

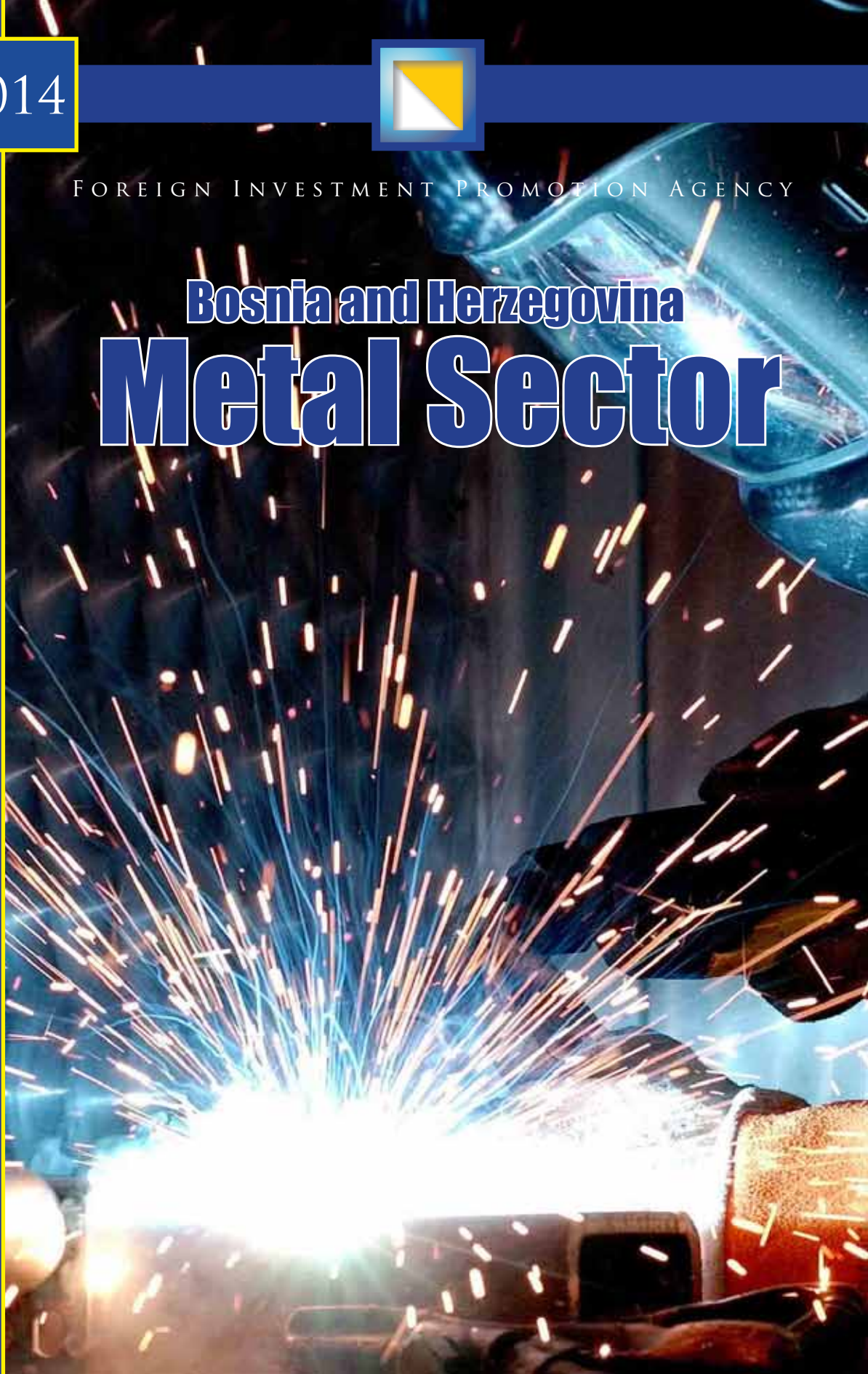
2014



FOREIGN INVESTMENT PROMOTION AGENCY

Bosnia and Herzegovina Metal Sector

BOSNIA AND HERZEGOVINA INVESTMENT OPPORTUNITIES



Bosnia and Herzegovina Metal sector

FOREIGN INVESTMENT PROMOTION AGENCY



BOSNIA AND HERZEGOVINA

LARGEST EXPORTER OF BIH



TABLE OF CONTENTS

Business Environment.....	6
Background	6
Why invest in B&H Metal Sector?	6
Actual Status	7
Export and Strategic Objectives.....	8
Human Resources	9
Investment Opportunities	10
Legal Framework	10
FDI in Metal Procesing Sector	11
Success Stories.....	12
Useful Contacts	13
Top Metal Companies in BiH	14

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 used in half of the existing production capacities and definitely offer a great opportunities for foreign investments.

BACKGROUND

B&H metal processing has traditionally been one of the strongest bh 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.



Metal industry is one of the most important industrial sectors of the whole region and according to the economic strategy set by the B&H government; the metal industry is a strategic industry with comparative advantages such as human capacities, raw materials, metal production capacities, unused fabrics, etc....

WHY 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 metal processing industry
- Developed advantages at the international market
- Abundance of production facilities and industrial zones
- Skilled labor force
- Available production capacities



- Rich in mineral resources
- Export oriented sector (40% of the total export)
- No restrictions for foreign partnership with domestic companies
- Unused sector capacities that enforced development potential without high investments
- Increasing level of the main competitive indicators of the metal sector year by year
- Increasing number of active and productive metal companies in the country

ACTUAL STATUS

The government supports both foreign and local investors in establishing the new companies or to transform existing companies to produce a higher value added products. The global crisis specially affected metal sector since it is deeply connected to the foreign countries. Deeper researches about metal sector are requested in order to join competitive advantages to visible economic performances. So, competitive advantages of the metal sector may be defined as its strongest capability to attract foreign investments for its development in order to increase economic progress through the employment, export and GDP that makes gross domestic product.

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

Indicators u MS	2010	2011	2012	2013
GDP Share	2.92%	2.96%	2.87%	-
Export Share	34.5%	31.27%	32.40%	30.04%
No. of companies	1,119*	1,197**	1,236**	1,249**

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

In 2013 according to the available information of the Statistical Agency of B&H manufacturing of the finished metal products (except machines and equipment) is increased in 22,3%, then manufacturing of the machines and equipment separately increased in 37,5% and motor vehicles production increased in 42,6% comparing to 2012.

According to FIPA estimates during the "Aftercare" visits it's been evidenced that almost 89% of the visited metal sector companies are ready to reinvest and 74% plans to employ new staff within the next three years. For 64,3% of the visited companies expected operating results are in line with expectations, for 21,4% was under the line and the rest 14,3% were much above the average. Companies of the metal sector succeeded to move on and according to some estimation gradual market recovery has been expected from 2013. Metal industry has a leading position in the value of the manufacturing industry in B&H.

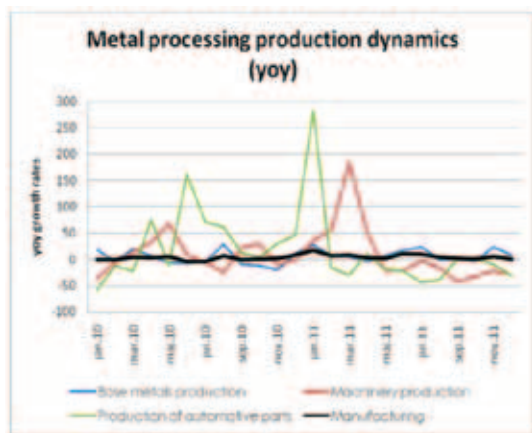
In 2014 it has been planned to start to make a Strategy of the metal sector development in Federation of Bosnia and Herzegovina with three key objectives defined as follows – intensification of the companies export orientation in the metal sector, promotion of the institutional capacities of the metal sector and the business export support of the metal sector companies.

EXPORT AND STRATEGIC OBJECTIVES FOR EXPORT DEVELOPMENT OF METAL SECTOR

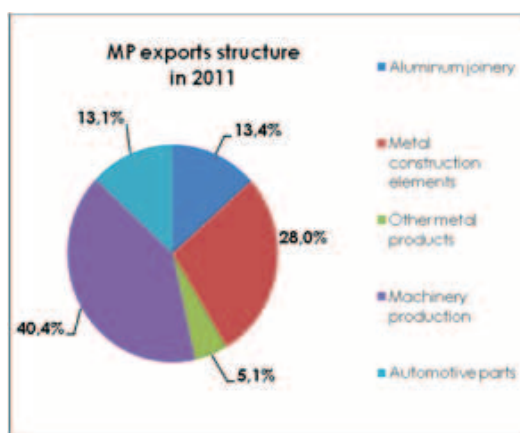
Export orientation has become the solution of the most companies, trying to reutilize and upgrade their former capacities. In spite of significant imports as well, the trade balance for the sector is positive. This is in contrast to the highly negative overall trade balance of B&H. According to the data of European Confederation of Iron and Steel Industries (EUROFER) there has been a stabilization of the metal consumption.

Exports did not play a significant role comparing to nowadays, but existed in special fields. The automotive industry, an important customer of the metal processing industry, was partly located outside of B&H (in Slovenia and Serbia) and partly inside, with Volkswagen running an assembly plant near Sarajevo, using about 30% of the local components. Small private companies buy modern computerized equipment and try to stay on par with current technologies by introducing laser and CNC machines. Their main activity is final processing and the most of them are engaged in cooperation with the foreign partners, mostly from Austria, Holland, Germany and the neighbor countries.

Bosnia and Herzegovina is oriented towards EU and CEFTA market, the most important export markets of the metal sector. At the moment metal industry exports has a share about 89% in terms of total revenues while coverage of imports by exports is 66%. Export structure and markets are crucial for determining of the future prospects and potentials for metal processing industry growth. This sector is one of the most important cyclical industries of bh economy - available at the graph below:



Source: Agency for Statistic B&H



Source: Foreign Trade Chamber of B&H

In December 2013 comparing to 2012 metal products had smaller prices in 1% and the motor vehicles and the trailers reduced the prices at the foreign market in 2,2%. Within 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 where major markets in 2011 belong to Serbia and Croatia with a share of 6% individually. In the structure of exports main products exported from B&H are iron and steel itself and products of iron and steel then aluminum and its products as well as automotive spare parts. This sector recorded around 39 % of the total export.



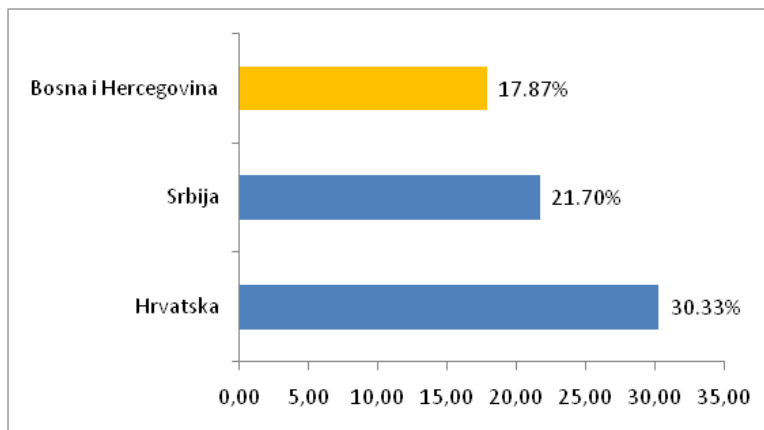
HUMAN RESOURCES

Reliable basis for sustainable development of the metal processing sector is availability of all categories of qualified, adaptable, innovative, foreign language spoken and highly motivated labor force. The price of labor in metal processing industry is competitive, comparing to the world market prices.



Average net wages are app.300 euro. Very important factor that enables employment of the local labor force is constant revitalization of the existing capacities available in the country.

Supporting infrastructure, including the education system, research and development institution, design and engineering companies, represent a strong base for a powerful development of the sector. Regarding the total share of the metal processing industry when it comes to human capital the staff costs as a percentage of sale in Croatia, Serbia and B&H are as follows:



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

- METAL PRODUCTS, SETA INZENJERING ZAVIDOVICI
- RADIATORS PRODUCTION, TERMAL LOPARE
- FERROSILICIUM PRODUCTION , GORNJI VAKUF / USKOPLJE
- METAL STRUCTURES, PARTS AND TOOLS, UNAMETAL NOVI GRAD
- STEEL STRUCTURES, METALNO D.D. ZENICA d.d. Zenica

Information on Public announcement for privatization of above mentioned 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 FDI of metal production by the end of December 2012 was 235 million Euros that presents 4,3% of the total foreign investments. Most of that amount was invested in to a production of the:

- spare parts of the motor vehicles – 36.1%
- base metals – 23.6 %
- metal products – 23.6%
- machinery and equipment – 16.7%.

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 COUNTRY	FOREIGN INVESTOR
Mittal Steel Zenica d.o.o. Zenica	Switzerland	Mittal Steel Holding N.V. (Arcelor Mittal)
Aluminij d.d. Mostar	Croatia	TLM d.d. Šibenik
Jelšingrad Livnica čelika a.d. B.Luka	Slovenia	Livar d.d. Ivancna Gorica
Jajce Alloy Wheels d.o.o. Jajce	Croatia, germany	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 doo d.o.o. Tešanj	Germany	Mann + Hummel
FAD d.d. Jelah	Slovenia	U sastavu grupacije Prevent
Strolit d.o.o. Odžak	Slovenia	EM PK d.o.o. Podveza
Bekto International d.o.o. Goražde	Austria	Bekto GmbH
MLM Alutec d.o.o. Bugojno	Slovenia	MLM Alutec d.d. Maribor

The list of the foreign investment companies in to a metal sector. 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.

SUCCESSFUL STORIES OF FDI

1. 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 Ž96 exists in the area as 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..

2. 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 doo Vitez

Statement: 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.



3. "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 ctro industry etc. In cooperation with Alumil group, they work every day to introduce new systems and improvement existing systems. Distributive network of Alumil covers more than 50 places throughout Europe and world."

Statement: 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.

4. BOSANCAR d.o.o. Bosanska Krupa

Bosancar is respectable company in Bosanska Krupa, 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 – statement:

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 5000 m² and land area of approximately 36,000 m². 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

TOP METAL COMPANIES IN BIH

1. ALUMINIJ d.d. Mostar – www.aluminij.ba
2. JUWAL Group d.o.o. – Mostar – www.juwalgroup.com
3. ARCELOR MITTAL ZENICA doo Zenica – www.arcelormittal.com
4. TMD AI Gradačac – www.tmd-ags.ba
5. BEKTO-PRECISA d.o.o. goražde – www.precisa.ba
6. FE-AL d.o.o. Mostar – www.feal.ba
7. STROLIT d.o.o. Odžak – www.strolit.com
8. AKA METAL d.o.o. Gračanica – www.akametal.ba
9. MAŠINOREMONT Banovići
10. LIVNICA Visoko – www.telefonski-imenik.biz
11. JELŠINGRAD LIVNICA ČELIKA a.d. Banja Luka – www.jelsingrad-fam.com
12. METALNO d.d. Zenica – www.metalno.com
13. FAGUS HAUS doo Banja Luka – www.fagushaus.biz
14. TT KABELI Široki Brijeg – www.ttkabeli.com
15. BNT Tvornica mašina i Hidrulike Novi Travnik - www.bnt-tmh.com.ba
16. ENERGOINVEST TDS Sarajevo – www.energoinvest-tds.com
17. PRESAL Extrusion Široki Brijeg – www.presal.net
18. TTO Tvornica tehnološke opreme Sarajevo– www.inox-tto.ba
19. RUDSTROJ d.d. Kakanj– www.rudstroj.ba
20. MIKROELEKTRONIKA a.d. Banja Luka - www.mikroelektronika.net
21. MIP Prijedor – www.mip.rs.ba
22. UNIS fabrika cijevi Derventa – www.unis.rs.ba
23. INDEX Gračanica – www.index.com.ba
24. ZUPČANIK Tešanj – www.biznistesanj.ba
25. ALFA 90 Živinice – www.alfa-90.com

FOREIGN INVESTMENT PROMOTION AGENCY

GRBAVIČKA 4.

71 000 SARAJEVO, BIH

PHONE: + 387 33 278 080,

FAX: + 387 33 278 081

E-MAIL: FIPA@FIPA.GOV.BA,

WEBSITE: WWW.FIPA.GOV.BA