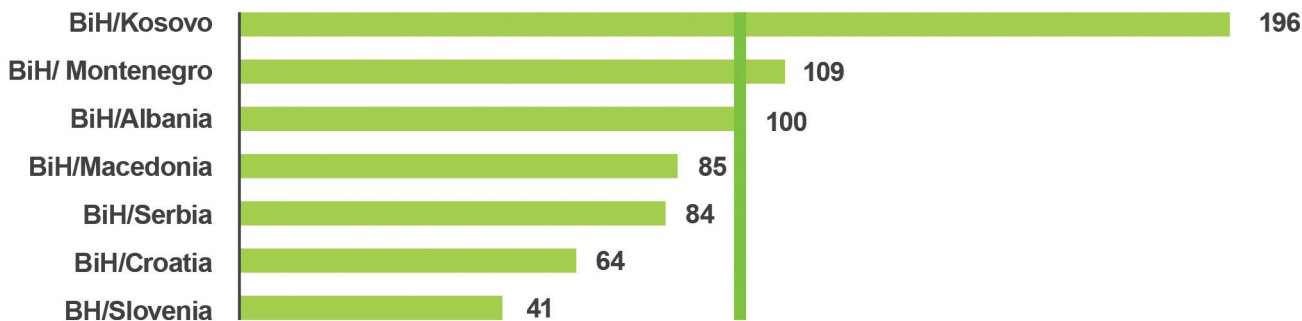
Milk production	Unit	2010	2011	2012	2013	2014	2015
Cow's milk	000 litres	693.158	667.158	652.702	666.872	665.208	674.032
Ewe's milk	000 litres	18.300	17.610	15.736	15.561	16.328	15.587
Goat's milk	000 litres	8.145	7.337	6.942	7.004	7.469	7.665

Source: BiH Agency for Statistics

Directorate for Health, Food, Audit and Analysis of the European Commission in March 2016, approved the export of milk to the EU market for eight BiH dairies.

The dairies collect approximately one third of milk produced by local farmers, which is still low in comparison to other countries (for example in Slovenia approximately 80% of locally produced milk is delivered to the milk collection stations).

Cow milk yields (Indices for compared countries are 100)



Source: BiH Agency for Statistics, RS Institute of Statistics, statistics of World Bank and European Commission

COMPANY	CONTACTS
MLIJEKO PRODUCT, Kozarska Dubica	www.mlijekoprodukt.com
MEGGLE MLJEKARA, Bihać	www.meggle.ba
MILKOS, Sarajevo	www.milkos.ba
ZOTT See d.o.o. Gradačac	/
LACTALIS BiH, Gradačac	www.dukat.ba

Market leaders in BiH in milk production and processing

The companies have HACCP and ISO, and some also Halal certificates.

MILK PROCESSING

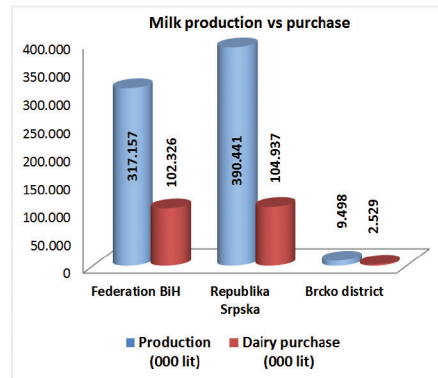
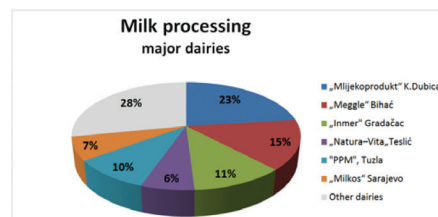
The dairies produce mainly high-volume, fast-turnover, low margin products like fluid milk. Only a few dairies produce value-added products such as the aged cheese. As a result, most value-added milk products are imported from neighboring countries or the EU.

Milk processing map



Source: RS Institute of Statistics & FBiH Institute for Statistics

Milk processing locations in BiH





INVESTMENT OPPORTUNITIES IN DIARY VALUE CHAIN

Bosnia and Herzegovina currently processes far less than one quarter of its total milk production and with demand for dairy products such as cheese, yoghurt and other milk probiotic products expected to rise by 20% over the next 5 years in the region, the country offers an excellent opportunity for added processing.

Companies such as Lactalis, Meggle, Danube Foods Group BV, DACHSER GmbH & Co. KG, Intereuropa (Hellman Logistics), HIPP GmbH and Vitaminka (Kreis Industriehandel AG), have already taken advantage of Bosnia and Herzegovina's potential.

FIELD CROPS

Northern parts of the country and river valleys are particularly suitable for field crops production, including cereals, industrial crops, vegetables, feed crops etc. as well as for intensive commercial cattle rising for fattening, meat and dairy production.

The largest part of arable land is under cereals. Forage production holds second and vegetables third place. Roughly, forage is produced on 30% of arable area (clovers, alfalfa, grass-legume mixtures and maize for silage) and on 1,400,000 ha of permanent grasslands which are mostly in hilly and mountainous areas.

Harvested area (000 ha)	2009	2010	2011	2012	2013	2014	2015
Cereals	309	287	289	292	303	272	299
Oilseeds	5	5	5	5,2	5,3	5,2	8,4
Fodder Crops	128	125	132	130	126	125	127
Vegetables	72	71	72	72	72	68	70
Production (000 t)							
Cereals	1,391	1,105	1,118	870	1224	1080	1135
Oilseeds	10.2	9,5	8,3	7,3	9,8	11	12,7
Fodder Crops	772	739	740	646	799	916	854
Vegetables	693	645	676	528	682	533	631

Source: FAOSTAT, BiH Agency for Statistics

BAKERIES, FLOUR MILLS AND EDIBLE OIL PRODUCTION

Market leaders (flour mills/bakeries) are KLAS and SPRIND, both belonging to MIMS Group from Sarajevo. Also, there are a number of small and medium sized companies.

BIMAL Brčko is BiH's sole edible oil producing company, with crushing, refining and bottling capacities.

SUGAR FACTORIES, SUGAR PRODUCTION

Companies STUDEN and AGRANA from Austria, have built a sugar refinery in Brčko District of BiH, STUDEN- AGRANA RAFINERIJA ŠEĆERA.

After 18 years of stand still, the sugar plant of FABRIKA ŠEĆERA in Bijeljina started operating again in 2010. The plant daily processing capacity is 4,000 tons of sugar beet and production of 500 tons of sugar.

BiH still has some unused customs-free quota for export of sugar to EU.

MEDICINAL AND AROMATIC PLANTS, HONEY, MUSHROOMS AND WILD FOREST PRODUCTS

Bosnia and Herzegovina has long tradition in collecting and cultivating of:

- Medicinal and aromatic herbs
- Wild berries
- Mushrooms

A very rich biodiversity of medicinal and aromatic plants and mushrooms in Bosnia and Herzegovina has the potential to contribute substantially to the national economy.

- It is assessed that BiH has over 700 species of medicinal and aromatic plants of which around 200 are exploited (balm, immortelle, juniper, chamomile, lavender, mint, rosemary, sage, savory, etc.)
- The annual harvesting of medicinal and aromatic plants in BiH varies from 1,500 to 9,000 tons.

Diversity of climate and vegetation, clean environment and tradition in beekeeping are good preconditions for the production of high quality honey in BiH. The main beekeeping products are honey, beeswax, royal jelly, pollen, and bee venom.

- Several varieties of honey are produced in BiH depending of geographical regions. Sage, heather, Jerusalem thorn, Dalmatian laburnum and tangerine honey is produced in the southern part of BiH, and chestnut, sunflower, alfalfa and acacia honey in the northern part of BiH.
- Beekeeping accounts for 1% of the total agricultural production in BiH. Total honey production in BiH cannot cover needs of the local market.

COMPANY	PRODUCTS	CONTACTS
ABC MAHIĆ, Bosanska Krupa	Herbal tea, oils, drops, syrups and honey	www.abc-mahic.ba
AROME, Mostar	Lavender and rosemary planting and processing	www.arome.ba
BIONATURA, Breza	Organic cereals, flour, pasta, mushrooms, berries, flakes	www.bionatura.ba
CYDONIA, Gračanica	Herbal cosmetics, medicinal products, plant extracts	www.cydonia.com.ba
ELMAR-AROMA CAR, Bileća	Medicinal and aromatic plants processing	www.elmar-aromacare.com
HEKO, Bugojno	Mushrooms and wild berries	www.heko.ba
LAMARUŽ, Sovići	Soaps from medicinal plants	www.lamaruz.com
HERCEG MED, Trebinje	Natural honey	www.herzegmed.ba
BILJANA, Maoča	Medicinal and aromatic herbs and tea	www.biljana.com.ba
ČELIKOVIĆ, Bihać	Medicinal herbs, tea, drops, syrups, creams	www.celikovic.com
FAVEDA, Sarajevo	Medicinals tea, tinctures, extracts, ointments, creams	www.faveda.ba
FRUTTI FUNGHI, Visoko	Mushrooms	www.frutti-funghi.com
HALILOVIĆ, Sarajevo	Medicinal and aromatic herbs, mushrooms, essential oils	www.bio-halilovic.com
LJEKO BILJE, Trebinje	Seeds and seedlings of medicinal herbs, tea, oils	www.rico.co.yu
PLANTAGO, Laktaši	Medicinal and aromatic herbs, forest fruits and tea	www.plantagocajevi.com
ROING, Ljubuški	Spices, aromatic & medicinal plants and essential oils	www.roing.net
SMRČAK, Zvornik	Mushrooms and forest fruits	www.smrcak.co.nr
BELLADONNA, Laktaši	Elixirs from medicinal herbs and forest fruits	www.belladonna.ba
KAP PO KAP, Laktaši	Processing of agricultural and forest fruits	www.kappokap.com
PHARMAMED, Travnik	Herbal medicinal products and cosmetics	www.pharmamed.ba
ŠUMSKI PLOD, Prozor-Rama	Mushrooms, other forest products	sumskiplod@hotmail.com
VEXTRA, Mostar	Tea, herbal drops and cosmetics	www.vexstra.ba

Significant producers & potential strategic partners in BiH in medicinal and aromatic plants, wild berries and mushrooms



LIVESTOCK PRODUCTION SYSTEMS

Livestock production has a great significance for BiH agriculture considering the available natural resources and the number of people engaged in the production.

Bosnia and Herzegovina has long tradition in collecting and cultivating:

- Lamb meat and baby beef production
- Meat processing (in particular dried and smoked meat)
- There are more than 30 meat processing companies in BiH, most are small-scale size.
- Only a half of the installed production capacity of the 11 largest meat processing companies is utilized.

Livestock numbers and production (live weight) for period 2008-2014

Livestock/product	Unit	2009	2010	2011	2012	2013	2014	2015
Number of Units								
Cattle	000 head	458	462	455	445	447	444	455
Goats	000 head	71	63	65	65	69	74	73
Sheep/ewes	000 head	1,055	1,047	1,021	1,005	1,020	1,025	1,020
Pigs	000 head	529	590	577	539	530	533	564
Poultry	000 head	18,741	21,802	18,703	19,401	24,736	20,664	22,248
Slaughtered livestock & poultry								
Cattle meat	000 tons	25	25,5	22,4	22,9	17,2	11,4	22,85
Pig meat	000 tons	9,4	12,3	11,5	15,7	10,2	9,6	8,5
Poultry meat	000 tons	32	36	46	53,8	41,6	43,4	48,7
Sheep/goat meat	000 tons	1,9	2,5	2,3	2,3	1,5	1,5	1,4

Source FAOSTAT and Agency for Statistics of BiH

COMPANY	CONTACTS
AKOVA IMPEX d.o.o. Sarajevo	www.akovagroup.com
ASJA d.o.o. Široki Brijeg	www.asja.ba
MENPROM, Tuzla	www.menprom.ba
PERUTNINA d.o.o., Breza	www.perutnina.com
MI RAKITNO, d.o.o. Posušje	www.sisovic.com
ARGETA d.o.o. Sarajevo	www.argeta.com
BRAJLOVIĆ, Sarajevo	www.brajlovic.ba
BROJLER, Sarajevo	www.brojler.ba
NATURA VITA, Teslić	www.naturavita.ba
BAJRA, Travnik	www.bajra.ba
MI TULUMOVIĆ, Banja Luka	www.tulumovic.com

Market leaders in meat processing in BiH

The companies have HACCP, ISO and HALAL certificates.

FISH FARMING

Abundance of the clear, unpolluted rivers and streams that cross the country presents huge potential for both family owned and industrial size fish farming production.

Fish farming is already developed, especially trout and carp rising.

Fish species:

The most important fish species in the aquaculture sector in Bosnia and Herzegovina are:

- Salmon species: rainbow trout, brown trout, and brook trout
- Cyprinid species: common carp, grass carp, silver carp and welsh catfish
- Marine species: European seabass gilthead sea bream and common dentex
- Mollusks: Mediterranean mussel and European flat oyster

Farming systems distribution and characteristics

In Bosnia and Herzegovina, fish farms are generally distributed in three main regions.

- In Northern BiH there are 5 cyprinid fish farms with a total area of 3,276 ha.
- In the River Neretva and the River Vrbas there are 40 concrete salmonid fish farms of 8.5 ha and 14 floating cage fish farms of 8.1 ha.
- Marine aquaculture in 2 cage farms, with a total area of 3.6 ha, is located in Neum, a town on the Adriatic coast.

COMPANY	SPECIES	CONTACTS
TROPIK RIBARSTVO, Banja Luka	Salmonide	www.tropicribarstvo.ba
RIZ KRAJINA Ribogojilište, Bihać	Salmonide	www.riz-krajina.com
JEZER, Mrkonjić Grad	Salmonide	www.bistrobih.ba
KRUPIC, Prozor-Rama	Salmonide	www.bistrobih.ba
OKAŠNICA-OVAKO, Bugojno	Salmonide	www.bistrobih.ba
SALMON, Ljubuški	Salmonide	www.bistrobih.ba
RIBA NERETVA, Konjic	Salmonide	www.bistrobih.ba

Salmonide fish farms

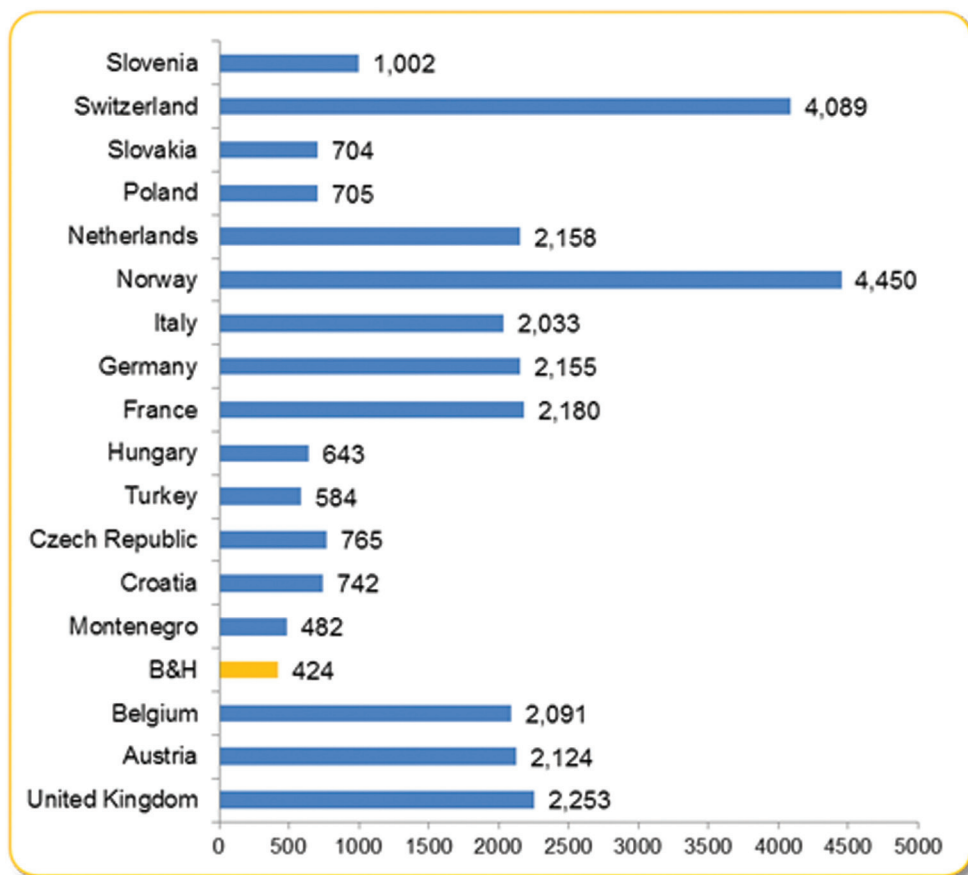
FAVORABLE BUSINESS ENVIRONMENT AND COMPETITIVE OPERATING COSTS

National treatment of foreign investors, VAT rate of 17% and corporate income tax rate of 10% amongst the lowest in the region and in Europe, and a liberal foreign trade regime, render BiH attractive and price competitive location for your future investment in the sector of agriculture and food processing.



LABOR

Agriculture employs about 15% of the available labor force. All profiles of highly qualified and experienced workforce (engineers, technicians, skilled workers) required in agriculture and food processing industry are available under competitive costs, particularly when compared to the EU.



OPERATING COSTS - SIGNIFICANTLY LOWER THAN IN EU

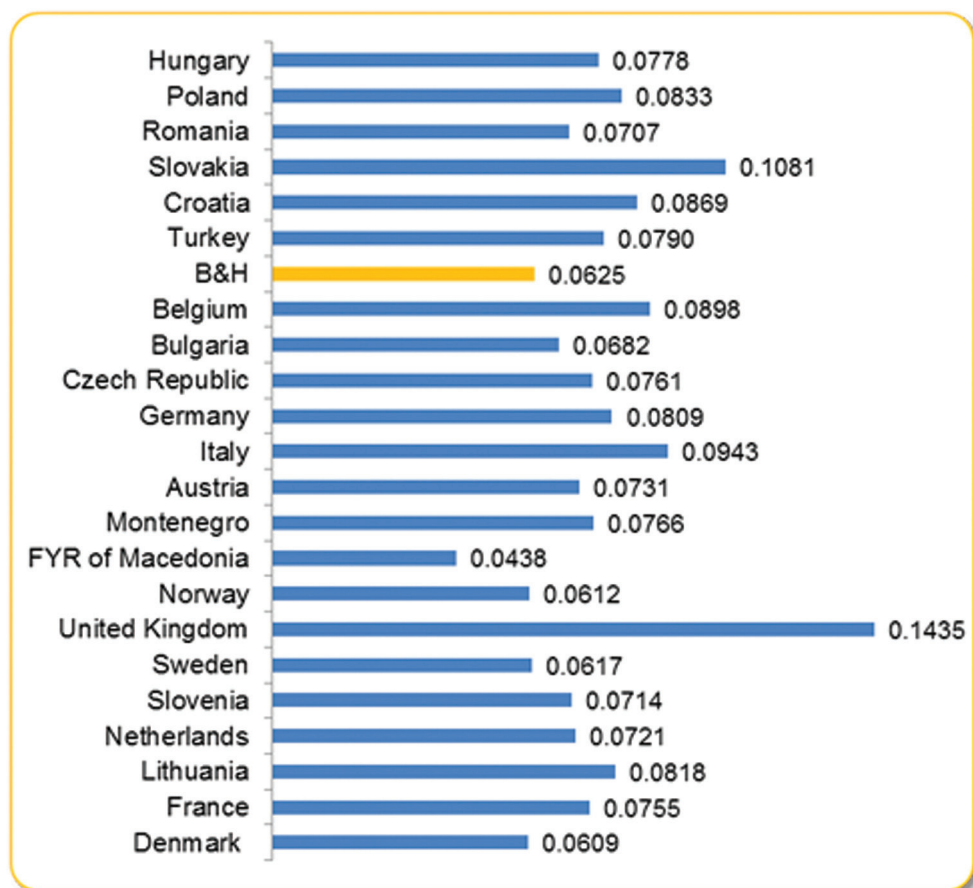
- Mobile phone usage: 0.10 € per minute
- Electricity: low tariff 0.05 - high tariff 0.10 €/kWh
- Fuel Average price:
- Euro diesel: 0,84 €/l
- Petrol 98 octanes: 0.92 € /l
- Petrol BMB 95 octanes: 0.82 €/l
- Water costs: Average price: 0.41 €/m³
- Natural gas: Average price: 0.41 €/m³

Source: Agency for Statistics of BiH - Average price, February 2016

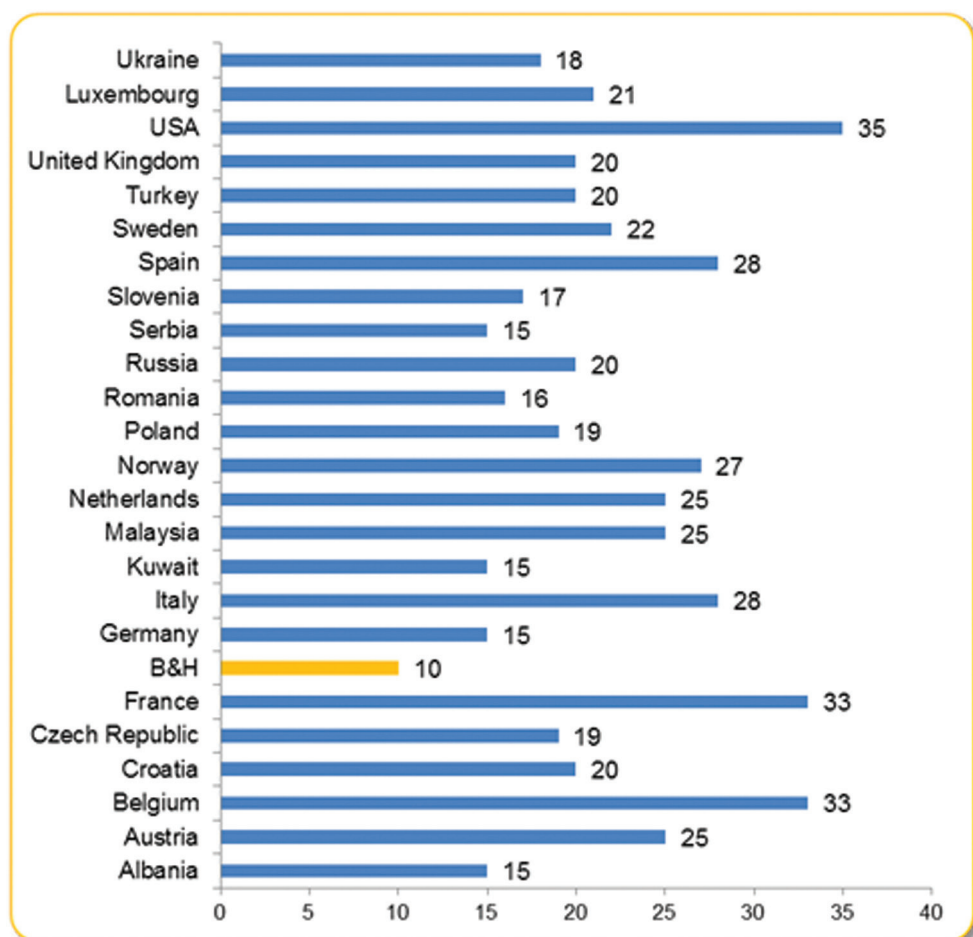
- Renting production building: 2 €/m² - 10 €/m²
- Buying production building: 20 €/m² - 1,000 €/m²
- Renting office space: 4 €/m² - 50 €/m²
- Buying price of office space: 400 €/m² - 3,500 €/m²
- Buying price of land: 3 €/m² - 100 €/m²
- Construction cost/Industrial facility-Turn Key: 200 - 550 €/m²

Source: Real Estate Agencies

HALF-YEAR ELECTRICITY COST FOR INDUSTRY IN 2015 (EUR/kWh)

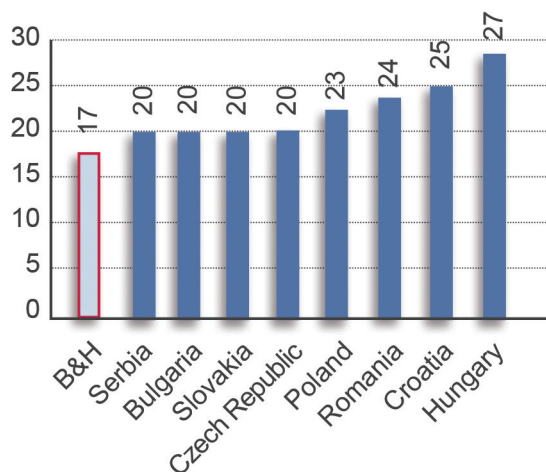


CORPORATE TAX RATE IN 2015 (%)





VALUE ADDED TAX



AGRICULTURAL FAIRS IN BOSNIA AND HERZEGOVINA

- EKOBIS - Bihać /September/
- INTERAGRO - Bijeljina /September/
- PLUM FAIR - Gradačac /August/
- ZEPS - Zenica /October/
- BEEKEEPING FESTIVAL - Sarajevo /June/
- FESTIVAL OF TEA&HERBS - Sarajevo /June/
- AGROS - Banja Luka /September/
- INTERNATIONAL ECONOMY FAIR Mostar /April/

USEFUL CONTACTS

Ministries

- Ministry of Foreign Trade and Economic Relations (MoFTER) - www.mvteo.gov.ba
- Veterinary Office of Bosnia and Herzegovina - www.vet.gov.ba
- Ministry of Foreign Affairs of B&H - www.mfa.ba
- Federal Ministry of Agriculture, Water Management and Forestry - www.fmpvs.gov.ba
- Ministry of Agriculture, Forestry and Water Management of Republika Srpska - www.vladars.net

Chambers

- Foreign Trade Chamber of B&H - www.komorabih.ba
- Chamber of Economy of Federation of B&H - www.kfbih.com
- Chamber of Economy of Republika Srpska - www.komorars.ba

Associations

- Association Organic Control - www.organskakontrola.ba

Web Portals

- www.poljoprivreda.ba
- www.agrolink.ba

AGRICULTURE SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA



Beekeeping projects in Bosnia and Herzegovina:

- Beeswax comb foundation, Konjic
- Organic honey, Sanski Most
- Regional beekingcentre, Trebinje
- Apiculture in Herzegovina Neretva Canton
- Bee venom, Vogosca

Dairy projects in Bosnia and Herzegovina:

- Goat farm and goat dairy, Bosanska Krupa
- Rama Municipality
- Goat farm EKO KOZA, Mostar

Beverage projects in Bosnia and Herzegovina:

- Drinking water, Jablanica Municipality
- Grude brewery, Grude
- Kula water factory, Mokro Pale
- Berry juice, Ribnik
- Drinking water bottling, PribituhBerkovici
- Bottling and distribution of premium spring water, Muska-voda Kladanj

Livestock projects in Bosnia and Herzegovina:

- Sheep breeding, Municipality of Konjic
- Agricultural and meat production, Bugar Bihac
- Slaughterhouse and meat processing, Orasje
- Development goat farming, Posusje
- Expanding the capacity of cattle per cow-calfsystem, Tomislavgrad and Kupres

Medical & Aromatic herbs projects in B&H:

- Medical,aromatic and spice herbs, LjekobiljeTrebinje
- Medicinal herbs, mushrooms and wild berries, Konjic
- Plantation of Helychrisumitalicum, Mostar

Fruit & Vegetable projects in Bosnia and Herzegovina:

- Fruit and vegetables cold store, dressing and conversation ,Gorazde
- Fruit and vegetable processing mill, BajricBugojno
- Fruit and vegetable production and cold store, Gracanica
- Fruit species nursery and raspberry plantings, Konjic
- Fruit and vegetable processing plant, Ljubinje
- Greenhouse production, Sanski Most
- Table grapes Mostar
- Fruit processing, Visegrad
- Drying of fruit,vegetables,mushrooms& herbs, Visoko
- Vegetable seedlings, Vogosca
- Agrocentar, KozarskaDubica
- Fruit and vegetable cold store, Gracanica
- Construction of mini cold storage, Milici

Poultry projects in Bosnia and Herzegovina:

- Organic chicken fertilizer in pellet form, Orasje
- Poulety meat, Brojler Sarajevo
- Poultry slaughterhouse, KartonkaSirokiBrijeg
- Broiler farm, Prijedor
- Organic production of turkey meat, Brcko
- Poulety farm, Travnik

Food centre projects in Bosnia and Herzegovina:

- Fruit and vegetable cold store, Gradacac
- Regional food centre, Sarajevo
- Production of rodenticides and insecticides, Bijeljina

Fish Farm projects in Bosnia and Herzegovina:

- Fish Farm for Trout breeding, Blagaj
- Fish Farm Laks, Mostar
- Fish Farm Norfish, Blagaj



METAL SECTOR IN BOSNIA AND HERZEGOVINA



BUSINESS ENVIRONMENT

Although a small country Bosnia and Herzegovina's business environment is a very attractive and perspective for new investments and new adventures.

Geographically, B&H is very close to the strongly developed EU market and its borders are widely opened for export-import of different types of goods and its transport. Already signed free trade agreements, membership within CEFTA and preferential export regimes facilitate free trade with the countries all over the world and open up a wide range of investment options primarily focused to the metal processing sector.

Comparing existing capacities with approximately 25 to 30,000 employees to the period before 1992 when 200,000 people worked, conclusion is that metal processing sector possibilities are only 50% used comparing to the existing production capacities so it definitely offers a great opportunities for foreign investments.

BACKGROUND AND CURRENT SITUATION

The metal sector in Bosnia and Herzegovina, as a predominantly export-oriented is primarily depending on the EU and world trends. The main driving force that will stand behind the world price of aluminium depends on China, since the poor economic results of China has already slowed the dynamics of metal prices on world markets in last first quarter of 2014. We are currently in the period when prices of iron ore are failing but we can hope that the macroeconomic framework for the development of the metal sector in B&H would be more favourable.

Nevertheless, the metal sector has shown some elements of competitiveness in the past, as evidenced by the large share of total B&H exports.

Parallel with the growth of production comes to a reduction of employment in this sector, as a result of low level of finalization and dominance of base metals in sector investment and exports.

Actual situation and main indicators for the sector show the following:

Indicators u MS	2010	2011	2012	2013	2014	2015
GDP Share	3.11%	3.24%	3.20%	3.33%	2.99	-
Export Share	37.6%	34.7%	36.4%	34.0%	34.2%	35.1
No. of companies	1,119*	1,163	1,176	1,162	1,111	1,082

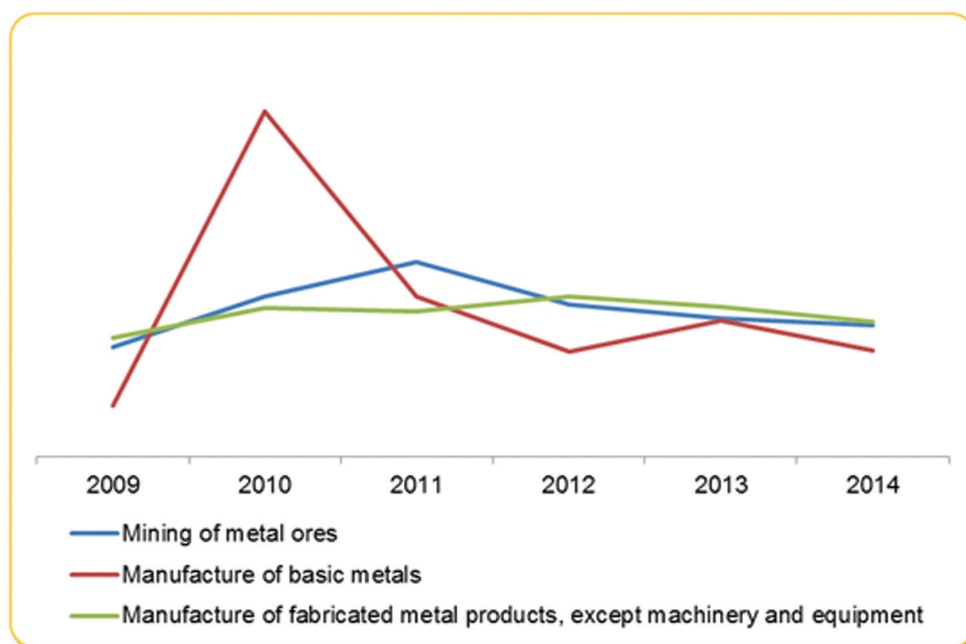
Source: Agency for Statistic and Foreign Trade Chamber of B&H

B&H metal processing has traditionally been one of the strongest sectors by offering a strong human and resources base as well as a long tradition enabling sustainable development of various value-added businesses, export oriented in particular.

First industrial capacities of the metal sector developed from the craft workshop for maintenance of the coal mine equipment and salt.



GDP indexes for Basic Activities of Metal Sector (Current prices - nominal indexes)



Source: Agency for Statistics B&H

WHY TO INVEST IN B&H METAL SECTOR

B&H metal sector has permanent and robust production growth rate of over 10% within the past few years, being strongest exporter in B&H economy. Metal industry is one of the most important industrial sectors of the whole region based upon the following data:

- Long tradition in the metal processing industry
- Developed advantages at the international market
- Abundance of production facilities and industrial zones
- Skilled and affordable labour force
- Available production capacities
- Rich in mineral resources
- Export oriented sector (app. 35% of the total export)
- No restrictions for foreign partnership with domestic companies

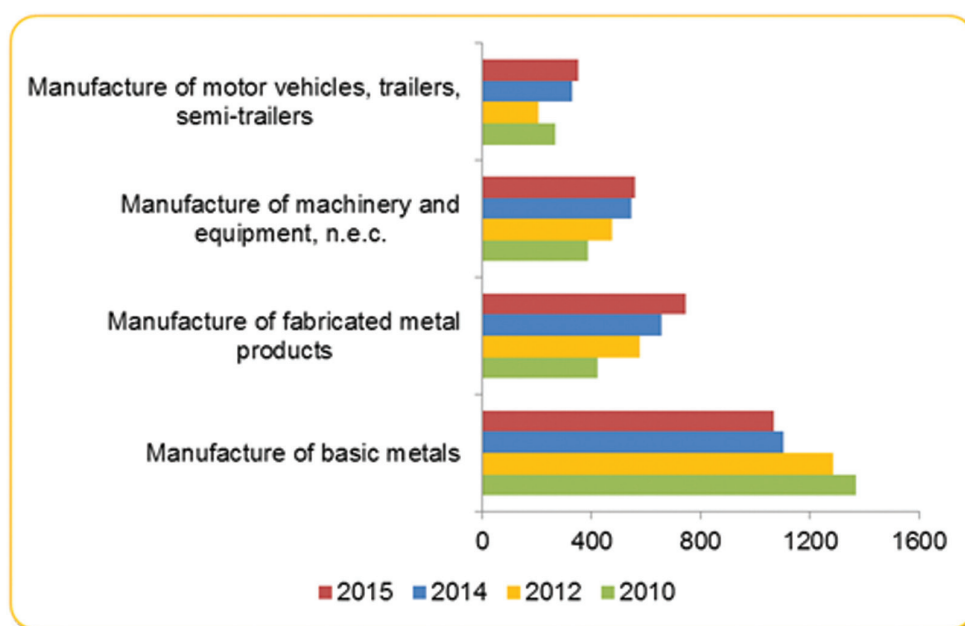
EXPORT AND STRATEGIC OBJECTIVES FOR EXPORT DEVELOPMENT OF METAL SECTOR

Metal sector is the most important exporter in bh structural export. Entire manufacturing is generally focused towards export since the local market is not in a position to generate a request for many products of the mentioned sector.

Leading export products of the metal sector in Bosnia and Herzegovina are metals – aluminium and steel. Although it is still leading export of those products, metal products have a significant development potential. Positive results in a sub-sector „production of the machines and devices“ for the period 2013 – 2015 (export and production increase) are definitely noticed. Additional reorganization at the company level and new investments in technology, are requested in order to improve the export and to reduce the import within the sector.

Although motor vehicle manufacturing was reduced during 2015 comparing to 2014, export was increasing including automotive industry with significant developing potential.

Metal sector export review in the period 2010 - 2015



Source: Agency for Statistics B&H and Statistics of the foreign trade

Export share for 2014 and 2015 is less comparing to 2010 but the sub-sector share with the higher value added is increased. Reduce was related to the base metal production while other activities increased its outputs comparing to 2010 or 2012.

Next table shows main export indicators of the Metal Processing Industry

	EXPORT 2010	EXPORT 2012	EXPORT 2014	EXPORT 2015	
	Million Euro (share %)	Million Euro (share %)	Million Euro (share %)	Million Euro (share %)	I-XII 2015 I-XII 2014
Base metal production	700.4 (19.3%)	640.7 (16.3%)	510.6 (12.7%)	510.9 (11.9%)	50.2
Fabricated metal products except machines and equipment	223.8 (6.0%)	300.1 (7.3%)	330.3 (7.6%)	380.1 (8.3%)	57.1
Machines and devices	189.4 (5.5%)	233.8 (6.1%)	281.6 (6.3%)	290.7 (6.2%)	58.2
Motor vehicles, trailers and semitrailers	134.9 (3.8%)	107.2 (2.6%)	172.6 (3.8%)	184.2 (3.9%)	54.4

Source: Agency for Statistics B&H and Statistics of the foreign trade*arithmetic mean

Coming to the export market structure the picture is mostly the same as in the Wood Processing industry. All of the major sub-segments and groups of products in B&H have almost the same top export markets: Germany, Italy, Slovenia, Austria and Croatia as members of the EU with the most important trade partner for B&H outside of the EU being Serbia. In the structure of exports main products exported from B&H are iron and steel itself and products of iron and steel then aluminium and its products as well as automotive spare parts. This sector recorded around 32-39 % of the total export. Within the EU export market and CEFTA, Slovenian and German market are the main drivers of the overall effect with the share of 27% and 25%. CEFTA members have share of 12% in to a ten leading exporter countries here major markets belong to Serbia and Croatia with a share of 6% individually. Total trade volume of the metal and electro industry for 2015 is app. 4 billion Euro Import - export in 2015 was more than 67% that is almost identical to the amount of last year's ratio. So, import-export trends of the general indicators remained unchanged compared to the last year. However, if we analyse the data by category it is visible that there has been a positive shift in the structure of the metal and electrical industry in BiH. Although the base metals and mining export has been decreased in (-6,24%) comparing to 2014 it's place is still at the top list of the export categories.



HUMAN RESOURCES

Total number of employed people in metal processing sector is app. 33 000 (December 2015) what is significantly increased comparing to 2013. In terms of employment within the metal processing industry, we need to underline the fact that the entity agencies divide the MP industry into a several categories. These include the manufacture of Base Metals, the manufacture of Fabricated Metal Products, the manufacture of Computer, Electronic and Optical Products, the manufacture of Electrical Equipment, the manufacture of Machinery and Equipment and the manufacture of Motor Vehicles, Trailers and the manufacture of Other Transport Equipment. The overall labour market framework for the MP industry in 2015 by entities showed in the next table by different categories:

Metal and electro industry December 2015	No. employed in both entities	RS employed	FB&H employed	Wages in FB&H	
				net	gross
Base metal production	3,195	1,121	2,074	500 EUR	830 EUR
Production of the finished metal products except machines and equipment	8,715	2,839	6,876	360 EUR	520 EUR
Production of the machines and devices	1,590	360	1,459	330 EUR	500 EUR
Production of the motor vehicles, trailers and semitrailers	1,685	311	1,062	350 EUR	600 EUR
Production of the other transport means	250	225	20	300 EUR	436 EUR
Computer production	300	150	160	500 EUR	700 EUR
Production of the electric equip- ment	1,600	700	1000	323 EUR	500 EUR
TOTAL	17,335	5,706	12,651	-	-

Source: Entity Statistics - RS and FB&H

At present the most reliable education and research sources are:

- Faculty of Mechanics, University of Sarajevo
- Faculty of Mechanics, University of East Sarajevo
- Faculty of Mechanics, University of Banja Luka
- Faculty of Mechanics, University of Zenica
- Faculty of Mechanics, University of Tuzla
- Faculty of Mechanics and Computers, University of Mostar

INVESTMENT OPPORTUNITIES

Strong development and permanent production growth that characterized B&H metal sector is considerably below its real potentials and expected performances. The existing structure of the metal sector in B&H, characterized with small companies provide huge chances for large integrator companies of the sector, to integrate existing primary producers and to start their operations. In order to make more attractive investment climate within the particular sector it is important to make a following steps:

- a) Production growth with the higher added value
- b) Partnership with the international companies
- c) Technologies innovations
- d) Privatization and reconstruction opportunities
- e) Establishing of the quality certification institution (particularly important for the export oriented companies).

Domestic metal companies are already recognized as reliable partners by present foreign investors. Privatization opportunities are still offered to the foreign investors and according to the privatization

plans of Federation of B&H and Republic of Srpska those opportunities include the following companies: Information on Public announcement for privatization of abovementioned companies will be available at FIPA web site www.fipa.gov.ba. Bosnia and Herzegovina metal sector

LEGAL FRAMEWORK

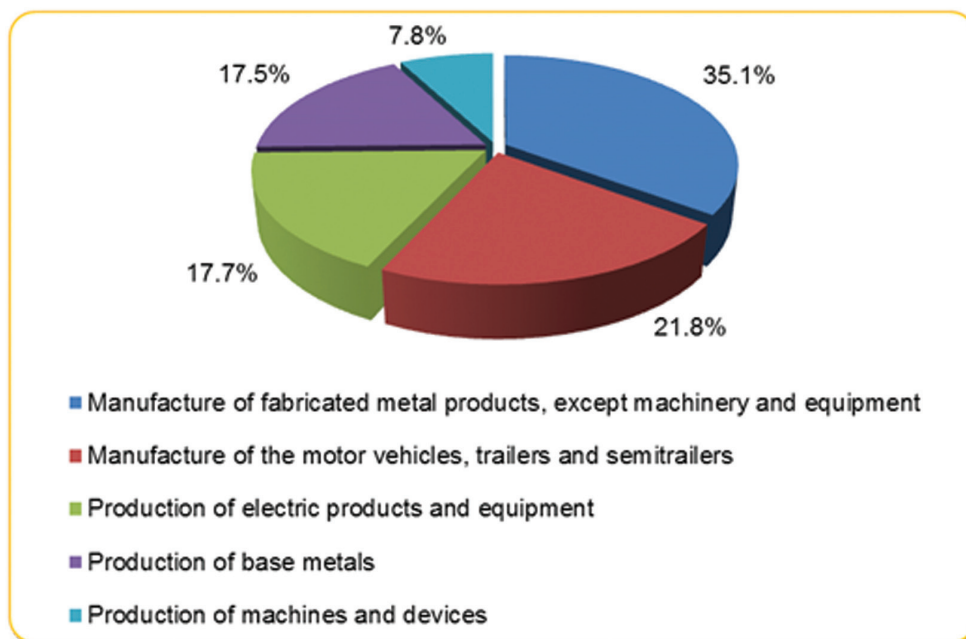
According to the Law on Foreign Direct Investment Policy in B&H there are no any restrictions and limitations regarding metal products and metal processing industry in general when it comes to the foreign investor who is allowed to be a 100% owner of the metal company at the B&H territory and has the same rights as local owner. They are allowed to freely open a bank account in any commercial bank and make transactions in currency they are obliged to. Foreign investor enjoys equal status, rights and duties as domestic legal and physical persons. A foreign investor enjoys full legal security and legal protection in respect of rights acquired by virtue of the investment. Rights of foreign investor are acquired in the moment of registration of the legal documents and cannot be deteriorated by subsequent alteration of laws and other regulations. Company with foreign investment enjoys equal legal status and carries on its business under equal conditions and in an equal manner as domestic companies do.

FDI IN METAL PROCESSING SECTOR

According to the statistical data total income of metal production of FDI by the end of 2014 was 537.8 million BAM that presents 4,62% of the total foreign investments. Most of that amount was invested in to a production of:

- fabricated metal products except machines and equipment - 1,62%
- motor vehicles, trailers and semitrailers - 1,01%
- electric products and equipment - 0,82%
- base metals - 0,81%
- machines and different devices - 0,36%

Investment activities within the total foreign investments in the metal sector - December 2014 - in percentages:



Source: CBB&H, FDI Balance by activities NACE Rev 2



Foreign investor's access in to a metal sector would have enabled flow of local company's access towards new technologies, knowhow system and administrative skills. That also includes domestic companies into a regional and global business networks as well as additional capital for investments in order to increase productivity and competitiveness of the companies.

Company	Foreign investor's country	Foreign investor
Arcelor Mittal d.o.o. Zenica	Switzerland	Mittal Steel Holding N.V. (Arcelor Mittal)
Aluminij d.d. Mostar	Croatia	TLM d.d. Šibenik
Jelšini grad Livnica čelika a.d. Banja Luka	Slovenia	Livar d.d. Ivančna Gorica
Cimos B&H Gradačac, Zenica, Novi Travnik	Slovenia	CIMOS Group
Jajce Alloy Wheels d.o.o. Jajce	Luxemburg,	Miroslav Leko, Hans - Hubert Brock
Presal Extrusion d.o.o. Široki Brijeg	Italy	Presal Extrusion
Emka d.o.o. Goražde	Germany	Emka Group
Mann Hummel d.o.o. Tešanj	Germany	Mann + Hummel
FAD d.d. Jelah	Slovenia	Prevent Group
Strolit d.o.o. Odžak	Slovenia	EM PK d.o.o. Podveza
Bekto International d.o.o. Goražde	Austria	Bekto GmbH

The list of the foreign investment companies in to a metal sector made by FIPA

Metal sector has attracted respectable global and regional foreign companies that accompanied the metal sector in to a process of globalization and regionalization as we can see at the table above.

SUCCESS STORIES

1. Bekto Precisa
2. Hella - Bekto Industries Goražde
3. Bogner Edelstahl d.o.o.
4. Alumil Group - investment in Vlasenica
5. Bosancar d.o.o. Bosanska Krupa
6. Juwal - Switzerland

BEKTO PRECISA

Bekto Precisa was established in June 2005 and today employs over 350 young, promising employees with a tendency towards further development. Bekto Precisa is very well placed on the national and also international market range. Bekto-Precisa is dealing with the production of highly sophisticated tools for plastic and non-ferrous metals, as well as a combination of metal-plastic. In sections of plastics, they inject positions for auto, electrical, sports, mechanical and other industries, all in accordance with the regulations of European standards and requirements of customers. Out of Gorazde sensors parts, light emitting and operating elements for the automotive industry are being transported for assembly at BMW, AUDI, MERCEDES, VOLKSWAGEN, TOYOTA, MAZDA, OPEL, FORD, FERRARI and others. Winter Olympic Games had some of their product components introduced on sport skis and equipment by FISCHER & MARKER. Hella Bekto Industries established with the German partner is dealing with street lighting fixtures LED technology."

Mr. Nurija Vesnic, Director, Hella - Bekto Industries Gorazde - *Statement: It is a joint venture of German company "Hella" and Bosnian companies "Bekto Precisa". On this occasion I would point out the importance of "Bekto Precisa" that from '96 exists in the area as a positive sample for joint venture investments at the territory of B&H. Excellent working environment, support of the local communities and qualified workforce that can respond to those requirements may be a great sign to the other foreign investors to come and join us in B&H.*

BOGNER EDELSTAHL

Bogner Edelstahl d.o.o. Vitez is a BiH leader in special steel trade with the special emphasis on inox, stainless steel materials. Properly established commercial network, technical consultations and support in this field of activity play an important role in the development of industrial capacities of a wider region. Thanks to enhanced efforts in the material supply market, they are nowadays in a position to meet the clients' demand and offer them specific solutions to cut the related finishing costs down. They are offering out to customers the "unique steel proposition" that represents: a unique product assortment and a comprehensive service mixed together. Bogner Edelstahl's excellence and good management was crowned by ISO 9001-2008 QUALITY MANAGEMENT CERTIFICATE, issued in accordance to the European standards by Quality Austria."

Mr. Jozo Miskic, Director, Bogner Edelstahl d.o.o Vitez - *Bosnia and Herzegovina is a country that has a strong and long tradition in metal processing industry, in which also we've been active for the last 12 years. We also do have excellent partners and customers within the industry and advice foreign investors to come and invest in B&H since success is guaranteed.*

ALPRO

Alpro is one of the leading companies in production of architectural Aluminium profiles in SEE. Highly qualified personnel, in all fields, and innovative and modern solutions in their products are the guaranty of successful business. In its production programme today, Alpro has a wide range of profiles: standard profiles, profiles for doors and windows with or without thermal brake, profiles for fences, profiles for sliding doors and windows, profiles for curtain walls, profiles for partition walls, profiles for mechanical and auto industry etc. In cooperation with Alumil group, they work every day to introduce new systems and improve existing systems. Distributive network of Alumil covers more than 50 places throughout Europe and world."

Alumil Group - *Investment in Vlasenica is indeed positive since in the process of privatization of the state institutions provided valuable support to facilitate all administrative procedures. That is why the project very quickly and very efficiently implemented. "Alumil group" did not stop at this and of course continued to invest in B&H.*



BOSANCAR

Bosancar is respectable company in BosanskaKrupa, owned by the Italian company. This company is established from 2005. They produce cabins for working machines and employ 42 workers. This company has already invested additional 2,5 million Euros in to a new building and manufacturing capacities and plans to employ 35-40 people more. They are satisfied with the business environment in Bosnia and Herzegovina and therefore show positive sample to the other foreign investors intending to come here and start their business activities.

***Mr. Ćehajić Šehad director Bosancar** - Bosancar is the company 100% owned by the foreign investors. It is established in 2005 with 8 employees. The company has realized the production of approximately 600 units of the product (cabin for working machines) annually. Today Bosancar has 42 employees with the trend of hiring new workforce and production potential increase in approximately 3,000 units annually. During the final stage an investment within the production area is going to be approximately 5000m² and land area of approximately 36,000m². Previous investments in to a land, real estate, new technologies and human resources amount to approximately 3 million Euros, with a growing trend in the forthcoming period.*

USEFUL CONTACTS

Foreign Trade Chamber of B&H - **www.komorabih.ba**

Ministry of Energy, Mining and Industry of Federation of B&H - **www.fmeri.gov.ba**

Ministry of Industry, Energy and Mining of Republika Srpska - **www.vladars.net**

Chamber of Economy of Federation of B&H - **www.kfbih.com**

Chamber of commerce and Industry of Republic of Srpska - **www.komorars.ba**

METAL SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA



Metal sector projects in Bosnia and Herzegovina:

- Aluminium profiles, Alumina Knezevo
- Bolts factory, Mrkonjic Grad
- Metal and technical rubber products, SOKO Ljubinje
- Railway equipment, MetalotehnaKnezevo
- Steel structures, Metalno, Zenica
- Tool making factory, Ugljevik
- Agricultural machinery, KozarskaDubica
- Ferrosilicium Production, Gornji Vakuf Uskoplje
- Radiators production, Termal Lopare
- Seta inzenjering, Zavidovici
- Metal and plastic processing, Banja Luka
- CNC machines, Doboje
- Lattice treads, Jelah-Tesanj

Military sector projects in Bosnia and Herzegovina:

- Kosmos, Banja Luka
- Orao, Bijeljina



AUTOMOTIVE INDUSTRY IN BOSNIA AND HERZEGOVINA



BACKGROUND

Bosnia and Herzegovina has a long tradition and widespread experience in the automotive industry. For decades, major brands have relied on the skilled workforce of B&H to assemble cars for Western markets. First steps in this industry branch were made in 1950s in production of different parts and components for passenger cars and heavy weight vehicles.

Before the 1992 Volkswagen manufactured passenger and commercial vehicles at a plant near Sarajevo, while Kosmos - Banja Luka and Soko - Mostar produced buses. Within the last ten years automotive industry in Bosnia and Herzegovina (metal processing and manufacturing, tooling, plastic processing, mechanical and electrical and textile products for automotive industry) has faced a dynamic development and became an export oriented industry exporting about 90% of its production all around the world.

ACTUAL SITUATION

Given the trade surplus, Base Metals lost the lead as the category with the largest surplus within the B&H export structure. The 2014 surplus of this category totaled 354.1 million BAM, lower by 60 million BAM compared to the Wood and Wood Products category. In contrast, the category Machinery and Equipment remained far from being in surplus territory despite the favorable trend in 2014 mirrored by a growth in exports and a decline in import figures.

While in other segments bh industry stagnates, companies engaged in to auto components manufacture prosper year by year. Foreign companies show stronger interest for new investments such as one respectable consultant company Roland Berger that made a Study for potential investors from Japan - most powerful auto component market around the world. Still, main business partners of bh automotive sector are coming from Germany and Austria.

Significant business results achieved from 2012 to 2015 were related mainly to the members of the global automotive industry consortium (Prevent BH, FAD and Man+Hummel Group, Cimos) that recorded impressive financial and operating results on an annual basis.

In addition, company Prevent BH recorded total sales amounting to 348.2 million KM representing a strong annual growth of 11,5%.

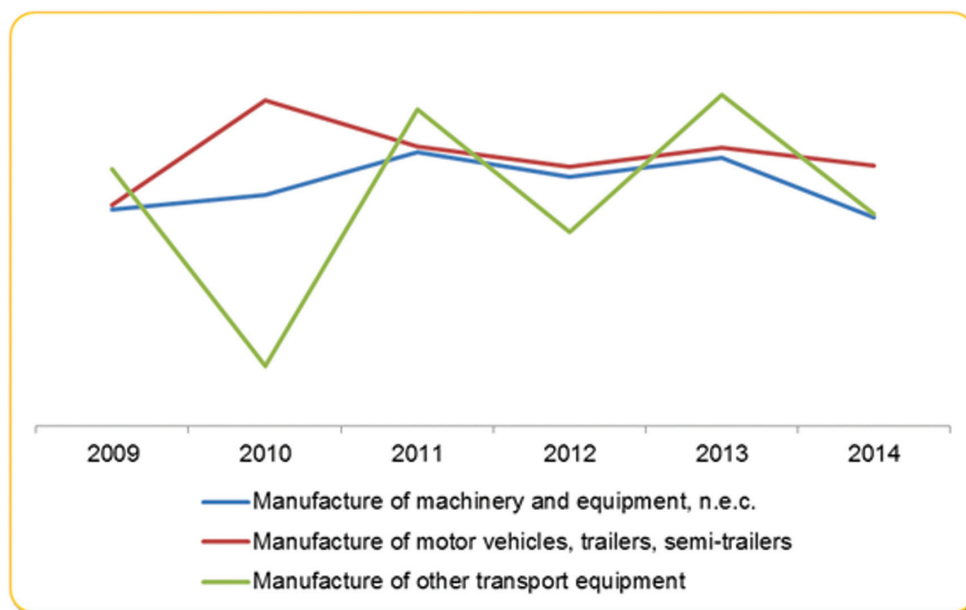
On the other hand Fad from Jelah is one of the key Prevent Group players that recorded a staggering performance in terms of sales increased by 55,8% annually or 48,12 million KM. Third position belongs to MAN Hummel from Tešanj that gained 12% increase in sales per year.

Thus, the business model of the companies mentioned earlier directly placed own range of products with a large global automotive industry consortium of western Europe, namely the Volkswagen group, may be noted as one of the most successful models in the future and become an backbone of bh metal industry.

Beside mentioned, small medium companies benefit out of the export potential by realising an ambitious plans of the business expansion such as UnisTok from Kalesija, Plamigo from Gračanica and CIMOS Group, TTKabel from Široki Brijeg, Miviko from Posušje and Kapis from Tomislavgrad.



GDP indexes for three basic activities of the production of machines and devices, motor vehicles and other transport means (Current prices - nominal indexes)



In the structure of industry, manufacturing of motor vehicles, trailers and semitrailers takes part with 1,78 % for 2015. Regarding the production of other transport means it takes part with 7,06%.

Overall, the cross-section of the metal industry performance for the period 2010-2014 (nominal values and the growth rates of sub-sections) clearly shows that there are very encouraging trends mirrored by the fact that the fastest growing categories are those we consider to be the most sophisticated production sub-segments such as Automotive Parts and Machinery and Mechanical Appliances. Automotive parts went up to 13,4% of the total WP export. German market is the largest export market with 69.5 million BAM worth of exports of automotive parts or a 26.1 % share of the total automotive industry. B&H market is impressively integrated in to international flows of barter so, increased demand at the world market influence local production that mostly referred to the companies that strategically identified for export. Due to it, bh manufacturers of automotive components are fully dependent on export and foreign demand. Currently, automotive industry marks significant increase and high profitability so it is estimated that in 2015 majority of countries reached a production level from before the recession period. But, a lot of changes have happed regarding the demand's structure and our companies need to react accordingly if they would like to use the opportunity. It mostly refers to the changes of the customers' requests, stricter legislation in security and ecology context as well as the increased data availability.

In 2015 automotive sector export was increased in 4,2 % and was 322 million BAM.

AUTO COMPONENTS PRODUCTION

In a group of companies involved in auto components supply at present, the majority is in metal processing - over 70% and plastics – about 15%. Certain number operates in electrics and electronics and a few in other segments of automotive supplies, such as filters, batteries, spark plugs, fuses and rubber parts.

Association of the European vehicles manufacturers (ACEA) issued new data about new vehicles that were sold by January 2015, so it is increased in 6,2% comparing to the same period in 2014.

Companies in automotive sector are producers of a wide spectrum of parts and components, such as: engines and gears and their parts, high - quality metal precision parts, drive shafts, brake parts and systems, clutches, steering parts and systems, pumps, filters, automotive electric parts (signals, relays, electronic switches), textile and leather products, plastic injection parts, aluminium wheels, car batteries and various small parts such as springs, screws, hoses, and metal components, rubber or plastic.

Thermoplastic processing also follows the trend of development and some companies are already recognized exporters. BektoPrecisaGorazde, a modern and well-equipped manufacturer of (thermo) plastic injection parts, exports over 90% of overall production, the most to the EU. BuplastBugojno is serving other automotive suppliers in BH, like Tesla Brcko and Unico Filter Tesanj.

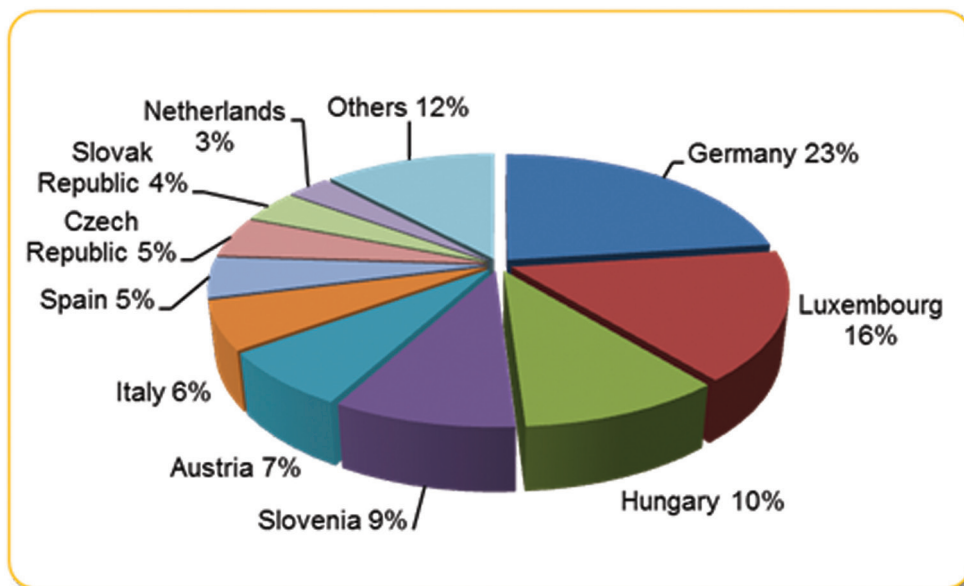
Very important and successful segment of auto components supply in Bosnia and Herzegovina is production and export of textile and leather seat covers and accessories to major global automotive players (Prevent, Car Trim).

CUSTOMERS AND EXPORT

In order to enforce the export structure of bh products it is important to follow a higher participation of the products with the higher value added. Companies with the greatest chances for that are the companies in charge of motor vehicles production and those that created its place at the value chain of the global automotive companies.

Consequently, exports to the automotive industry became the fastest growing category with a double-digit increase of 26.3% joy up to 266.3 million BAM in 2013. Looking at more details at the automotive industry, Automotive Parts accounted for 80.4% of total exports yet direct production of cars and other vehicles continued to hold a modest share of the automotive industry at 9.4% or 25.1 million BAM respectively.

Main export indicators for the automotive industry, Automotive spare parts - Top 10 export markets in 2015



Source: Informative and statistic center of the Foreign Trade Chamber of B&H

Looking in more detailed at the MP industry structure, there is an evident trend from year to year of the rising importance of those sub-segments with the higher added-value: Automotive Parts went up to 13.4% of total WP export. Other Metal Products managed to keep its share of 4.1% of the total MP industry.

As it is visible from the graphs above the automotive industry differs slightly from the above explained market structure with the Luxembourg market being the second most important with 16% of automotive industry exports where the only export goods are automotive parts. The German market is the largest export market with 23% worth of exports of Automotive Parts or a 26.1% share of the total automotive industry. The automotive industry is one of the brightest examples of this fast expansion and good innovation supported by cooperation with large European producers where some segments of their outsourcing are pledged to B&H producers, such as the very successful stories of Prevent, Mann and Hummel and FAD Jelah.



WHY TO INVEST IN AUTOMOTIVE SECTOR IN BIH?

- Strategic location
- Long and extensive tradition in auto - components supply
- Highly qualified and affordable labour force
- Availability of research and development institutes (6 Faculties of Mechanics)
- Price competitive environment, average net wage 300 EUR
- Stable and convertible currency linked to EUR
- Quality production - ISO and industry certificates
- Equipment mostly of EU origin, especially from Germany
- Infrastructure in place and energy sources available

With all the recent strategic movements and industry renewal in B&H, auto components supply chain has a good prospective to develop further and serve the needs of the wider region.

To materialize these potentials, automotive sector seeks for increased capital equipment investments, new technologies and access to the new markets, what can be met with strong strategic partners or large integrator companies which intends to move their production or assembling activities at lower cost regions.

HUMAN RESOURCES AND EDUCATION

Human resources with technical skills and expertise are the most favourable advantage for investing in Auto components sector in Bosnia and Herzegovina. Educated and skilled labour force is still abundantly available throughout the country particularly for the automotive and metal processing industry.

According to the USAID Survey, auto components sector of Bosnia and Herzegovina mobilized app.4600 employees in 38 companies.

Another advantage of B&H is the high density of research and development institutes, which are the base for effective cooperation with the companies and meeting their development needs. On the other hand, a rise in the number of employees was registered in all other MP sub-segments, except for the manufacture of Other Transport Equipment, which brightens the overall labor market framework for the MP industry in 2013.

Education system and universities of mechanical and other related sciences exist and having proved successes in cooperation with the companies in metal and automotive sector in previous years. Especially the faculties of mechanical engineering co-operate closely with the local companies of the automotive supplier industry in a number of R&D-projects.

At present the most reliable education and research sources are:

- Faculty of Mechanics, University of Sarajevo, Division: Engines and Vehicles
- Faculty of Mechanics, University of East Sarajevo
- Faculty of Mechanics, University of Banja Luka
- Faculty of Mechanics and Computers, University of Mostar
- Faculty of Mechanics, University of Zenica, Division for Motor Vehicles
- Faculty of Mechanics, University of Tuzla

INVESTMENT OPPORTUNITIES

- High quality and reliable suppliers
- Good educational base
- Innovations
- Infrastructure and energy availability are the focal points of promises to potential investors
- Qualified working force
- Availability of halls and facilities

LEGAL FRAMEWORK

According to the Law on Foreign Direct Investment Policy in B&H there are no any restrictions and limitations regarding automotive products and automotive components production industry in general when it comes to the foreign investor who is allowed to be a 100% owner of the metal company at the B&H territory and has the same rights as local owner. They are allowed to freely open a bank account in any commercial bank and make transactions in currency they are obliged to.

Foreign investor enjoys equal status, rights and duties as domestic legal and physical persons. A foreign investor enjoys full legal security and legal protection in respect of rights acquired by virtue of the investment. Rights of foreign investor are acquired in the moment of registration of the legal documents and cannot be deteriorated by subsequent alteration of laws and other regulations. Company with foreign investment enjoys equal legal status and carries on its business under equal conditions and in an equal manner as domestic companies do.

FDI IN AUTOMOTIVE SECTOR

According to the statistical data total income of metal production (including automotive sector) of FDI by the end of December 2014 was 537.8 million BAM that presents 4,62% of the total foreign investments. Most of that amount was invested in to a production of:

- fabricated metal products except machines and equipment - 1,62%
- motor vehicles, trailers and semitrailers 1,01%
- electric products and equipment - 0,82%
- base metals - 0,81%.
- machines and different devices - 0,36%

Foreign investor's access in to a metal sector would have enabled flow of local company's access towards new technologies, knowhow system and administrative skills. That also includes domestic companies into a regional and global business networks as well as additional capital for investments in order to increase productivity and competitiveness of the companies.



Metal sector has attracted respectable global and regional foreign companies that accompanied bh metal sector in to a process of globalization and regionalization as we can see at the table above.

Company	Foreign investor's country	Foreign investor
Car Trim d.o.o. Žepče	Germany	Car Trim GMBH
Unico Filter d.o.o. Tešanj - Mann Hummel	Germany	Mann + Hummel
Prevent	Germany	Prevent group
Jajce Alloy Wheels d.o.o. Jajce	Croatia, Germany	Miroslav Leko, Hans-Hubert Brock
PresalExstrusion d.o.o. ŠirokiBrijeg	Italy	PresalExstrusion
Emka d.o.o. Goražde	Germany	Emka Group
Mann Hummel doo d.o.o. Tešanj	Germany	Mann + Hummel
FAD d.djelah	Slovenia	Prevent Group
Strolit d.o.o. Odžak	Slovenia	EM PK d.o.o. Podveza
Bekto International d.o.o. Goražde	Austria	Bekto GmbH

The list of the foreign investment companies in to auto sector made by FIPA

SUCCESS STORIES

PREVENT BH d.o.o. (GERMANY)

“Prevent Group” employs more than 10,000 people at 35 locations around the world and is constantly expanding their range of services. Prevent operates in Bosnia and Herzegovina since 1999. It started with 50 employees and today it has over 5000 employees, 9 companies and 7 locations. Prevent BH operates under 4 divisions: seat covering, materials (where they produce leather and textile), metal (where they produce break disks for renowned customers in European automotive sector). Also Prevent BH has a non-automotive division. This division operates within nautical and protective clothing division which is the core business of Prevent Group since 1952. This year Prevent Group celebrates its 60th and 20th anniversary - 60th from the very founding of Prevent Group in Slovenia and 20 years since the establishment of its headquarters in Germany.

Mr. Almir Jazvin, Managing Director - *Why Bosnia and Herzegovina? Bosnia and Herzegovina has a cultural position in terms of its industrial culture and experience over the last 100 years, it also holds a major infrastructure advantage, it has its proximity – it’s very close to the European market and therefore we are very close to our customers and that’s one of the pillars of Prevent’s experience with its customers. Moreover the favorable tax system provides a unique advantage and a position to international investors and foreign direct investment that is one of the most significant advantages of Bosnia and Herzegovina for attracting foreign investments.*

BEKTO PRECISA GORAŽDE AND HELLA - BEKTO INDUSTRIES GORAŽDE (GERMANY)

“Bekto Precisa” was established in June 2005. and today employs over 350 young, promising employees with a tendency towards further development. Bekto Precisa is very well placed on the national and also international market range. Bekto-Precisa is dealing with the production of highly sophisticated tools for plastic and non-ferrous metals, as well as a combination of metal-plastic. In sections of plastics, they inject positions for auto, electrical, sports, mechanical and other industries, all in accordance with the regulations of European standards and requirements of customers. Out of Gorazde sensors parts, light emitting and operating elements for the automotive industry are being transported for assembly at BMW, AUDI, MERCEDES, VOLKSWAGEN, TOYOTA, MAZDA, OPEL, FORD, FERRARI and others. Winter Olympic Games had some of their product components introduced on sport skis and equipment by FISCHER & MARKER. Hella Bekto Industries, established with the German partner, is dealing with street lighting fixtures LED technology.



Mr. Nurija Vesnic, Director, Hella - Bekto Industries Gorazde - It is a joint venture of German company "Hella" and Bosnian companies "Bekto Precisa". On this occasion, I would point out the importance of "Bekto Precisa" that from 96 was in this area. Local community's supports and qualified work force respond to these requirements that is an important segment of the arrival of "Hella" in this area. I would point out also that the realization of its operations in fiscal 2011/2012 year has been recorded at 4.8 billion Euros.

KOLEKTOR BOSNA d.o.o. LAKTAŠI - (SLOVENIA)

"Kolektor Bosna" is respectable a trans-national company connecting almost 30 companies on strategic world markets. The group's companies are organizationally bound under the branch principle. Developmentally as well as business-oriented, the programs are managed in the business divisions. It is Slovenian investment that is registered 2011 with 168 employees. The company provides wide program of commutators, rotors, electronic, magnetic and hybrid components including also electronic sub-systems and plastic products for exterior and interior of vehicles. Long tradition and rich experience regarding development, production and supportive services in the field of automotive components make Kolektor a reliable partner for integral solutions. Kolektor meets all requirements under the ISO TS 16949 as well as specific standards of automotive producers.

USEFUL CONTACTS

Foreign Trade Chamber of B&H - **www.komorabih.ba**

Ministry of Energy, Mining and Industry of Federation of B&H - **www.fmeri.gov.ba**

Ministry of Industry, Energy and Mining of Republika Srpska - **www.vladars.net**

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Chamber of commerce and Industry of Republic of Srpska - **www.komorars.ba**

AUTOMOTIVE SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA

Automotive sector projects in Bosnia and Herzegovina:

- Machine parts and engines, Famos Koran Pale
- Motor vehicles parts and accessories, Novi auto dijelovi Rudo
- Purifiers and filters, Nova tvornica precistaca Rogatica
- Steering mechanisms, FUSOL Nevesinje
- SarajKomer, Gornji Vakuf Uskoplje



FORESTRY AND WOOD INDUSTRY IN BOSNIA AND HERZEGOVINA



FOREST RESOURCE - RAW MATERIAL BASE

BiH is a country with the largest share of forest and the greatest diversity of forest types in the Western Balkans. The Forests are one of the most important natural resources in the country. According to the latest data, forests and forest land in BiH encompass an area of 3.231.500 hectares, which represents 63% of the total area, with values that are among the highest in Europe. In terms of ownership, about 80% of forests are state-owned and 20% privately owned.

DISTRIBUTION OF FORESTS IN BIH

The new data indicate the existence of even 435 million m³ of wood stocks, which amounts to 201 m³/ha. Due to their natural and diverse structure as well as significant natural regeneration, forests are a key resource for the further development of Bosnia and Herzegovina. The main tree species are: fir, spruce, Scotch and European pine, beech, different varieties of oak, maple, elm, ash, and the fruit trees (cherry, apple, pear). It is necessary to emphasize that the beech and oak from Bosnia and Herzegovina, in the manufacture of furniture, are very distinctive raw materials and it additionally opens many doors in the world to BH producers.

Bosnia and Herzegovina is a net exporter of primary and secondary forest products and has the potential to run the local processing companies to add value. The role of non-wood forest products is currently undervalued, but it has an important role for rural development. Forest infrastructure (eg. Forest roads) and cutting technology is still not adequate to enable effective operation in forestry.

FOREST CERTIFICATION IN B&H

Certification of forests has a huge potential for multifunctional forest management. All certified forests in BiH are owned by the state and are certified by the FSC (Forest Stewardship Council). There are no certified forests in private ownership.

At the moment, four public forest companies have FSC FM / COC Certificate. Those are: "The forests of the Republic of Srpska", "Una-Sana forests", "Hercegbosna forests" and "Forests of Tuzla Canton". Total 1.519.234,9 hectares of state forests or 1/3 of the total forest stock in Bosnia and Herzegovina have FSC Certificate.

The process of forest certification is mainly driven by the interests of export-oriented wood processing companies and their need to gain better access to global markets.

LEGAL FRAMEWORK

Legislative regulations in the field of forestry, in the light of the process of EU integration of BH, is going through a phase of adaptation and incorporation of European norms and standards into national legislation. Managing forest resources is carried out on the principles of sustainability and respect for the strict criteria of preserving nature and the environment.

In legal terms, Bosnia and Herzegovina as a state has committed to respect binding international documents (conventions, agreements), as well as the obligations arising from the process of European integration (directives, recommendations, guidelines and criteria of the Ministerial Conference on the Protection of Forests in Europe).



Legal framework that regulates this area can be divided into:

- a. laws directly related to the sector and
- b. laws that directly affect the sector (laws on the protection of nature and environment; the Plant Protection Act, local government and others)

The forestry is in the responsibility of the Ministries of Agriculture, Water and Forestry (in some cases, Ministries of Economy). Commercial entities who are engaged in forestry are public enterprises founded by the cantonal authorities in the Federation and the entity government in RS.

SECTOR INDICATORS

The gross added value of the wood sector has recorded increase of 11,49% in 2015. The gross value added of the total manufacturing industry recorded a nominal growth of 2.1% compared to 2014. The contribution of the wood industry (withouth forestry activities and forest exploitation) to the GDP growth was 1.7%.

The wood sector has participated with 19.37% in the total export of Bosnia and Herzegovina in 2015., of which the largest percentage refers to the export of furniture, and products of higher level of finalization (9.9% of total exports of Bosnia and Herzegovina), which is mostly exported to the EU countries. The export of wood products shows increase of 3,8% in 2015 compared to the previous year. The wood sector is the only major manufacturing sector with a multiple positive foreign trade balance (primarily thanks to furniture production, processing of wood and products of wood and cork).The rate of changes in production volume in the wood sector in 2015 recorded a significant increase in production, compared to 2014.

Also, it contributes significantly to the growth of the manufacturing industry (app 4.8%), which is in BiH, in 2015 has increased 2.6% compared to the previous year. Also, the level of employment, profit and selling in wood sector recorded increase in 2015.

WOODPROCESSING INDUSTRY

Bosnia and Herzegovina has a long tradition and a good international reputation in the production of high quality wood products and furniture that meets the domestic, but also foreign demand. Foreign buyers know that the BH company can produce high-quality products because of:

- the quality of raw materials
- the quality of products and
- expertise of the workforce


This industry has an important role in the economy of Bosnia and Herzegovina due to employment and export earnings as it generates the largest foreign trade surplus.

The main competitive advantages of BiH, in the global market, are:

- solid forest resources
- low cost of labor and
- proximity to the EU market

According to available data, the Agency for Statistics of Bosnia and Herzegovina and the Chamber of Commerce, domestic wood processing industry may be declared one of the most important and the most competitive sectors of the BH Economy. From 2011, the wood processing industry has experienced an annual growth of over 10% in terms of annual production volume.

The growing volume of production was accelerated mainly by the favorable external climate and increasing foreign demand of the main trading partners (Euro zone - primarily Germany). This resulted in a growth of export revenues by over 14% per year. With such a high and continuous annual growth in the share of exports and in the terms of total production and sales, processing industry represents an important competitive advantage for the further economic development of BiH. In addition, the



structure of production, income and exports becomes more favorable every year, with a greater share of production in segments with higher added value (furniture and chairs, wooden products and pre-fabricated houses).

However, if we keep in mind the size of the EU market, we will notice that the BH production and exports are still very small and that there is a huge space for the existing and future BiH wood processors. Specifically, the European Union in 2013 imported furniture worth over 60 billion EUR. Germany alone, the biggest market for BH furniture, imports over 15 billion EUR worth of these products per year.

The key reason why the BH companies are present on the EU market is their ability to produce high quality standard furniture at a price that is lower than competition price for the same level of quality. With employment growth of 5.7% annually, the wood processing industry employs about 24.000 people.

PEOPLE AND KNOWLEDGE

Bosnia and Herzegovina is regarding the quality and expertise of the workforce, well-known in the wider international context.

As for labor costs, as a factor of production, in BH workforce is a cost-competitive. In Bosnia and Herzegovina in the last 5 years the average net wage of production workers in wood-processing sector was between 410 to 430 EUR, while the average gross salary between 640-690 EUR.

OPERATING EXPENSES

Bosnia and Herzegovina, in comparison with the countries in the region, is offering very competitive operating costs. Tax liabilities and labor costs are very low compared to European standards, and the cost of electricity, transportation and utilities are by far the lowest in the region.

Tax policy in Bosnia and Herzegovina is among the most stimulating in the region, with a low rate of income tax, profit tax and aggregate contribution rate.

The Stabilization and Association Agreement is enabling the free export to the EU of almost all goods, which meet the standards of EU.

The equipment imported in BiH as foreign investment must not be older than 10 years. It is necessary to provide a certificate from the competent authority to prove that the equipment meets the standards of environmental protection and occupational safety.

INVESTMENT OPPORTUNITIES

Primary wood processing, lumber and wooden panels, and furniture are the key to the most of the countries of the Western Balkans, including the BiH. It is common in the western Balkans that the adding value in the chain of processing is insignificant, where the lumber and semi-processed elements are dominant export products.

BiH is the leading country in the region in the export of timber, wooden panels and furniture. In the wood processing sector of Bosnia and Herzegovina there are investment capacities for a higher degree of product finalization. Currently the largest numbers of BiH companies have a well-organized production, technical equipment capacity and experience, but usually at a lower stage of processing (friezes, pallets, wood elements and the like.)

Bosnia and Herzegovina require investment in forest infrastructure and new technologies that will increase the utilization of wood volume (especially smaller diameter and lower quality) and the creation of new products and added value.



The traditional business of manufacturing high-quality furniture (especially solid wood) in small and medium-sized enterprises are a huge investment potential of the wood sector in BiH.

The availability of unused biomass in Bosnia and Herzegovina is still very high. It is estimated that approximately 1.000.000 tons of biomass in BiH remains unused. Therefore, the center of a special interest of potential investors in the future could be the production of wood pellets and heat production based on biomass. Current annual production of wood pellets in BiH is around 150.000 tons.

FOREIGN INVESTMENTS IN THE WOOD SECTOR

The foreign investments in Bosnia and Herzegovina in wood-processing sector was 172 million EUR or 2.95% of total foreign direct investment in BiH. The highest amount has recorded in manufacturing of paper and paper products, app 60% of total investments in the wood sector of Bosnia and Herzegovina.

In the last few years, the largest FDI inflows in the wood sector of Bosnia and Herzegovina was in the section for production of ecological fuel-pellets, and the biggest country investor in this sector is Italy.

SUCCESS STORIES

Foreign companies, investors in this sector:

- Natron Hayat d.o.o. Maglaj-Hayat Group, Turkey
- Standard a.d. Prnjavor- Daccomet AG, Switzerland
- SHP Celex a.d. Banja Luka
- AD Nautic d.o.o. Goražde-Prevent Group, Slovenia
- Napco beds d.o.o. Petrovo
- Lipa drvo d.o.o. Omarska-Cora Group, Italy

STANDARD A.D. PRNJAVOR (SWITZERLAND)

“Standard has been producing school furniture until 1985. Thanks to the brilliant quality and design, Standard has grown in to a company with 300 employees, which has placed its products on domestic and also on the international market. In the year 2000 Standard started cooperation with the Swedish company IKEA. In 2001 Standard became a joint stock company which was a condition to start sales of shares. Throughout 2004 the Swiss company Daccomet AG from Zurich started to acquire shares of Standard. After the purchase of the majority of the shares by Daccomet AG, three investment cycles have been carried out. These investments imply new equipment, new facilities, accessories, training of employees with the goal to improve quality and to increase the capacity. Now Standard has 250 employees and it has started a new investment cycle. Standard Prnjavor is a specialist for veneer furniture and also mixed-material furniture, like veneer/masiff or veneer/metal.”

Mr. Edin Dacic, Director, Daccomet AG - *“Obviously Bosnia and Herzegovina is still a country in a transition period with a lot of challenges, but we are thinking positively and seeing more the opportunities. One of the opportunities that contributed to our decision to invest in Bosnia and Herzegovina was the macroeconomic stability which is based mainly on the fixed exchange rate of the currency Konvertibilna Marka, on the one hand and on the other hand the interest of the international community in success of Bosnia and Herzegovina. The second point that contributed to our decision was the proximity to Western European markets, the proximity to the European highway system, the availability of raw material at very reasonable prices and also the availability of workforce at very competitive prices. Obviously we knew, being already active in furniture production before, that Bosnia and Herzegovina is a country with a long tradition in furniture production and with a rich experience in export, and this contributed mainly to our decision to invest together with partners, banks and our customer Ikea in more than 5 million Euros. We created in 10 years 220 new employees and we are very happy with this development and we expect this development, even at this high speed, to continue.”*

NATRON HAYAT DOO MAGLAJ (TURKEY)

"Natron-Hayat d.o.o. Maglaj is an esteemed European company enjoying high reputation in the field of production of various types of paper and paper packaging. It was founded on 15 April 2005 by company Natron d.o.o. Maglaj and the reputable company KastamonuEntegre company, which is a member of the internationally renowned Hayat Holding Group from Turkey. This newly established company has inherited a 50-year-old tradition and experience in the paper industry (based on the successful work of the former Natron d.o.o. Maglaj). Natron-Hayat currently employs more than 840 workers. A great number of young and highly qualified employees, along with older experts of various profiles, are making every effort to meet the expectations of every customer. They can offer the following products: packaging paper, MG (machine glazed) paper, crepe paper, finishing paper, paper sacks, paper bags, corrugated board and board packaging, cores. With its current production, company meets not only the domestic market needs but also those outside the borders of Bosnia and Herzegovina."

Mr. Avanash Taneja, Managing Director, Natron Hayat doo Maglaj - I would like to emphasize that Norton head has been one of the most successful privatizations in the country. That has happened not only because it had a very strong, determined and resourceful group head group behind it, but also because of very sincere dedicated, technically strong, workforce in the mill and in the country which delivered the right results once guided properly. In my opinion it is one of the strengths of BiH because only state of the art machines do not deliver the results but you need the right people behind them."

USEFUL CONTACTS

Ministry of Foreign Trade and Economic Relations of B&H - www.mvteo.gov.ba

Federal Ministry of Agriculture, Water Management and Forestry - www.fmpvs.gov.ba

Ministry of Agriculture, Forestry and Water Management RS - www.vladars.net

Wood Cluster Association in B&H - www.drwni-klaster.ba

Foreign Trade Chamber, Association of Forestry and Wood Processing

Industry - Timber group - www.komorabih.ba

Federal Chamber of Economy, Division of Forestry, Wood Processing and

Printing Industry - www.kfbih.com

Chamber of Economy RS, Association of Forestry and Wood processing - www.komorars.ba

WOOD SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA

Wood sector projects in Bosnia and Herzegovina:

- Biomass briquettes, Sokolac
- Factory of tables and chairs, Lopare
- Furniture production, Konjuh Zivinice
- Parquet and glued panels, FAD Vogosca
- Passive building and wigwams, Donji Vakuf
- Prefabricated houses, Seta inzenjering Zavidovici
- Wood processing plant, East Drvar
- Sanitary and other furniture, Mostar
- Production of pellets, Gradiška
- Wood pellets, Petrovo



ENERGY SECTOR IN BOSNIA AND HERZEGOVINA



GENERAL INFORMATION

Energy has a major impact on the growth and development of the economy of each country, primarily through technological development and the increasing competitiveness of the economy. Energy is a generator of development in the technological, economic, scientific and educational terms.

The energy supply is essential for the sustainability of economic development of the countries of the Western Balkans, especially due to the fact that it is a large number of relatively small economies. From the perspective of the European Union, SEE region has been identified as a major transit region for gas, oil and electricity. World Bank research shows that the lack of energy and energy demands throughout the region will be dramatically increased in the near future. Energy sector is one of the most powerful in BiH, with long tradition, huge potentials and opportunities for further development and investment as well as with intentions to become integral part of European Energy Market and European Community.

According to the latest data, BiH is at first place in the region concerning the export of electricity. The export of electricity in 2014 was 5,997 GWh. In the last three years, BiH was ranked as 24th in the world in the export of electricity, while Germany occupied first place. In the last few years a significant growth of foreign investment in Bosnia and Herzegovina Energy sector, has recorded.

Foreign investors have recognized the potential of this sector in BiH, and also the BiH Public Companies producing electricity, invest substantial means in order to this sector enable sustainable development and growth.

WHY INVEST IN BIH ENERGY SECTOR?

- Energy Community Membership
- Favorable Feed-in-tariffs for RES power plant
- Low Operating costs and Competitively priced & qualified human capital
- Energy Reserves and Potentials

ENERGY COMMUNITY MEMBERSHIP

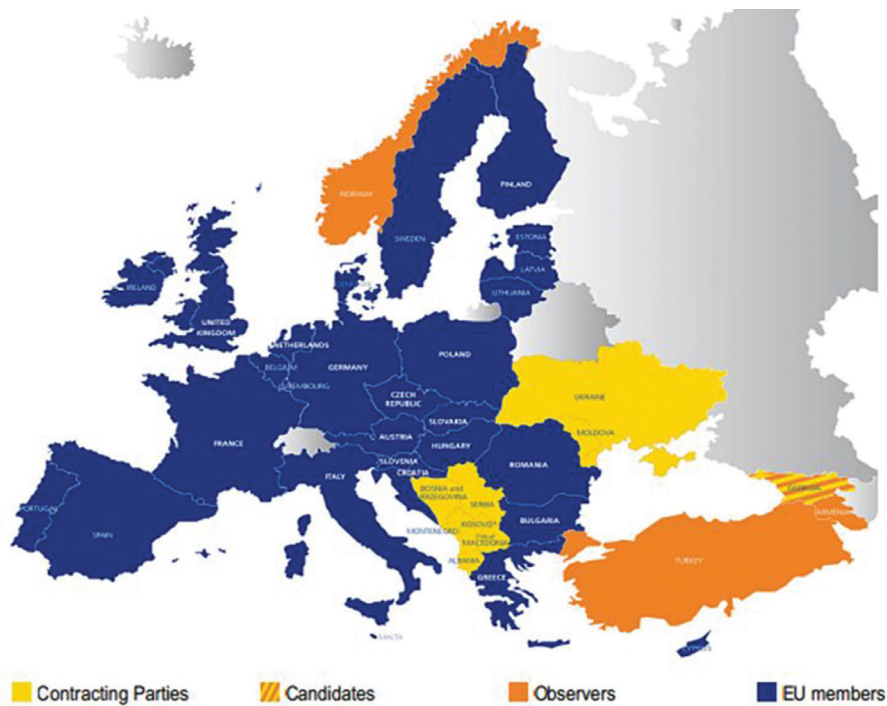
2006 BiH ratified the Treaty Establishing the Energy Community, which provides the creation of the biggest internal market in the world for electricity and gas, signed between European Union on one side, and eight Contracting Parties: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Moldova, Montenegro, Serbia and Ukraine.

Seventeen countries have the status of Participants and directly participate in the work of the Energy Community bodies: Austria, Bulgaria, Czech Republic, Croatia, Cyprus, Finland, France, Germany, Greece, Hungary, Italy, The Netherlands, Poland, Romania, Slovakia, Slovenia and the United Kingdom.

Armenia, Georgia, Norway and Turkey have observer status in the Energy Community bodies.

The main goals of the Energy Community are:

- Creation of a stable and single regulatory framework and market space
- Providing of reliable energy supply
- Attracting investments in the electricity and gas sectors.
- Implementation of Energy Efficiency
- Utilization of Renewable Sources



Geographic scope of the Energy Community

1 st March 2016 BiH joined in Brussels the International Energy Charter - successor of the European Energy Charter, as the 76th member state.

FAVORABLE FEED-IN-TARIFFS

B&H Entities Government adopted in 2014 Action Plans which determined quotas of electricity produced from renewable energy sources that will be stimulated in the period 2014-2020, as follows:

- Federation BiH Action Plan:
- 50 MW in hydro power plants
 - 12 MW in solar power plants
 - 43 MW in wind power plants
 - 4.6 MW in biomass power plants

- Republic of Srpska Action Plan:
- 110 MW in hydro power plants
 - 4.2 MW in solar power plants,
 - 100 MW in wind farms
 - 16.5 MW in biomass power plant

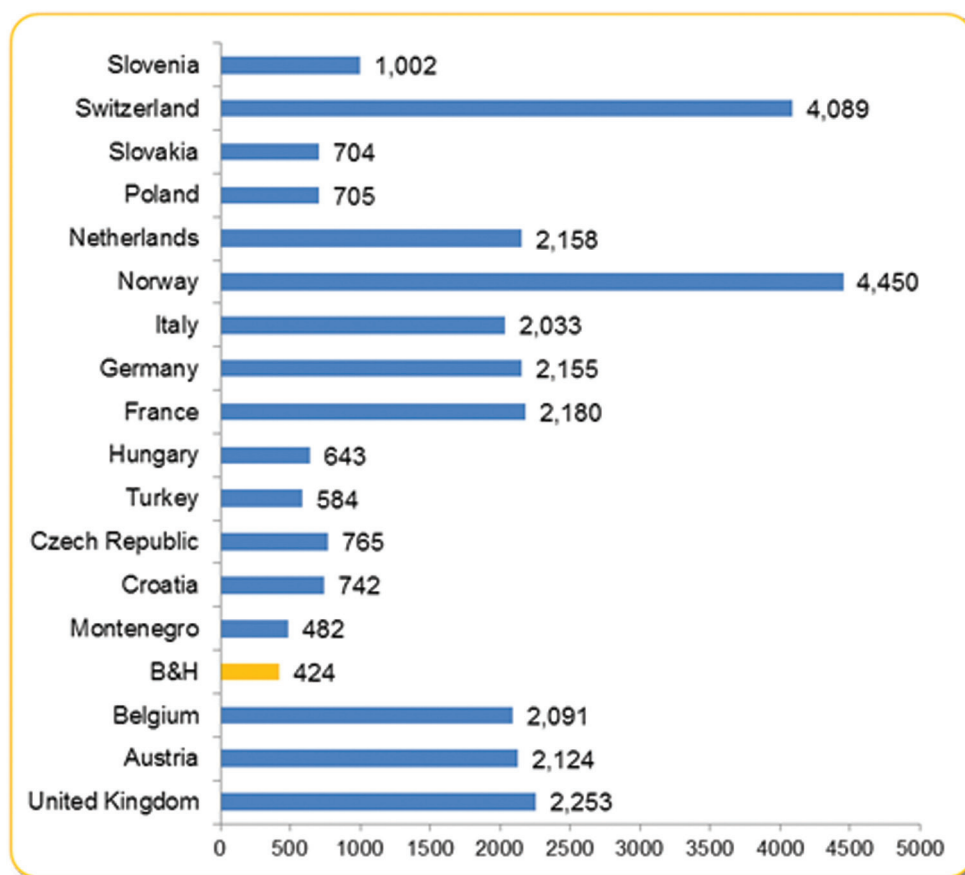
Guaranteed feed-in prices and premium for electricity generated in facilities using RES are defined in following regulations:

Federation of B&H: "Regulation on the methodology for definition of Guaranteed purchase prices of electricity from plants using renewable energy and efficient cogeneration" (Official Gazette Federation of B&H No. 50/14)

Republic of Srpska: "Decision on the level of Guaranteed redemption prices and premiums for electricity generated from renewable energy sources or in efficient cogeneration facilities" (Official Gazette of Republic of Srpska, No. 88/14)

Competitively priced & qualified human capital and Low operating costs.

Work force is efficient, creative, innovative (foreign language spoken -mostly English and German) as well as competitively priced (in comparison to other EU countries).



Average net wages (EUR) in Region for 2015

ENERGY RESERVES AND POTENTIALS

Bosnia and Herzegovina is endeavored with significant and diverse indigenous natural energy resources that are still untouched or only partly exploited, such as:

- The main energy resource of BiH is coal (brown coal and lignite), with estimated reserves of 6 billion tons (average annual coal consumption for electricity production is about 8 million tons)
- The hydropower potential is 6000 MW which locates BiH on the eight place in Europe and currently installed capacity of 2 054 MW represents 36% of total hydro potential
- According to the extensive researches, there is significant wind energy potential which is estimated at 2000 MW
- Raw material resources for the bio-mass energy are extremely favorable, including approximately 1.5 million m³ of forest / wood industry residues (all wood waste, sawdust, chips, and chipped technical wood), etc.
- Potential for exploitation of geo-thermal and solar energy are available too, but have not been sufficiently explored and exploited
- Preliminary research surveys of oil and gas, had indicated the presence of promising deposits on a number of sites in BiH(off-balance sheet reserves are estimated at about 50 million tons of oil)

ENERGY SUBSECTORS

B&H energy sector encompasses the following main subsectors:

- Coal
- Oil & Natural gas
- Power generation



COAL

Coal is one of the most important energy resources in Bosnia and Herzegovina. Major deposits of lignite and brown coal are sited all around Federation of BIH (FBiH) and Republic of Srpska (RS). Most of the existing coal mines fuel thermal power plants (TPP) in both entities. Coal mines situated in Northeast and Central Bosnia serve two TPPs, Kakanj and Tuzla, operated within the company Elektroprivreda Bosne i Hercegovine (EPBIH), whereas Ugljevik Coal Mine and TPP, and Gacko Coal Mine and TPP are operated within the company Elektroprivreda Republike Srpske (EPRS).

EXISTING COAL MINES IN FEDERATION OF BIH

- Banovići (brown coal) surface mines Čubrić, Turija and Grivice; underground mine Omazići
- Durđevik (brown coal) surface mines Višća II and Potočari ; underground mine Durđevik
- Kakanj (brown coal) surface mine Vrtlište and underground mine Haljinići
- Zenica (brown coal) underground mines: Stara jama, Raspotočje and Stranjani
- Breza (brown coal) underground mines: Sretno and Kamenice
- Bila (brown coal) underground mine and surface mine Grahovčići
- Kreka (lignite) surface mines Šikulje and Dubrave; underground mines Mramor and Bukinje
- Livno (lignite) Tušnica surface mine
- Gračanica, G.Vakuf/Uskoplje (lignite): Dimnjače surface mine

POTENTIAL COAL MINES

- Surface mine Kongora to fuel TPP Duvno
- Surface mine Kotezi to fuel TPP Bugojno
- Surface mine Kamengrad (brown coal) Sanski Most

EXISTING COAL MINES IN RS

- Ugljevik (brown coal) surface mines Bogutovo Selo and Ugljevik - East - TPP Ugljevik
- Gacko (lignite) surface mines Gračanica and Gacko - TPP Gacko
- Stanari (lignite) surface mine Raškovac -TPP Stanari

POTENTIAL COAL MINE

- Miljevina (brown coal) surface and underground mine



Location of coal mines and thermal power plants in B&H

Reviews of geological coal reserves in BiH are shown in following table:

COAL	RESERVES (000 t)				
	Balance	Out of balance	Potential	Total geological	Mineable
Total Lignite	1 437 635	412 103	1 386 653	3 236 391	1 004 593
Total Brown Coal	1 181 491	214 991	1 124 320	2 526 802	825 512
TOTAL	2 625 126	627 094	2 510 983	5 763 193	1 829 805

OIL & NATURAL GAS

Bosnia and Herzegovina is predominantly dependent on import of the liquid fuel and natural gas. A total of about 150 million USD were invested in oil and gas exploration, and the results indicated that both areas were rather perspective in terms of oil and gas prospecting. The oil and gas exploration results in Bosnia and Herzegovina justify further explorations and indicate that there are realistic possibilities of finding commercially viable deposits.

OIL

Bosnia and Herzegovina oil industry encompasses imports and refining of imported crude oil and production of petroleum products.

The BiH oil sector developed significant production capacities, comprising two refineries based on the most up-to-date world technologies, but presently only partly employed, including:

- Refinery Brod, which capacity is 4 million t/year, processes imported crude oil into various products (motor fuels, liquid petroleum gas, bitumen, etc)
- Refinery Modriča, which produces motor oils and various special purpose technical oils for the industry and other commercial purposes.

NATURAL GAS

Within Bosnia and Herzegovina energy sector the gas subsector is the least developed and the development of the gas sector in Bosnia and Herzegovina is unquestionable in terms of strategy.

Currently, the gas is procured/imported over only one pipeline, with the length of 191 km and the projected annual capacities of 1 billion m³. The demand projections until 2020 amount from 1.5 to 3 billion m³ of gas, foreseeing serious gas sector reform and development, which comprises:

- Construction of an alternative supply route
- Distribution network development
- Construction of the underground storages
- Diversification of the gas supply sources, etc.

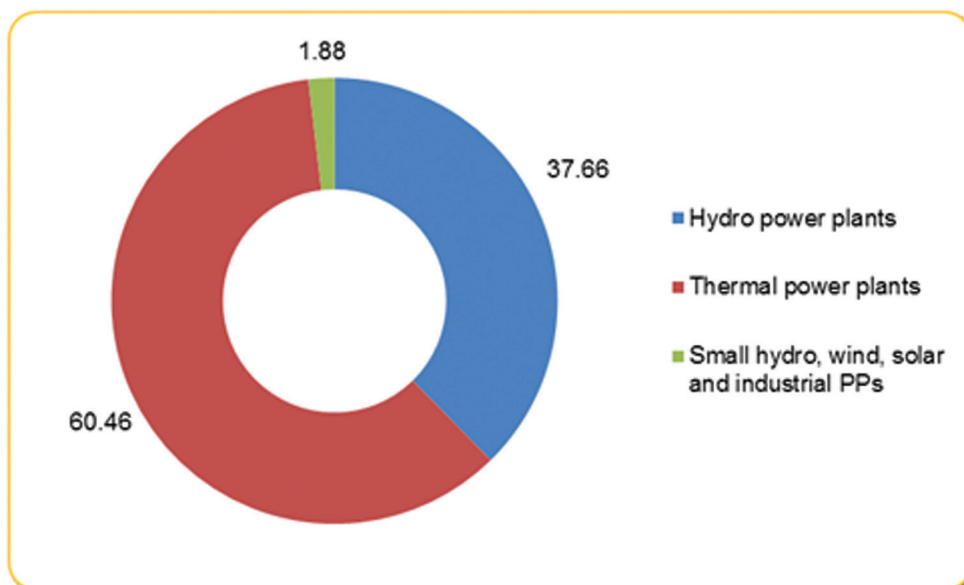
The option of substituting the imported natural gas with the gas produced by coal gasification is under consideration too.

POWER GENERATION

Electricity is predominantly produced in hydro and thermal power plants. Currently, the production facilities, with total installed capacities of 4000 MW, exceed the domestic demands for 60% and the electricity is exported. In 2014 total electricity generation amounted to 15030 GWh. Hydro Power Plants produced 5821 GWh, and Thermal Power Plants produced 8 921 GWh. Generation from Renewable Energy Sources (small hydro, solar and wind power plants) amounted to 264 GWh. Generation from renewable sources increased by 12.7 % in comparison to 2013, with particular increase in generation by photovoltaic power plants.

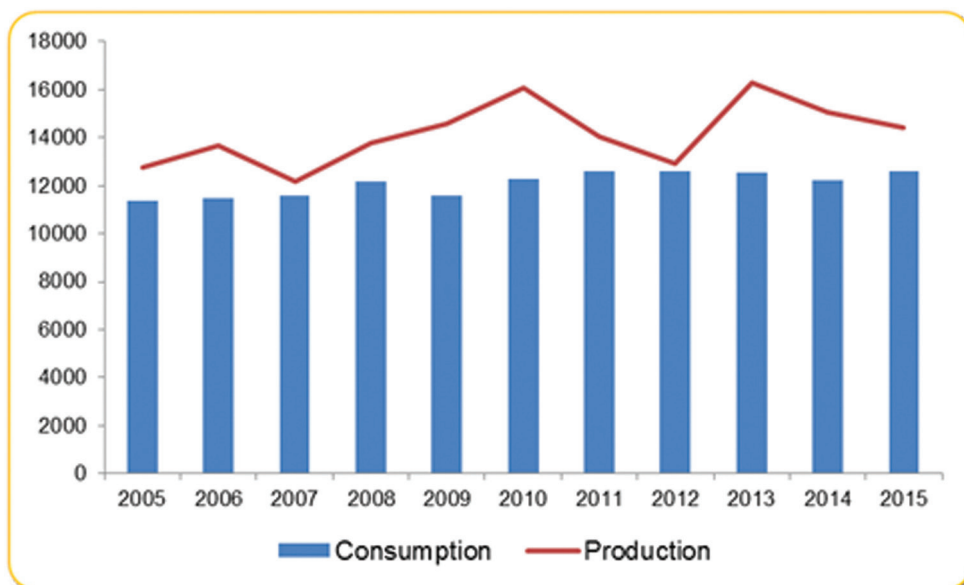


Structure of electricity generation in B&H in 2015



Source: State Electricity Regulatory Commission-DERK , Annual Report - 2015

Production and consumption of electricity in B&H (GWh)



Source: Bosnia and Herzegovina State Electricity Regulatory Commission SERC

NEW POWER GENERATION PROJECTS DEVELOPMENT

Intending to harness the substantial and diversified energy resource base in Bosnia and Herzegovina, all relevant stake-holders in Bosnia and Herzegovina are adopted development and investment programs for construction of new generation plants, entirely respecting recommendation from EU Directives 2003/54 and 2009/28.

Significant investments in new power system facilities and expansion of power generation capacities are foreseen by these programs, in order to meet growing electricity supply deficit within regional and larger European markets.

Investment programs encompass a number of the development projects, based on coal, hydro and renewable energy sources, including both expansion of existing and construction of new power generation capacities.

LARGE THERMAL POWER GENERATION PROJECTS

There are a total of five new coal-fired thermal power generation projects, with potential electricity production capacity of approximately 2000 MW.

Coalmine/Power Plant	Installed Capacities in MW
Bugojno - Coalmine/power plant	300
Ugljevik 3 - Coalmine/powerplant	2 x 300
Gacko 2 - Coalmine/powerplant	350
Tuzla - G7	450
Kakanj - G8	300

LARGE AND SMALL HYDROPOWER PROJECTS

Development programs identified 15 potential new large and small hydropower projects, and 4 rehabilitation and expansion projects, with potential electricity production capacity of approximately over 2000 MW in total. Rehabilitation and expansion projects are foreseen in hydro-power plants Jablanica, Rama, Jajce and Čapljina.

LOCATION/MUNICIPALITY AREA	INSTALLED CAPACITIES IN MW (ESTIMATION)	LOCATION/MUNICIPALITY AREA	INSTALLED CAPACITIES IN MW (ESTIMATION)
Ustikolina	3x22	Dabar	160
Vranduk	21	Bileca	36
Rmanj Monastir	2x36	Paunci	42.3
Vrilo	2x26	Krupa & Banja Luka	48.5 + 37.2
Glavaticevo	3x9,5	Mrsovo	43.8
Bjelimici	2x50	Ulog	30
Dubrovnik 2	2x152	Ugar	40
Buk Bijela & Foca	250		

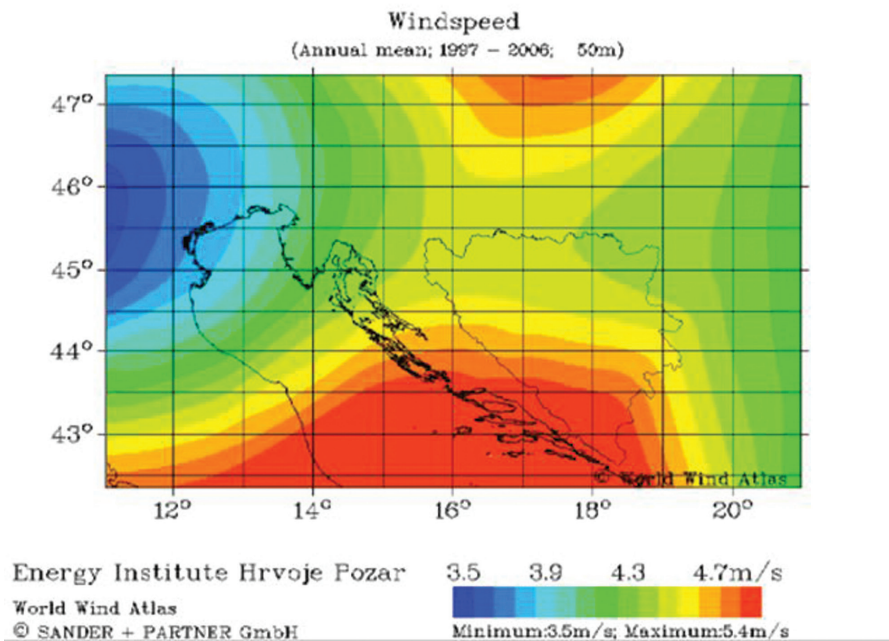
MINI HYDROPOWER PROJECTS (CAPACITY OF 5 MW OR LESS)

In the Bosnia and Herzegovina river basins there were identified over 400 potential micro locations for construction of the mini hydro power plants, enabling cumulative increase of the electricity production capacity of approximately 1000 MW.



WIND ENERGY POTENTIALS

The world wind atlas and results of last 15 years wind speed measurement in Herzegovina region- shown that the southern part of Bosnia and Herzegovina is the most perspective for wind power plant development.



Average annual wind speed 50 m a.g.l. for the period 1997-2006 as a result of global weather model

Favorable locations for wind power plant construction, are shown at the table below:

LOCATION	POWER (MW)	LOCATION	POWER (MW)
Mostar		Duvno	
- Velika Vljajna	42	- Ugrovaca	40
- Jastrebinika	20	- Duvanjsko polje	50 - 90
- Raška Gora	20	Livno	
- Krešića Gaj	20	- Borova glava	30
- Jasenjani	20 - 30	- Cincar	30 - 40
- Podveležje	160-180	Bihać	
- Pločno	20	- 2 locations	40 - 60
- Bahtijevica	30	Čvrsnica mountain	
Stolac		- Pločno	20
- Hrgud	20	Čapljina	
- Dabarsko polje	20	- Hrasno	20 - 30
Kupres		Nevesinje	
- Debelo brdo	20 - 30	- Morine	150
- Zlo selo	20 - 30	- Kruševljani	20-30
- Šuica	20 - 30	- Grebak 20-30	
- Ravanska vrata	20-30	Berkovići	
- Filipovića polje	20	- Gornja trusina	20
Glamoč	20 - 30	Trebinje	
Bosansko Grahovo		- Popovo Polje	50 - 60
- Medeno polje	20 - 30	Bjelašnica Mountain	20 - 50

The estimated total wind power potential at 18 selected locations is 1030 - 1180 MW with electricity production of 2.4 TWh/year. Average utilization factor of 30% represents the top level of productivity, even in European terms.

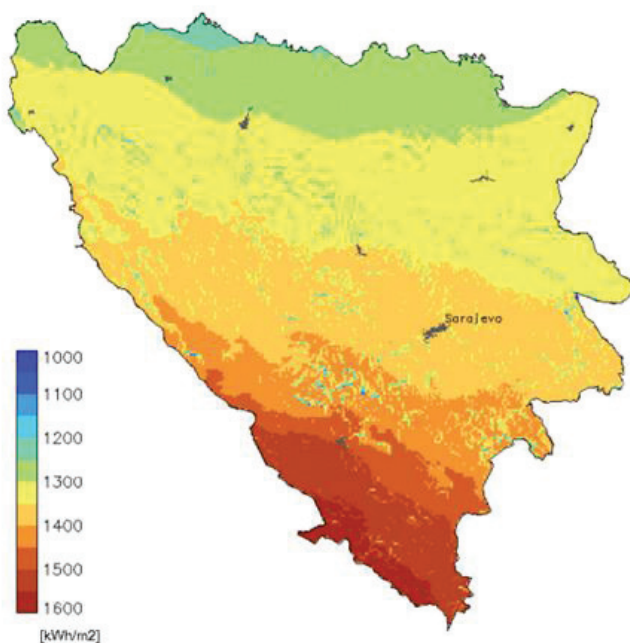
However, the total wind potential in B&H is probably much higher, in the order of 2000 MW. This estimate results from the analyses of available space, but doesn't take into account possible limitations (like grid integration possibilities, environmental protection, etc.). The connection capacity of wind farms to the transmission grid, of 350 MW is distributed between two entities in the ratio of the amount of 230 MW for Federation and 120 MW for Republic of Srpska.

Accordingly, B&H Transmission Company issued approval in principle for six wind farms:

1. Koncig d.o.o. Posušje - WF Debelo Brdo (54 MW)
2. JP Elektroprivreda HZ HB d.d. Mostar - WF Mesihovina (55 MW)
3. JP Elektroprivreda BiH d.d. Sarajevo - WF Podveležje (48 MW)
4. Vran-Dukić d.o.o. Tomislavgrad - WF Gradina (26 MW)
5. HB Wind d.o.o. Livno - WF Orlovača (42 MW)
6. EOL Prvi d.o.o. - WF Trusina (51 MW)

SOLAR ENERGY POTENTIALS

B&H resources of solar radiation energy is above the European average with very favorable seasonal schedule, and possibility for its effective and long-term use. The theoretical potential of solar energy amounts about 74.65 PWh. It can be said that B&H is one of the most favourable locations in Europe, where solar radiation is concerned. The solar irradiation values vary accordingly with about 1,240 kWh/m² in the north to 1,600 kWh/m² in the south where the number of sunny days can reach 270 days per year with a solar thermal potential of approximately 1,900 TWh. Irradiation map in Bosnia and Herzegovina is the main indicator for the selection of locations for solar power plants. Potential locations are identified in the region of Herzegovina and Western Bosnia, with around 10 500 ha of available surfaces. Potential installed capacity for photovoltaic power plants is 4010 MW that is 10% more than the total installed capacity in the existing power plants in B&H. Capacity of transmission network for integration of PV power plant in 2020, amounts 565 MW.



Average Annual Sum of Horizontal Plane Irradiation (kWh/m²)

PV PROJECTS IN CONSTRUCTION PHASE

In Federation B&H, total installed capacity of 214 projects in the construction phase is about 37 MW, while 28 projects are in the testing phase. In Republic of Srpska 28 manufacturers acquired final right for incentives (total installed capacity 2,672 MW, total annual production of 3,380GWh) and 18 manufacturers acquired preliminary right for incentives (total installed capacity of 3,246 MW, the total an-



nual production of 4,339 GWh). All above mentioned projects require significant capital investments, as well as reliable strategic partners.

INVESTMENT PLAN PROJECTION

Basic structure of economic and financial analysis of investment projects, in preparation of long term development of the energy sector of B&H from 2016 to 2020 presumes creation of an information the basis of which is, inter alia, made of investments in construction of new and rehabilitation of the existing plants and installations of the energy sector. A review of total investments by Energy sector within the framework of the BiH energy sector development until 2020 is shown at following table:

ENERGY SECTOR INVESTMENT IN THE PERIOD 2016-2020	
Subsectors	Investment / Million € /
Power Sector	1 044
EP BiH	414
EP HZHB	155
EP RS	396
BiH Transmission Company	78
NOS BiH	0
Coal Mines	177
Federation BiH	85
Republic of Srpska	92
Gas Sector	13
Gas Transmission Systems	0
Underground Storage	0
Gas Distribution Systems	13
Oil Sector	0
Modernization & Construction	0
Storage Facilities	0
District Heating Sector	167
TOTAL	1 401

Source: B&H Energy Sector Study - World Bank

LEGAL FRAMEWORK

Legal framework for power sector in Bosnia and Herzegovina is defined by:

State level:

- Law on transmission, regulator and system operator of electricity in B&H
- Law on establishment Transmission Company in B&H
- Law on establishment Independent System Operator in B&H
- Law on Transmission, Regulator and System Operator in B&H

Entity level:

- Law on electricity in the Federation B&H
- Law on electricity in the Republic of Srpska
- Energy Law
- Law on Renewable Energy Sources and Cogeneration in Federation B&H
- Law on Renewable Energy Sources and Cogeneration in RS

EUROPEAN ENERGY COMMUNITY

B&H is a member of the Energy Charter Conference and signatory of two Athens Memorandums of Understanding on the Regional Energy Market in South East Europe and its integration into the European Community Internal Energy market.

ENERGY RELATED INTERNATIONAL OBLIGATIONS

Bosnia and Herzegovina ratified the following Agreements, Protocols and Conventions:

- Agreement on the Energy Charter Treaty (ECT) and the Protocol on Energy Efficiency and Related Environmental Aspects (PEEREA), which main issue areas include investments; trade, transit; and energy efficiency
- International Energy Charter
- UN Framework Conventions on Climate Changes
- Convention on Cross border Traffic Control of dangerous waste and its disposal
- Convention on Adriatic Sea Pollution Protection
- Kyoto Protocol
- Agreement on Energy Community Establishment

EU DOCUMENTS RELEVANT FOR POWER SECTOR POLICY OF B&H

The Energy Community Acquis follows the development of the EU legal framework and at present it includes its key energy legislation in the fields of electricity, gas, environment, competition, renewable energy sources, energy efficiency, oil and statistics. In addition to the EU Acquis, the Ministerial Council adopted several independent measures pertaining to dispute resolution, establishment of the "8th Region" aimed at facilitation of cross-border electricity trade and measures for coordination of security of supply.

The EU documents relevant for the energy policy of BIH include the following:

- White Paper on preparation of Central and East European associate states for integration in to internal market
- Directive 2009/72/EC concerning common rules for the internal market in electricity
- Directive 2009/73/EC concerning common rules for the internal natural gas market
- Regulation 714/2009/EC on conditions for access to the network for cross - border exchanges in electricity,
- Regulation 715/2009/EC, on conditions for access to the natural gas transmission network
- Directive 2004/67/EC concerning measures to safeguard the security of natural gas supply
- Directive 2005/89/EC concerning measures to safeguard security of electricity supply and infrastructure investments
- Directive 2009/28/EC on the promotion of the use of energy from renewable sources

EU legislation on energy efficiency includes:

- White Book on Energy Policy
- Green Book Towards a European Strategy for the Security of Energy Supply
- Directive 2010/30/EC on the indication by labeling and standard product information of the consumption of energy and other resources by energy - related products
- Regulation on Cross-border Trade in Electricity (1228/2003/EC),
- Directive 2010/31/EC on the energy performance of buildings
- Directive 2006/32/EC on Energy End-use Efficiency and Energy Services,
- Action Plan on Energy Efficiency: "Saving 20% by 2020".

EU legislation on renewable energy sources includes:

- White Book on Renewable Energy Sources,
- Communication on alternative fuels for road transportation and on a set of measures to promote the use of Bio-fuels,
- Directive 2009/28/EC on the promotion of the use of energy from renewable sources
- Directive 2004/8/EC on Promotion of Cogeneration.



Third Legislative Package for an internal EU gas and electricity market was adopted with the implementation deadline set for January 1, 2015. Exceptionally, the implementation deadline for Article 11 of Directive 2009/72/EC shall be January 1, 2017.

THE FOREIGN COMPANIES THAT ALREADY INVESTED IN BIH ENERGY SECTOR

Top 5 Foreign Direct Investment in B&H Energy sector where the Foreign companies invested more than 15 million EUR, are shown at following table:

Country	B&H Company	Foreign Company	Subsector	Investment in 000 EUR
Denmark	„EFT Group Rudnik lignita Stanari“ d.o.o. Stanari	EFT ApS Kopenhag	Coal	600 000
Russia	Rafinerija nafte Brod Rafinerija ulja Modriča	Nefte Gauin Kor (Zarubežnjet)	Oil	245 423
Slovenia	Petrol BH Oil Company d.o.o. Sarajevo	Petrol Ljubljana	Oil	43 460
Croatia & Hungary	Energopetrol d.d. Sarajevo	Consortium MOL/INA	Oil	23 520
Germany	„Messer Sarajevo - Plin“ d.o.o. Sarajevo „Messer Mostar - Plin“ d.o.o. Mostar	Messer Gresheim H.	Gas	15 313

RECOGNITION OF EXISTING FOREIGN INVESTOR

“...The investment climate in Bosnia is in our view very attractive for investors. First of all, there are ample natural resources in terms of coal and water available for hydro units. Additionally, the investment climate and regulatory environment in the energy sector is improving.”

Mr. Vuk Hamović, EFT Group Chairman (United Kingdom) (EFT implements a 600 million € worth project of Thermal Power Plants Stanari and production is planned for 2016)

USEFUL CONTACTS

Generation, Distribution and Supply of Electricity

- Public Company Elektroprivreda BiH - www.elektroprivreda.ba
- Public Company Elektroprivreda HZHB - www.ephzhb.ba
- Mixed Holding Elektroprivreda Republike Srpske - www.ers.ba

Laws and Regulations - Entity Ministries

- Federal Ministry of Energy, Mining and Industry - www.fmeri.gov.ba
- Ministry of Industry, Energy and Mining of republic of Srpska - www.vladars.net

Transmission of Electricity and International Trade

- State Electricity Regulatory Commission-DERK - www.derk.ba

Licensing, Tariffs and Technical Conditions

- Entities Regulatory Commissions FERK - www.ferk.ba & RERS - www.rers.ba

Transmission and Market Development

- Electricity Transmission Company Elektroprenos/Elektroprijenos BiH - www.elprenosbih.ba

ENERGY SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA



Hydro Power Plant projects in Bosnia and Herzegovina:

- Babino Selo, Donji Vakuf
- Bileća, Trebišnjica river
- Drina I, Drina II, Drina III
- Han Skela, Jajce
- Ivik, Jajce
- Kabric, Livno
- Kovanici, Zenica
- Nevesinje, Zalomka river
- Ugar Usce, Jajce
- Ustikolina, Gorazde
- Vrilo, Tomislavgrad
- Vrletinakosa, Jajce
- Krusevo and Zeleni Vir

Small and mini Hydro Power Plant projects in B&H:

- Listica, Tihaljina, Mlade, Trebižat
- Ponor river, Mrkonjić Grad
- Marin most, Prozor Rama
- Toplica 3, Kiseljak
- Veliki Duboki Potok, Konjic
- HES "GORNJA NERETVA", Kalinovik and Gacko
- MHPP Ivancica, Busovaca

Thermal Power Plant projects in B&H:

- Bugojno, 300 MW
- Kakanj, Unit 8
- Miljevina, Foca
- Kongora Coal mine and TPP, Tomislavgrad

Wind Farm projects in B&H:

- Borovaglava, Livno
- Pločno, Mostar
- Poklečani, Posusje
- Relaks, Posusje
- Velika Vlačina, Mostar
- Wind farm Galica, Vlasica
- Wind farm Vlasica
- Wind parks Slovinj and Dzeva, Glamoc
- Wind farm Orlovaca, Livno

Biomass & Solar projects in B&H:

- Cogeneration plant on biomass, Sokolac
- Biomass power plant, Visoko



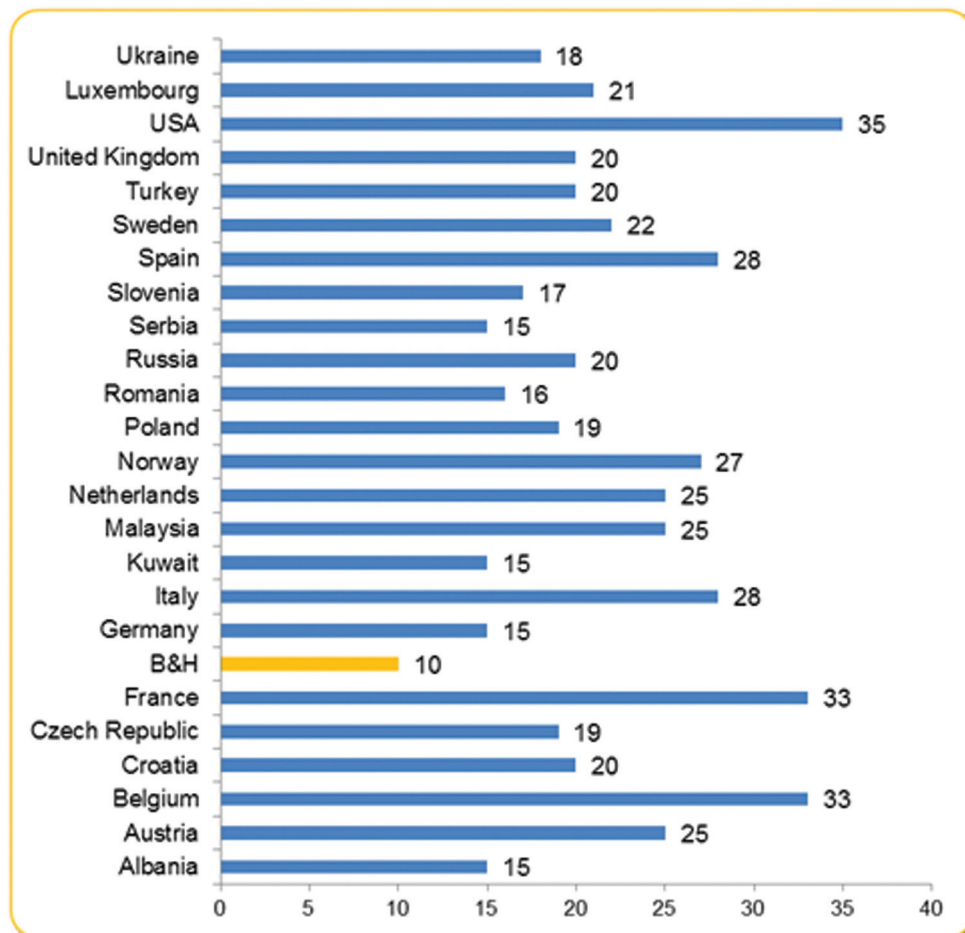
TEXTILE AND FOOTWEAR INDUSTRY IN BOSNIA AND HERZEGOVINA

THE LONG TRADITION AND INTERNATIONAL REPUTATION

Decades of experience in the production of textile garments and footwear, cooperation with the world's largest textile brands, available and skilled workforce, competitive labor costs, flexibility in delivery, as well as easier access to different markets, had made and still makes BiH one of the most attractive countries for business in Europe. Favourable trade agreements have enabled the BiH's textile and footwear manufacturers, who have a long tradition and an enviable international reputation, to become more competitive in the international market, but also more attractive to foreign partners in the sense of concluding joint venture. This is the dominant export Industry (over 85% of production is exported) and the most of the companies are medium-sized (between 40 and 1 200 employees). In passive Lohn business, Bosnian producers of clothing and footwear was known as the market leaders and were "the first" for Western principals in terms of quality, reliability and productivity. The social aspect of the industry has always been very important, because, as a highly labor intensive industry employs a large number of low-qualified workers (mostly female workers), and the price of work is less than in other branches of manufacturing industry.

TAX SYSTEM

Since BiH is, with the other countries in the region, competing for international capital, tax competition is one of the most important determinants of the overall competitiveness of the country. BiH has the tax policy of low rates, which provides favourable business environment for foreign direct investment. Operating costs (electricity, gas, water, fuel, real estate, banking, postal services, etc.) are also the lowest in the Region.



Source: www2.deloitte.com



THE LEGAL FRAMEWORK

Legislation in the field of textile and footwear industry, in the light of the process of EU integration, is going through a phase of adaptation and incorporation of European norms and standards into national legislation.

After examining the EUR-Lex, in the framework of a European Union directive, the ones that refers to the area of textiles, clothing, are:

- Directive 73/44 / EEC -quantitative analysis of ternary fiber mixtures,
- Directive 89/686 / EC personal protective equipment,
- Directive 94/11 / EC - labeling of the materials used in the main components of footwear for sale to the consumer,
- Directive 96/73 / EC - certain methods for the quantitative analysis of binary textile fiber mixtures ,
- Directive 2008/121 / EC - on textile names (recast),
- Directive 2009/567 / EC - the textile clothing, textiles for indoor use, as well as fibers, yarns and fabrics for use in apparel, textile or fabric for outdoor use,
- Directive 2009/598 / EC - mattresses for beds,
- Directive 2009/563 / EC-shoes,

STANDARDIZATION

The European standards, with their application, are enabling customers to increase their efficiency and competitiveness, minimize the waste, reduce costs, ensure quality and safety of products and services, and facilitate their sale in Europe and the world. Among the most important standards that define the field of textiles, clothing, leather and footwear are ISO 9000 series (management of quality) and ISO 14000 series of standards (taking care of environmental protection), with a valid certificate for products which include: Global Organic Textile Standard, the Oeko TEX Standard 100, Organic Exchange 100 Standard, Social Accountability 8000, the EU Ecolabel, GOST, and others. The Institute for Standardization of Bosnia and Herzegovina, with the aim of passing the BiH's (BAS) standards in this area, has formed a technical committee BAS / TC 48, Textiles, leather, clothing and footwear. Till now 317 standards are taking over as a BAS standards in the field of textile, leather and footwear industry .

PRODUCTION PROGRAMS

The quality and modern design characterize the textile and footwear products from BiH. Our companies are a good partners to a world known brands such as: "C & A", "Polo" "Kaufland" "Lowa" "Shoe @ Shirt" "Paul Green" "Nutty due" "Rohde" "Fidelio", "Nike", "Kroks" "Dekatlon" "Adidas" and many others. Companies mostly produce underwear, light, working and protective clothing, fashion clothing, sports and working shoes. Lohn jobs are currently the backbone of the labor and business in this sector in BiH, because over 85% of firms are engaged in lohn production, whose main characteristics are adapting to customers' requirements, small batch, low labor costs and relatively short delivery. Besides programs for foreign customers, they have their own fashion line for production of clothes and leather gallantry.

WORKFORCE

A large number of public and private Universities (three specialized technological textile and leather faculties), specialized secondary schools in all cities and most municipalities make an ideal base to create a competitive and high-quality workforce. BiH has a significant number of experienced and competent workforce (with an academic and with a practical experience) and a good reputation as a former supplier of consumer goods based on textiles and footwear primarily in the markets of Germany and Italy. Thus, BiH has the potential to attract companies that wants to locate production closer to the major markets, which are able to provide fast cycle delivery to European retailers. According to the Statistics Agency (BHAS), in this sector in 2015 were 624 companies with app30.000 employees (22.64% of the total number of employees in manufacturing industry in B&H). Wages in this industry in Bosnia and Herzegovina are very low. In 2015, the average net salary was approximately 208EUR.

SECTOR INDICATORS

In 2015, according to the Agency for Statistics of BiH, the manufacture of clothing in BiH has recorded increase in production volume by 14.2%, compared to 2014. In the structure of GDP, the textile, leather and footwear sector participated with 1.5%. The gross value added of textile, clothing, leather and footwear sector, has increased by 13.5%. The total number of active companies in the sector, according to the Statistical Business Register, in 2015 was 423. This industry has made 10% of total export of Bosnia and Herzegovina in 2015.

INVESTMENT OPPORTUNITIES AND DESIRABLE INVESTMENT

The companies in the textile, leather and footwear sector of Bosnia and Herzegovina are mostly small and medium sized family businesses that employ 15 to 300 people. Their comparative advantage is flexibility. Companies are employing the best young workers. When it comes to Lohn production, the main export markets of BiH producers are the EU countries.

The most important reasons for investing in textile, apparel, leather and footwear industry of BiH are:

- long industrial tradition in the business
- the quality of the product
- availability of skilled and price-competitive human capital
- the proximity of the EU market with lower price of transportation
- flexibility of production
- secure supply of energy
- road infrastructure
- lack of export quotas
- incentives of entity governments for this sector (through additional fiscal relief, subsidies, credit lines)

The most important investment opportunities in:

- Launching a base production (new investment in the primary fabrics, could be the impulse for the rest of the textile industry)
- Development of local products and brands and their exports
- making products more added value
- strengthening partnerships domestic producers-clusters
- transfer of knowledge and technology by working with foreign partners
- the use of funds from projects financed by the EU

The possible and desirable forms of investment in the sector:

- The establishment of partnerships between textile companies where domestic companies would provide materials for production, while foreign companies would design the models by which the products will be produced, in accordance with the needs of foreign markets
- The joint venture, where the foreign company would modernize and expand production capacity of the existing textile company, through the purchase of new machinery, as well as through recruiting and training new workers
- Purchase of the companies in bankruptcy
- Greenfield investments

SUCCESS STORIES

Some of successful foreign investors in textile sector of Bosnia and Herzegovina:

- Prevent Group (Germany)
- CarTrim Žepče (Germany)
- Sportek Kotor Varoš (Italy)
- Olip Bosna Travnik (Italy)
- Kavat Travnik (Sweden)
- Alpina Bromy Tešanj (Slovenia)
- Bontex Maglaj (Switzerland)
- Bema Banja Luka (Slovenia)



- Nuti Due ((Italy)
- Nova Ivančica Prijedor (Croatia)
- Dević - Tekstil Teslić (Croatia)
- Antesil Visoko (Italy)
- Sanino Derventa (Slovenia)
- Socksmaker3 Tešanj (Italy)
- Javor Tekstil Nevesinje (Italy)
- Makap Bugojno (Italy)
- Kajak (Italy)
- Dubikotton Kozarska Dubica (Italy)
- Positive Group Bugojno (Italy) etc

PREVENT BH d.o.o.

“Why Bosnia and Herzegovina? Simply because Bosnia and Herzegovina provides us with a comparative and a competitive edge in the automotive and textile sector. Bosnia and Herzegovina has a cultural position in terms of its industrial culture and experience over the last 100 years, it also holds a major infrastructure advantage, it has its proximity – it’s very close to the European market and therefore we are very close to our customers and that’s one of the pillars of Prevent’s experience with its customers. Moreover the favourable tax system provides a unique advantage and a position to international investors and foreign direct investment and its one of the most significant advantages of Bosnia and Herzegovina in attracting foreign investments.

The labour force in Bosnia and Herzegovina is motivated, loyal, it has industrial culture that dates back over several hundred years and most importantly it is price competitive compared to the region. Prevent group is one of the clear examples that Bosnia and Herzegovina has the capacity and has the business environment to attract foreign direct investment. Bosnia and Herzegovina is able to attract, keep and provide the base for further expansion of companies and industries within its environment”. - **Mr. Almir Jazvin, Managing Director**

SPORTEK KOTOR VAROS

“Last year, we have invested in equipment and facilities more than 3.5 million KM, and we intend to build a new hall and expand production. Bosnia and Herzegovina has a favourable business environment for investors when it comes to the price of labor. There are options to invest in other types of production, and not just in the footwear industry.” - **Mr. Federico Zeketo, Owner of Sportek Kotor Varos**

OLIP BOSNA TRAVNIK

„The facility “Olip - Bosna” in Travnik has employed 1.182 employees directly in production, and indirectly, this Group has 27 smaller facilities, in which another 1.000 employees work. About 97 percent of the footwear produced here goes to the markets of the European Union, United States and Canada.” - **Mr. Slobodan Borojević, Managing Director**

BEMA BANJA LUKA

“We currently have more than 1500 employees and also we plan to hire new workers. In the past ten years in the development of production and repair facilities, we invested more than eight million KM. We are proud of the fact that we have grown into very successful company.” - **Mr. Marinko Umičević, Technical Director**

USEFUL CONTACTS

Ministry of Foreign Trade and Economic Relations of B&H - www.mvteo.gov.ba

Foreign Trade Chamber, Association of the textile, leather, footwear and trade show organizers - www.komorabih.ba

UTOK - Association of textile, leather and footwear in B&H - www.textile-leather-shoes.com

Federal Chamber of Economy, Association of the textile, leather and rubber processing industries - www.kfbih.com

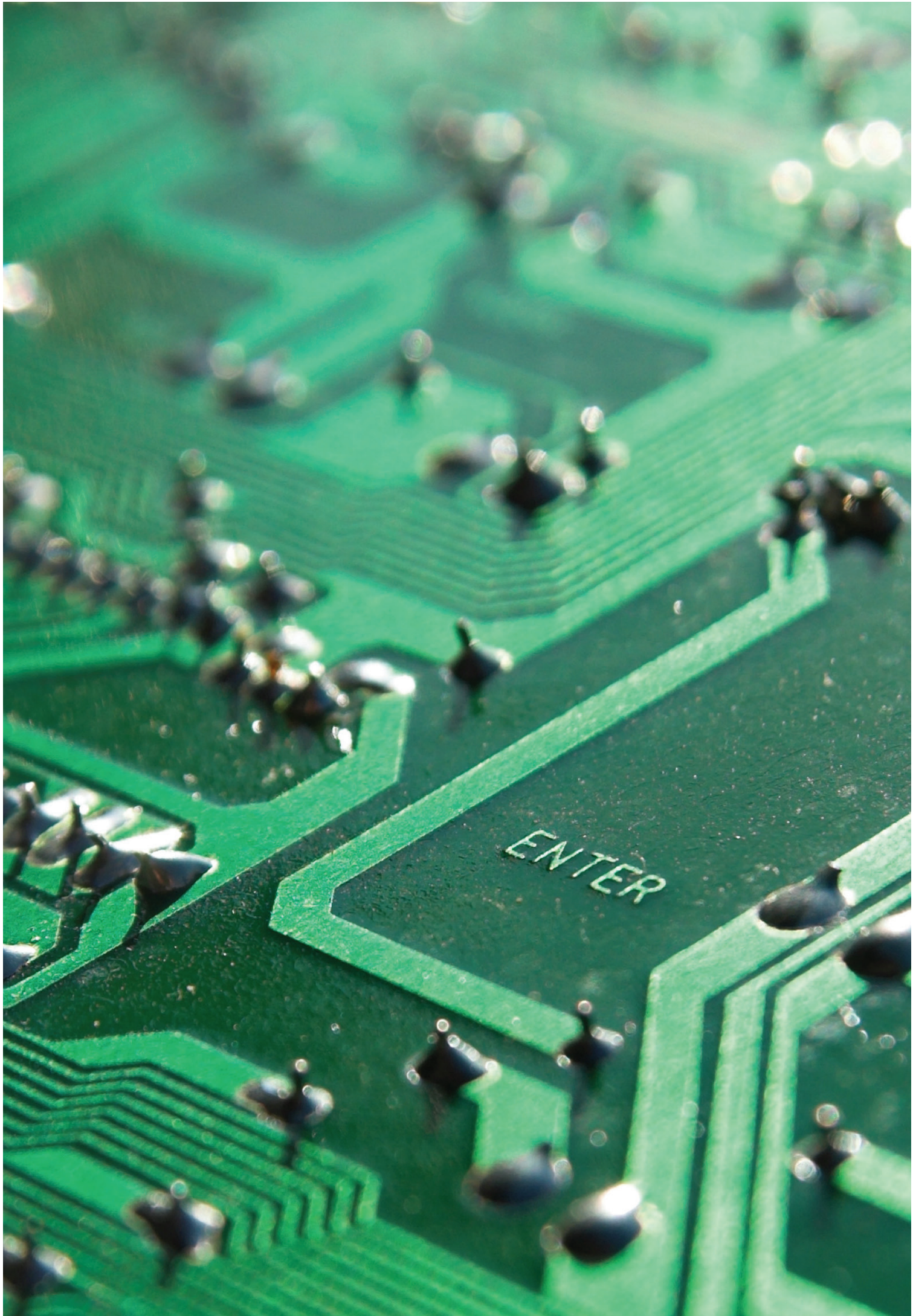
Chamber of Economy Republic of Srpska, Association of the textile, leather and footwear industries - www.komorars.ba

Institute for Standardization of Bosnia and Herzegovina - www.bas.gov.ba

TEXTILE SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA

Textile sector projects in Bosnia and Herzegovina:

- Bellissima Ltd Sarajevo
- Cloth diapers Banja Luka
- Rock N Folk Fashion Line Sarajevo
- Expanding production capacity and purchase of equipment, Bugojno
- Purchase of machinery for manufacturing of parts of shoes, Travnik



ICT SECTOR IN BOSNIA AND HERZEGOVINA



THE ICT SECTOR BOOM IN BOSNIA AND HERZEGOVINA

Bosnia and Herzegovina's ICT sector has started to flourish during the past few years and represents one of growth area in the economy of the country.

According to the base bon.ba by the Agency TEC, the analysis of the IT sector as well as counseling and activities related to it showed that this is one of the fastest growing fields of economy in BIH with a total growth of 72 % in the past five years.

Today, this sector contributes with around 75 million EUR to the total GDP. Operational revenues of companies from this field have increased by 60 % in comparison with 2010, the number of employed by nearly 97 %, and the net income has doubled, according to the analysis.

The analysis included all companies of this field, 423 in total, of which 386 are small, 28 medium and 9 large business entities.

The data show that, in the period from 2010 to 2014, operational incomes of companies in this field increased from 85 346 EUR to 167 821 EUR, i.e. for nearly 60%, and the number of employees increased by more than 66%, from 1 891 to 2 845. Net income of companies has more than tripled: from 7 672 to 22 325 EUR, and the majority of that income is realized through "export". Thus, in 2011 the export of these companies amounted to 16 095 EUR, which increased to 30 379 EUR in 2014. Therefore, this increase in "export" amounted to 53 %.

NEW OFFSHORE SERVICES DESTINATION

The evolution of ICT companies in Bosnia and Herzegovina has been going on at a tremendous speed lately, many of them now offering highly advanced IT and media experts, eager to prove and with a European mindset.

ICT companies from Bosnia and Herzegovina are successfully implementing different joint projects with companies abroad of all sizes in the development of particular product components, as subcontractors for product development, or as implementers of software products. BIH's ICT companies have a rich and diverse experience in providing Software Development, Outsourcing, Project Management and Consulting. They are highly educated (B.Sc./M.Sc. in Software Engineering and Mathematics) and skilled, certified, but more importantly battle tested.

"Bosnia has excellent experts working in this sector and can provide top-quality IT services."

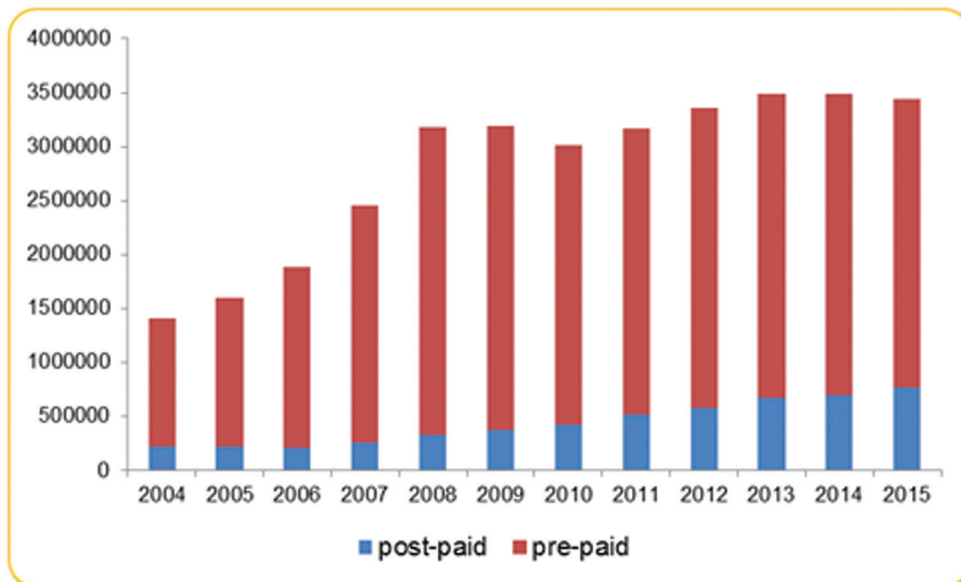
Mr. Isan Selimovic, director of the company QSS

Some of offshore projects include the world's leading companies such as HERE (NAVTEQ, NOKIA), Apple Inc. Cupertino CA USA, Reactor8 Inc. Palo Alto CA USA, The Map Network Washington DC USA, Acision, Waterfall Mobile, Fides Health Care, oLyfe, Black Moose Norway, Raiffeisen Bank Austria and other companies from USA, Turkey, Norway, Sweden, UK, Netherlands etc..

ICT companies from Bosnia and Herzegovina successfully implemented a set of requirements in order to establish an ISO certified quality management system within the organization.

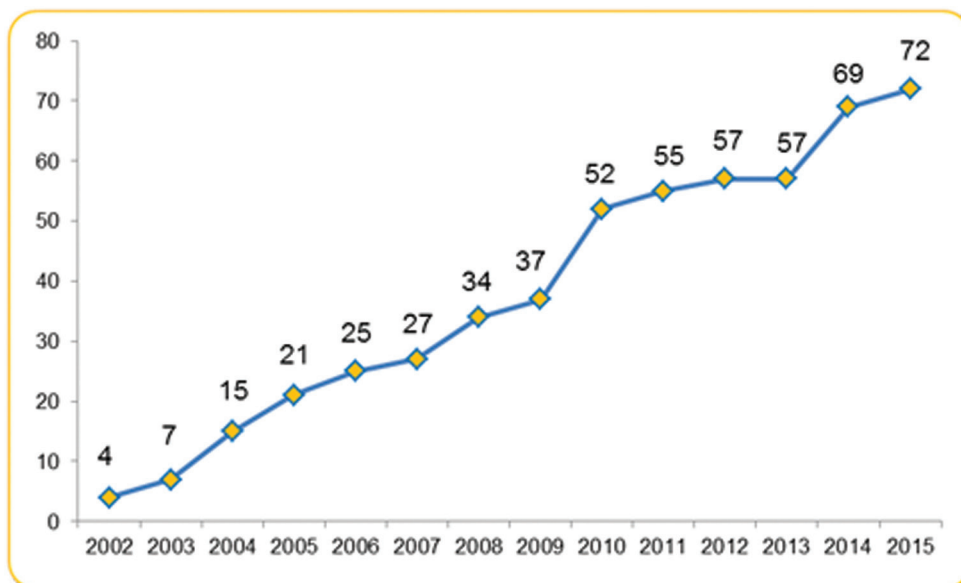


TELECOMMUNICATION / ICT INDICATORS (NUMBER OF MOBILE SUBSCRIBERS)



Source: Communications Regulatory Agency BH

TELECOMMUNICATION / ICT INDICATORS (PENTRATION OF INTERNET USERS)



Source: Communications Regulatory Agency BH

STRONG ACADEMIC BASE

Bosnia and Herzegovina possesses a growing labour force skilled in various aspects of ICT design, management, and applications. Young, educated and innovated workers from BiH are participating in International project and Companies.

Bosnia and Herzegovina's Quality of math and science education Index for 2014 is 4.5 (World Economic Forum - Global Information Technology Report 2014), which gives the country a rank of 13 out of 148 countries with comparable data. The University of Sarajevo (MIT) and the University of Tuzla (UCD-ED) both have specialized 'e-learning' schools, teaching and utilizing modern multimedia and programming skills. Several of Bosnia and Herzegovina's colleges have established online training courses in partnership with U.S. and European universities (University Sarajevo, University Banja Luka, University Tuzla, and University Mostar).



Complementing educational activities, areas of research at the BIH Universities are:

- Management information systems
- Artificial intelligence
- LAN, WAN and wireless network topologies
- Computer architectures
- New information technologies
- System and application software
- Object oriented programming languages
- Evolutionary computation
- Graphics and image processing
- Business and technical information systems
- Software development environment (IDE)
- Expert systems
- Computers in education
- Databases and database administration
- Feasibility studies of Information system projects
- Man machine interface (HMI)systems
- Hardware and software systems (computer systems) and components

Besides education, research activities of the Telecommunication Department at BIH Universities are:

- Spatial planning in telecommunication network development
- Medium and long-term telecommunication network development
- Telecommunication networks and transmission systems (cable, radio relay and satellite systems, commutation systems and mobile phone systems)
- Research in topologies of local telecommunication networks
- Advances in solutions for commutation systems, cable systems, satellite systems, multiplex systems, telecommunication networks, etc.
- Integrated management of networked systems
- Standardization in telecommunication
- New telecommunication technologies
- Integrated services networks
- Digital signal processing
- Investment programs for switching systems, transmission systems and telecommunication networks (stationary and mobile)
- Technical solutions for switching systems, cable systems, satellite systems, multiplex systems, telecommunication networks, etc.
- New telecommunication services
- Modern radio and television equipment
- Specific problems of cable television, wireless data transfer, GSM

B&H has very low average net and gross wages compared to the countries in the region and EU countries, while labour force is very qualified, skilled and educated. The average net salary in ICT sector in 2015 was 624 EUR (general average net wage in BIH for the same period was 424 EUR).

HUB 387 IN SARAJEVO - www.hub387.com

The HUB387 is information technology (IT) park whose main goal is to create an environment conducive to strengthening of local IT eco system, promoting culture of collaboration and shared knowledge. HUB 387 is revolutionizing the daily work routine by creating open community while increasing level of innovation and competitiveness among associated members. HUB387's mission is to build a vibrant IT community, a space where aspiring IT companies and individuals will connect and collaborate; where interaction with peers will facilitate new ideas and solutions to challenges in our workplace. HUB387 will organize and host IT industry events such as educational seminars, workshops, working lunches, hackathons, etc. Through these programs, HUB387 members will be able to enjoy educational benefits while connecting with other leaders and experts in IT industry and building their networks.



HUMAN CAPITAL

Bosnia and Herzegovina possesses a labour force skilled in various aspects of ICT design, management, and applications. Young, educated and innovative workers from BIH are participating in international project and companies.

According to the Global Information Technology Report 2014 of the World Economic Forum which focuses on the quality of teaching in mathematics and natural sciences in schools, the best positioned among Balkan countries and beyond is BIH. Bosnia and Herzegovina at the WEF list for the quality of teaching in mathematics and natural sciences, or quality mathematicians and scientists, is on the 13th place out of 148 countries, so is qualified in the top world list in this area. Bosnia and Herzegovina's Quality of management schools Index for 2014 is 4.7, which gives the country a rank of 41 out of 148 countries (also, the best rank in Region).

Average gross wages for ICT sector for 2015 in Bosnia and Herzegovina was 984 EUR, and net wages was 624 EUR.

ATTRACTIVE BUSINESS ENVIRONMENT

The Law on the Policy of Foreign Direct Investments of Bosnia and Herzegovina ensures national treatment of foreign investors, i.e., foreign investors have the same rights and obligations as residents of BIH. Foreign investors are entitled to open accounts in any commercial bank in domestic and/or any freely convertible currency on the territory of BIH. Foreign investors are entitled to freely employ foreign nationals, subject to the labour and immigration laws in BIH.

Foreign investors are protected against nationalisation, expropriation, requisition or measures having similar effects; such measures may take place only in the public interest in accordance with the applicable laws and regulations and against the payment of an appropriate compensation, i.e. compensation that is adequate, effective and prompt.

The accelerated economic reform process in BIH has contributed to a greatly improved business climate. As a result, BIH has recorded one of the fastest business growths in South-eastern Europe.

- BIH has the most stable currency and the lowest inflation in SEE
- BIH offers favourable Tax and Customs Systems:
- Investment capital is exempt from paying import customs and customs duties (with the exception of passenger cars, slot and gambling machines).

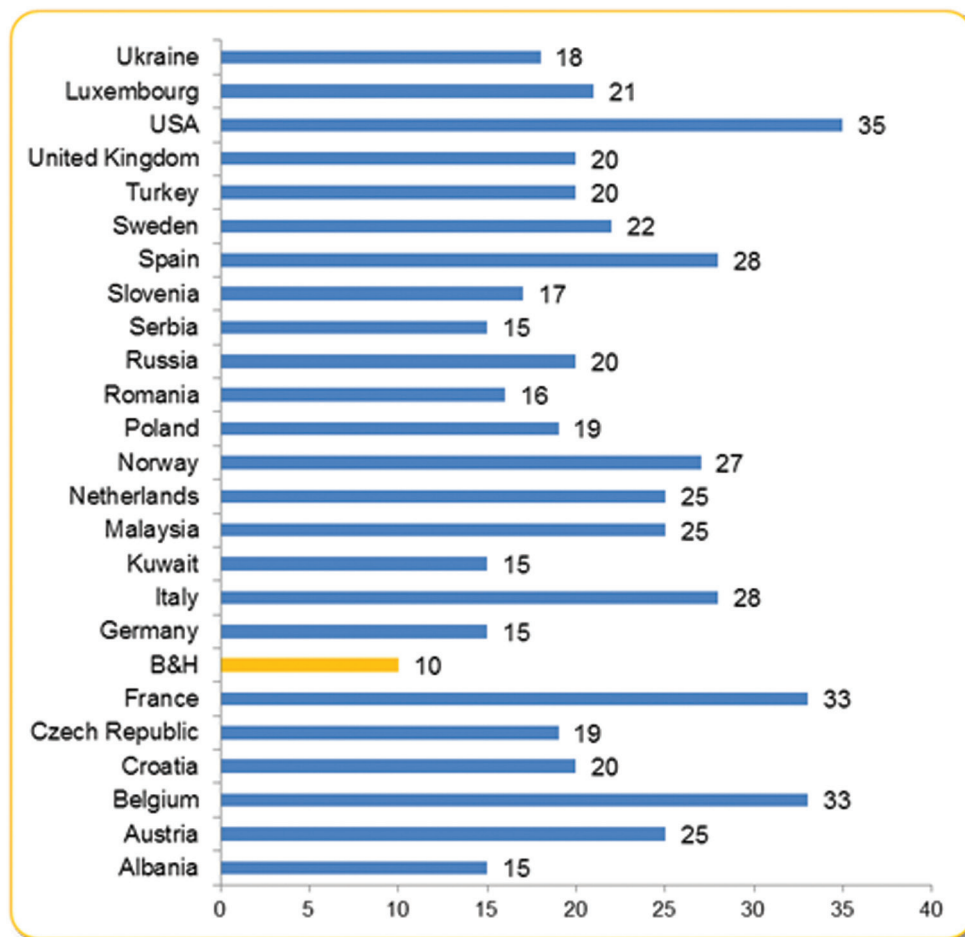
In Federation of BIH:

- The taxpayer who invests, from its own funds, in production equipment more than 50% of the total profit in the current tax period, shall be reduced of the obligation of the calculated tax for 30% of the amount in the year of investment.
- The total amount of 10 million EUR, starting with the first year when taxpayer has to invest at least 2 million EUR, shall be reduced of the obligations of the calculated income tax for 50% of the amount in the year of investment.
- The taxpayer is entitled to a tax-deductible expense in the double amount of the gross wage paid to newly employees if meets the following conditions: duration of the employment contract must be at least for a period of 12 months with full-time working hour; new employee was not employed with the taxpayer or a related person in the previous five years.

In Republic of Srpska:

- Law on Profit Tax RS introduced tax base reduction in the value of investment for:
 - Investment in equipment intended for the company production activity
 - Investments in plants and immovable property used for manufacturing and processing activities
- And tax base reduction in amount of paid personal income tax and mandatory contribution for the employer:
- Employing 30 workers during a calendar year (workers who were on the official evidence of Employment Office of RS).

CORPORATE TAX RATES IN 2015



Source: www2.deloitte.com

WHY INVEST IN BIH ICT SECTOR

- ICT is an Emerging Sector in Bosnia and Herzegovina
- The continued availability of high-quality engineering and science graduates at Bosnia-Herzegovina colleges and abroad
- A competitive cost environment
- Investing in Bosnia and Herzegovina's ICT Sector presents a doorway to Southeast Europe
- Bosnia-Herzegovina must be EU compatible
- Privatization opportunities of strategic ICT companies still exist
- Ambitious plans related to the overall development of BIH, requiring a large-scale development of ICT infrastructure and ICT sector as whole
- Availability of basic ICT infrastructure
- Availability of a number of small IT companies
- Cultural affinity



FOREIGN DIRECT INVESTMENTS IN ICT SECTOR

FDI	2011	2012	2013	2014
	In mill EUR			
Telecommunications	5,52	3,27	23,51	3,32
Programming, software development and consultancy services	0,71	0,20	1,43	1,02
FDI in ICT Sector	7,56	4,39	27,30	17,23
Total FDI-All sectors	357,1	307,34	227,52	378,1
Share of FDI in ICT sector (% of total FDI)	2,1%	1,4%	12,0%	4,6%

Source: Central Bank of BiH

SUCCESS STORIES

Foreign companies, investors in this sector:

- HT Hrvatski Telecom Croatia-company HT dd Mostar AND Eronet Mostar
- Godolphin Serv. Limited Nikozia - company KIT BH Sarajevo
- Winwest Inc 3650 131 USA - company Europronet Bosnia Sarajevo
- Hermes SoftLab Slovenia- companies Com Trade Sarajevo and Banja Luka
- Microsoft Corporation USA - company Microsoft BH Sarajevo
- Telecom Slovenia - company Aneks doo Banja Luka
- Kohlberg Kravis Roberts USA - company Telemach d.o.o. Sarajevo
- Telecom Serbia - company Mtel ad Banja Luka
- Al Jazeera Network Qatar - company Al Jazeera Balkans Sarajevo
- Chellomedia USA - company OBN dd Sarajevo
- System Verification Sweeden - company System Verification Sarajevo
- Anadolu Ajansı Turkey - company Agencija Anadolija Sarajevo
- Cisco Systems Inc USA
- Oracle
- Xinhua China

SYSTEM VERIFICATION SARAJEVO (SWEDEN)

The Swedish System Verification established this company in Bosnia and Herzegovina in 2013. Today System Verification has offices in Malmö, Gothenburg, Stockholm, Copenhagen and Sarajevo. The aim of the company in Sarajevo is to offer the same quality of services within requirements and testing as currently on offer in Sweden, though at lower costs.

Hamdija Jusufagic, CEO of System Verification - *“Our clients will not only be provided with highly efficient services for software requirements and testing, but also gain a supplier continuously on the hunt for new openings, where it can grow and improve. Opening up in Sarajevo is an example of this, because it entails cutting costs for the client while maintaining the high level of expertise”*

AL JAZEERA BALKANS (QATAR)

Al Jazeera Balkans (AJB) is an international news television station headquartered in Sarajevo, Bosnia and Herzegovina aimed at the media markets of the SEE. It is part of the Al Jazeera Media Network, which is owned by the Government of Qatar. The station broadcasts in Bosnian-Croatian-Serbian six hours daily, with subtitled Al Jazeera English programmes being shown the remainder of the day. Al Jazeera Balkans is a sister channel of the Arabic language Al Jazeera and the English language channel Al Jazeera English. The station broadcasts news analysis and features as well as documentaries, live debates, current affairs, business, technology, and sports highlights.

USEFUL CONTACTS

Ministry of Communications and Transport of Bosnia and Herzegovina - www.mkt.gov.ba
Federal Ministry of Transport and Communications - www.fmpik.gov.ba
Ministry of Transport and Communications Republic of Srpska - www.vladars.net
Electronic South Eastern Europe (e-SEE) Initiative - www.eseeinitiative.org

ICT AND OTHER SECTOR PROJECTS IN BOSNIA AND HERZEGOVINA

Other sectors projects in Bosnia and Herzegovina:

- Architectural stone, Mostar
- Clay exploitation, Berkovici
- Florapharm, Lopare
- Stone wool, Mrkonjic Grad
- Kaoline and feldspat, Srbac
- PET Centre BiH, Laktasi
- Mostar quarry, Mostar
- Regional Business - Tourist Airport Golubic, Bihac
- Finishing materials in civil engineering works, Prnjavor
- Production capacity for collecting and processing of used tires- Koola- Meet your car
- New Raca Port

Innovations sector projects in Bosnia and Herzegovina:

- Accessory machine for monophase complex agro technology
- Hydroelectric power station with hair turbine in running waters
- Progressive load regulation mechanism at exercise machines
- Seawater distillation apparatus combination with renewable energy
- System for flood prevention 2
- Termic radiant windscreen wiper (heater)
- Traffic sign of black spot
- Vacuumized PVC brick
- Straight A life
- Women's shoes with replaceable heels
- Hovering movable and immovable objects
- Device for ball airbags on vehicles
- Malfunction of electrical and electromechanical parts on vehicles-New configuration for usage of solar cells- The highly secure electrical-mechanical lock



INVESTMENT LOCATIONS IN BOSNIA AND HERZEGOVINA

BUSINESS BUILDINGS:

- Business storage Mostar
- Business building, Pelagićevo
- Dobrun, Višegrad
- Union Comerc, Rajlovac
- Majop, Mostar
- Unis Komerc, Breza
- Sočkovac, Petrovo
- Mult purpose office building, Usora
- Gornjilgor, Kalinovik
- Triko, Gradiška
- Vardište, Višegrad
- Florapharm, Lopare
- Mravići, Doboj-Jug
- Sales and service centre, Lukavica
- Strolit, Odzak
- Papirnica, Kozarska Dubica.pdf
- Production facilities, Celic.pdf
- Business and residential buildings, Sarajevo
- Cultural centre, Petrovo
- Sabix Complex, Maglaj
- Vatrostalna, Prijedor
- Impro, Prijedor.pdf
- Business manufacturing facility, BosanskiPetrovac.
- Business buliding, Ilijas
- Production hall, Nova Bila
- Business building 3XL, Mostar
- Franchise Center B&H, Vitez
- JUPITER CENTAR, Tuzla
- Business building, Ljubuski
- Daiva Car, Vitez.
- Business facility Bebi-Triko, Bihac
- Lasta, Prijedor.
- AutoMax, Prijedor.
- Dalekovod, Doboj
- Autotransport, Prijedor
- EkoFarm, Prijedor
- Manjaca, Mrkonjic Grad.
- Business building, Gračanica
- Business building Kaonik, Busovaca
- Textile factory, Berkovići
- EnterijerKotorsko, Doboj
- Factory KLIMA MONT, East Sarajevo
- The former production facility of composites, Mostar
- The former production facility of helicopters, Mostar
- The former production facility of buses, Mostar
- Warehouse and offices, Orasje
- Production and business and building in Vlakovo, Sarajevo
- Business buildings Transey , Maglaj
- Business buildings HM Promet, Maglaj
- Rimecocentre, Mostar
- Production, warehouse and office building, Prnjavor
- AgrocentarEko Bel, KozarskaDubica
- Production and storage building, Jablanica
- Wood industry Kljuc
- Compressor equipment factory, TrudbenikTeslic
- Industrial object, Prozor-Rama
- Business-storage facility, Sarajevo
- Business building - Tennis Centre, Posusje
- Business warehouse facility, Prozor Rama
- Industrial complex Prozor-Rama
- Production building, Vares
- Milkaagro, Gradiska
- VELEPROMET-DC, Visoko
- Una Hotel, Novi Grad
- Internacional Motel, Banja Luka

- Business Building Odzak
- Meat industry Levita, Gradiska
- Agriculture coopeartive, Gradiska
- Standard, Gradiska
- Ciglana, Gradiska
- Production and business building Modrica
- Koop Centar Blatna, Novi Grad
- PlastmoModrica
- ZlatkaKnezica, KozarskaDubica
- Svodna, Novi Grad
- Production and business hall, Zepce
- Business building Imas, Zepce
- Business buildings Turbe
- Production and storage hall, Vogosca
- Majami production facility, Bugojno
- Business - storage facility, Bijeljina
- Showroom and storage, Bijeljina
- Residential and commercial building, Bijeljina
- Storage 2, Bijeljina
- Warehouse, Bijeljina
- Business, production and residential facility, Bijeljina

POTENTIAL BUSINESS ZONES:

- Industrial Zone 2, Bijeljina
- Potential business zone Kaline Berkovici
- Potential business zone EnterijerKotorsko, Doboj
- Neobarje, Novi Travnik
- Business Park "McGovern", Brčko District
- Business zone "Vranješ", East Sarajevo
- Agro-Business Park Aleksandrovac, Laktasi
- Industrial Zone Lanara, Teslić
- Podbrdo, Mrkonjic Grad
- Grlica, Istocno Sarajevo
- Jahorinski potok, Pale
- Trnovo 1, Trnovo
- Podromanija, Sokolac
- DugoPolje, Kiseljak.
- Matuzići, Doboj-Jug
- Rasadnik, Goražde
- Luke, Ilijaš
- BanjerskoPolje, Visoko
- Glinište, Tešanj
- Svale, Prijedor
- Business-industrial zone Pelagićevo
- Antena, Zenica
- MravićiDoboj-Jug
- Dobrinje, Visoko
- DonjeTelalovoPolje, Sarajevo
- Baltin Bare, Prijedor
- Bare, Kakanj
- Paljuge, Omarska
- Vojkovići, Istočna Ilidža

BUSINESS ZONES:

- Business zone Banja Luka
- Business zone Ramici Banja Luka, Aleksandrovac, Laktasi
- Agro industrial zone Nova Topola, Gradiska
- Industrial zone Velagici, Kljuc
- Business zone Begovaca, Livno
- Business zone Sljunkara, Jablanica
- Business zone Jug Livno
- Business zone Elektrometal, Cazin
- Industrial zone 3, Bijeljina
- Kamenica business zone, Bihac

- Dusine Business zone, Orasje
- Business zone "Zvirici", Ljubuski
- RRC Juznilogor, Mostar
- Sejkovaca, Sanski Most
- Tourist zone Kaludjerica, Petrovo
- Bacici, Sarajevo
- Business zone Petrovo, Petrovo
- Zrak, Sarajevo
- Sockovac, Petrovo
- Gajevi, Mostar
- Entrepreneurial zone, Modrica
- Mostarskavrata, Ljubuski
- LipovaGreda, KozarskaDubica
- Soko, Ljubinje-Polje, Travnik
- Biletići - Blizanci, Citluk
- Misurići, Maglaj
- Turbe, Travnik
- Vlaka, Posusje
- RupeKupres
- Krivaja, Zavidovici
- BlizneGomile, Citluk
- Kovači, Tomislavgrad
- Kosova, Maglaj
- Nova industrijskazonaVogošća
- Liješnica, Maglaj
- Tromeđa, Citluk
- Vicanov Brig, Posusje
- PC 96 Vitez
- Polja, Žepče
- Hodovo, Stolac
- Bukva, Tešanj
- Poljice, Maglaj
- Kilavci, Nevesinje
- Žabljak, Usora
- Potkraj-Bretex, Breza
- Ekonomija - Batvice, Zavidovici
- Maglić, Foča
- Jelovac-Tukovi, Maglaj
- Topala, Posusje
- BaljevoPolje, Foča
- ArnautoviciOzrakovici, Visoko
- Borja, Teslic
- Resnik, Kreševo
- Zenica 1
- Poljavnice, Novi Grad
- Nova Bila, Travnik
- Željezara, Ilijaš
- Batuski Lug, GornjiVakuf-Uskoplje
- RudnikmrkogugljaBreza
- SrednjaOmanjska, Usora
- Industrial zone DonjiVakuf
- Osrdak, Posusje
- Unis, Konjic
- Počulica-Šljivčica, Vitez
- Celpak, Prijedor
- Bugojno 1
- Industrial zone 6, Derventa

FREE ZONES:

- Free zone Vogošća, Sarajevo
- Free Zone Holc, Lukavac
- Free Zone Hercegovina, Mostar
- Free zone Visoko, Visoko

LAND PLOTS:

- Land plot in SirokiBrijeg
- Land plot Ilidza, Sarajevo
- Slatina Spa, Laktasi
- Land plot in the vicinity of Bjelasnica
- Doboj-Jug
- Agro trade centre, Bijeljina
- Building land, Mostar

LOCAL INVESTMENT OPPORTUNITIES:

- KOZARSKA DUBICA, INVESTOR'S GUIDE
- ORASJE MUNICIPALITY, INVESTMENT GUIDE
- MUNICIPALITY OF POSUSJE, INVESTMENT GUIDE
- ISTOCNI MOSTAR, INVESTMENT SUMMARY
- CITY OF PRIJEDOR, INVESTMENT GUIDE
- VISOKO, INVESTMENT BRIEF
- BROD MUNICIPALITY, INVESTMENT BRIEF
- PRNJAVOR, INVESTMENT BRIEF
- MRKONJIC GRAD, INVESTMENT SUMMARY
- MODRICA, INVESTMENT BRIEF
- KOTOR VAROS, INVESTMENT SUMMARY
- KREŠEVO MUNICIPALITY, GUIDE FOR INVESTORS
- LAKTAŠI, INVESTMENT SUMMARY
- ŽIVINICE, INVESTMENT SUMMARY
- SAMAC MUNICIPALITY, INVESTMENT BRIEF
- FRUIT, VEGETABLE, AND DIARY SECTORS - Bihac, Bosanska kupa, Buzim, Cazin, Velika Kladusa.
- FRUIT, VEGETABLE, AND DIARY SECTORS - South and South-east of BiH
- FRUIT, VEGETABLE, AND DIARY SECTORS - Derventa, Gradiska, KozarskaDubica, Laktasi, Prnjavor, Doboj
- FRUIT, VEGETABLE, AND DIARY SECTORS - Teslic, Tesanj, Zepce
- FRUIT, VEGETABLE, AND DIARY SECTORS -Bijeljina, Tuzla, Bratunac, Celic, Gracanica, Gradacac, Kalesija, Srebrenik
- BIJELJINA, GUIDE FOR INVESTORS
- ŽEPČE MUNICIPALITY, INVESTMENT BRIEF
- TUZLA CANTON, GUIDE FOR INVESTORS
- ZVORNIK, INVESTMENT SUMMARY
- SREBRENİK, INVESTMENT SUMMARY
- NOVI GRAD, INVESTMENT SUMMARY
- TESANJ INVESTMENT BRIEF
- UNSKO SANSKI KANTON, INVESTMENT BRIEF