Invest in Bosnia and Herzegovina
Your New Opportunity
## Macroeconomic indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Nominal GDP (billion EUR)</strong></td>
<td>8.2</td>
<td>8.8</td>
<td>9.9</td>
<td>11.1</td>
<td>12.6</td>
<td>12.3</td>
<td>12.7</td>
<td>13.1</td>
<td>13.1</td>
</tr>
<tr>
<td><strong>GDP per capita (EUR)</strong></td>
<td>2,122</td>
<td>2,283</td>
<td>2,564</td>
<td>2,898</td>
<td>3,289</td>
<td>3,194</td>
<td>3,296</td>
<td>3,419</td>
<td>3,419</td>
</tr>
<tr>
<td><strong>Real GDP growth rate (%)</strong></td>
<td>6.3</td>
<td>3.9</td>
<td>6.0</td>
<td>6.2</td>
<td>5.7</td>
<td>-2.9</td>
<td>1.3</td>
<td>1.0</td>
<td>-1.1</td>
</tr>
<tr>
<td><strong>Industrial production growth rate (%)</strong></td>
<td>9.0</td>
<td>10.0</td>
<td>11.0</td>
<td>10.0</td>
<td>9.2</td>
<td>-3.3</td>
<td>1.6</td>
<td>5.6</td>
<td>-5.2</td>
</tr>
<tr>
<td><strong>Average net wages (EUR)</strong></td>
<td>258</td>
<td>275</td>
<td>300</td>
<td>322</td>
<td>385</td>
<td>404</td>
<td>408</td>
<td>417</td>
<td>422</td>
</tr>
<tr>
<td><strong>Annual inflation rate (%)</strong></td>
<td>0.4</td>
<td>3.8</td>
<td>6.1</td>
<td>1.5</td>
<td>7.4</td>
<td>-0.4</td>
<td>2.1</td>
<td>3.7</td>
<td>2.1</td>
</tr>
<tr>
<td><strong>Annual unemployment rate (%)</strong></td>
<td>43.2</td>
<td>43.0</td>
<td>31.0</td>
<td>29.0</td>
<td>23.4</td>
<td>24.1</td>
<td>27.2</td>
<td>27.6</td>
<td>28.0</td>
</tr>
<tr>
<td><strong>Foreign currency reserves (mill EUR)</strong></td>
<td>1,779</td>
<td>2,160</td>
<td>2,787</td>
<td>3,425</td>
<td>3,219</td>
<td>3,176</td>
<td>3,301</td>
<td>3,284</td>
<td>3,327</td>
</tr>
<tr>
<td><strong>Trade balance (billion EUR)</strong></td>
<td>-3.68</td>
<td>-3.96</td>
<td>-3.41</td>
<td>-4.14</td>
<td>-4.82</td>
<td>-3.48</td>
<td>-3.33</td>
<td>-3.73</td>
<td>-3.78</td>
</tr>
<tr>
<td><strong>Net FDI inflow (mill EUR)</strong></td>
<td>412</td>
<td>282</td>
<td>442</td>
<td>1,329</td>
<td>684</td>
<td>180</td>
<td>220</td>
<td>290</td>
<td>346*</td>
</tr>
<tr>
<td><strong>FDI contribution to GDP (%)</strong></td>
<td>5.0</td>
<td>3.2</td>
<td>4.5</td>
<td>12.0</td>
<td>5.4</td>
<td>1.4</td>
<td>1.7</td>
<td>2.2</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Deposits of households in Commercial Banks, (mill EUR)</strong></td>
<td>1,273</td>
<td>1,629</td>
<td>2,097</td>
<td>2,641</td>
<td>2,662</td>
<td>2,895</td>
<td>3,318</td>
<td>3,605</td>
<td>3,913</td>
</tr>
<tr>
<td><strong>Population (in million)</strong></td>
<td>3.84</td>
<td>3.84</td>
<td>3.84</td>
<td>3.84</td>
<td>3.84</td>
<td>3.84</td>
<td>3.84</td>
<td>3.84</td>
<td>3.84</td>
</tr>
</tbody>
</table>
Macroeconomic indicators

Real GDP growth rate, (%)

Volume index of industrial production

Annual unemployment rate, %
FDI in Bosnia and Herzegovina

Total FDI inflow, mill €

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>412</td>
</tr>
<tr>
<td>2005</td>
<td>282</td>
</tr>
<tr>
<td>2006</td>
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<tr>
<td>2010</td>
<td>220</td>
</tr>
<tr>
<td>2011</td>
<td>290</td>
</tr>
<tr>
<td>I-IX 2012*</td>
<td>346</td>
</tr>
</tbody>
</table>

FDI by sectors, %

- Manufacturing: 33%
- Banking: 11%
- Telecommunication: 14%
- Trade: 10%
- Service: 6%
- Real estate: 2%
- Other financial service: 2%
- Tourism: 2%
- Transport: 1%

Top investors countries

- Austria: 1,194
- Serbia: 938
- Croatia: 679
- Russia: 612
- Slovenia: 545
- Germany: 288
- Switzerland: 254
- Netherlands: 162
- Turkey: 141
- Italy: 124
- All other Countries: 457

*Note: *I-IX 2012* refers to the first nine months of 2012.
Reasons to invest in Bosnia and Herzegovina

1. Strategic location
2. Stable financial sector
3. Favourable trade and other agreements
4. Favourable legal environment
5. Favourable tax and customs system
6. Competitively priced and qualified human capital
7. Low operating costs
8. Natural resources and attractive investment locations and industrial zones
Reasons to invest in Bosnia and Herzegovina

1. Strategic location

“....The second point that contributed to our decision to invest in Bosnia and Herzegovina was the proximity to Western European markets, the proximity to the European highway system....”

Mr. Edin Dacic, Director, Dacomet AG (Switzerland)
Strategic location - close to all major European capitals

Sarajevo - Belgrade 206 km
Sarajevo - Brussels 1310 km
Sarajevo – Budapest 407 km
Sarajevo – Frankfurt 1013 km
Sarajevo – Istanbul 930 km
Sarajevo – Ljubljana 389 km
Sarajevo – London 1620 km
Sarajevo – Munich 708 km
Sarajevo – Paris 1349 km
Sarajevo – Prague 755 km
Sarajevo – Rome 516 km
Sarajevo – Vienna 511 km
Sarajevo – Zurich 859 km
Sarajevo – Zagreb 288 km
“Despite the global economic crisis, the BIH banking was remained stable. The interest rates in our country are also more favourable than those ones in the region.”

Kemal Kozarić, Governor of the BiH Central Bank
Stable financial sector - The lowest inflation in SEE

- Stable currency (1KM = 0.51 EUR)
- Constant growth of foreign currency reserves
- The lowest inflation in Region
- “B3” credit rating with stable outlook by Moody’s Agency
- “B” credit rating with stable outlook by Standard & Poor’s
- Foreign ownership in private banking sector in BiH is 86%

Annual inflation rate, %
Reasons to invest in Bosnia and Herzegovina

3 Favourable trade and other agreements

“...It is very important to emphasize that Bosnia and Herzegovina has a very liberal foreign trade regime with a major number of countries.....Also, B&H has signed Agreements on Promotion and Protection of Investment with many countries.”

Mr. Vladan Nastic, Marketing Director, Alpro doo Vlasenica-Alumil Group (Greece)
3. Favourable trade and other agreements

- Central European Free Trade Agreement (CEFTA) - 30 mill
- Free Trade Agreement with Turkey - 70 mill
- Preferential Trade Agreement with EU, 28 countries - 500 mill
- Preferential export regimes with USA, Australia, New Zealand, Switzerland, Norway, Russia, Japan, Canada and Iran
3. Favourable trade and other agreements

<table>
<thead>
<tr>
<th>AGREEMENTS ON AVOIDANCE OF DOUBLE TAXATION (37)</th>
<th>AGREEMENTS ON PROMOTION AND PROTECTION OF INVESTMENTS (39)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Algeria</td>
</tr>
<tr>
<td>China</td>
<td>Croatia</td>
</tr>
<tr>
<td>Denmark</td>
<td>Egypt</td>
</tr>
<tr>
<td>Germany</td>
<td>Hungary</td>
</tr>
<tr>
<td>Italy</td>
<td>Jordan</td>
</tr>
<tr>
<td>Moldova</td>
<td>Montenegro</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Poland</td>
</tr>
<tr>
<td>Serbia</td>
<td>Slovakia</td>
</tr>
<tr>
<td>Sweden</td>
<td>Sri Lanka</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>United Kingdom and Northern Ireland</td>
</tr>
</tbody>
</table>
Reasons to invest in Bosnia and Herzegovina

“...Investment climate in Bosnia is in our view very attractive for the investors. Obviously there is first of all natural resources here bought, coal and water available for hydro units, but not only that, you have natural environment here for investment in energy sector in terms of resources but also regulatory environment is improving and satisfactory today, but further improving with support from the local government and we believe there is great potential in that.”

Mr. Vuk Hamović, EFT Group Chairman (United Kingdom)
Favourable legislation-National treatment of foreign investors

FDI Law
- National treatment of foreign investors
- Repatriation of profits
- Protection against nationalization, expropriation or similar measures
- Right to freely employ foreign nationals, subject to the labour and immigration laws in BiH
- No restrictions except for companies dealing with public information

Corporation organization
- There are no citizenship/nationality limitations for partners or the members of the management and supervisory boards
Reasons to invest in Bosnia and Herzegovina

5 Favourable tax and customs system

“...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.”

Mr. Almir Jazvin, Managing Director (Germany)
Favourable tax and custom system

**PDV in Region**

<table>
<thead>
<tr>
<th>Country</th>
<th>PDV (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bosnia and Herzegovina</td>
<td>17</td>
</tr>
<tr>
<td>Macedonia</td>
<td>18</td>
</tr>
<tr>
<td>Montenegro</td>
<td>19</td>
</tr>
<tr>
<td>Serbia</td>
<td>20</td>
</tr>
<tr>
<td>Albania</td>
<td>20</td>
</tr>
<tr>
<td>Slovenia</td>
<td>20</td>
</tr>
<tr>
<td>Croatia</td>
<td>25</td>
</tr>
<tr>
<td>Hungary</td>
<td>27</td>
</tr>
</tbody>
</table>

**Tax system**
- Unique VAT rate of 17%
- Corporate Income tax is 10%
- Personal Income Tax is 10%
- Favorable incentives and tax exemptions

**Customs system**
- Exemption from payment of customs duties for foreign investors
- Customs rates 0-15%
Reasons to invest in Bosnia and Herzegovina

Competitively priced and qualified human capital

“...I would like to emphasise that Natron head has been one of the most successful privatisations 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.”

Mr. Avanash Taneja, Managing Director, Natron Hayat doo Maglaj (Turkey)
Competitive labour force

- Educated & skilled
- Efficient, creative and innovative
- Foreign language spoken
- Price competitive
  (in comparison to other EU countries)

Average net wages (EUR) in Region for 2012

Education system in B&H

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of higher education institutions</td>
<td>19</td>
</tr>
<tr>
<td>Number of universities</td>
<td>25</td>
</tr>
<tr>
<td>Faculties</td>
<td>117</td>
</tr>
<tr>
<td>Academies</td>
<td>10</td>
</tr>
<tr>
<td>Religions faculties</td>
<td>4</td>
</tr>
<tr>
<td>Graduates in 2011</td>
<td>17822</td>
</tr>
<tr>
<td>Master of science and specialists in 2011</td>
<td>2016</td>
</tr>
<tr>
<td>Doctors of science</td>
<td>186</td>
</tr>
</tbody>
</table>
Reasons to invest in Bosnia and Herzegovina

“...It is important to say here that BiH has been known for its low production costs and it provides a great opportunity for the clients who seek for a good and low cost, but still great quality product. “

Mr. Jozo Miskic, Director, Bogner Edelstahl doo Vitez (Austria)
Operating costs - significantly lower than in EU

Electricity prices for industry in 2012

<table>
<thead>
<tr>
<th>Country</th>
<th>Low Tariff €/kWh</th>
<th>High Tariff €/kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hungary</td>
<td>0.03</td>
<td>0.07</td>
</tr>
<tr>
<td>Poland</td>
<td>0.03</td>
<td>0.07</td>
</tr>
<tr>
<td>Romania</td>
<td>0.87</td>
<td>0.87</td>
</tr>
<tr>
<td>Slovakia</td>
<td>0.39</td>
<td>0.39</td>
</tr>
<tr>
<td>Croatia</td>
<td>0.03</td>
<td>0.07</td>
</tr>
<tr>
<td>Turkey</td>
<td>0.03</td>
<td>0.07</td>
</tr>
<tr>
<td>B&amp;H</td>
<td>0.03</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Operating costs in Bosnia and Herzegovina

- **Mobile phone usage within own fixed network**: 0.11 € per minute
- **Electricity**: low tariff 0.03 €/kWh - high tariff 0.07 €/kWh
- **Water costs**: Average price 0.43 €/m³
- **Natural gas**: Average price 0.46 €/m³

Source: Agency for Statistics of BiH - Average price, June 2011

- **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 the land**: 3 €/m² – 100 €/m²
- **Construction cost / Industrial facility - Turn Key**: 200 - 550 €/m²

Source: Real Estate Agencies
Reasons to invest in Bosnia and Herzegovina

Natural resources and attractive investment locations and industrial zones

“...Here we found a very good ambiance and very good relations....also the municipality was very good with us, we have a very nice and profitable relation, we also have a nice relation with FIPA and some other kinds of important offices that we need to make this kind of investment. All of them helped us improve the investment and to bring us to make the best and to have a good feedback from each kind of relation.”

Mr. Luca Cobre, Director, Hotel & Spa Medjugorje (Italy)
Natural resources and attractive investment locations and industrial zones

**Mining resources-estimated reserves**

<table>
<thead>
<tr>
<th>Resource</th>
<th>Estimated Reserves</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brown coal and lignite</td>
<td>10x10^9 mill tones</td>
</tr>
<tr>
<td>Iron</td>
<td>653 mill tones</td>
</tr>
<tr>
<td>Bauxite deposits</td>
<td>120 mill tones</td>
</tr>
<tr>
<td>Zinc and Lead</td>
<td>56 mill tones</td>
</tr>
<tr>
<td>Magnesite</td>
<td>2 mill tones</td>
</tr>
</tbody>
</table>

- Forests and forestlands cover about 53% of the territory
- Bosnia and Herzegovina possesses significant water resources (average annual precipitation on the territory of Bosnia and Herzegovina is 1250 l/m², which is some 250 l/m² higher than the average in European countries).

- Greenfield location
- Brownfield location
- Privatisation process
- Bankruptcy opportunities
- Concessions
- Joint ventures
- Investment projects
Foreign companies in B&H
FIPA support

• Providing of all information related to BiH business environment
• Analysis and presentation of attractive sectors for foreign investors
• Servicing potential and existing investors, especially during the process of business registration
• Legal advice for foreign investors
• Investor after-care
• Policy advocacy
• Good co-operation with all levels of Government in BiH

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