

2013



FOREIGN INVESTMENT PROMOTION AGENCY

Bosnia and Herzegovina  
**Automotive  
Industry**

BOSNIA AND HERZEGOVINA INVESTMENT OPPORTUNITIES



# Bosnia and Herzegovina Automotive Industry

FOREIGN INVESTMENT PROMOTION AGENCY



BOSNIA AND HERZEGOVINA

YOUR NEW LOCATION FOR  
AUTOMOTIVE-COMPONENTS  
PLANTS!



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# Automotive Industry

## LONG TRADITION IN AUTOMOTIVE INDUSTRY

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 BiH 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. At the beginning of the 1970s, Volkswagen and UNIS-Holding merged into a concern, and the production of the first vehicles in BiH began. At the same time, Famos Holding, one of the most important companies involved in the develop-



ment of automotive industry in BiH, started the production of the first diesel engines licensed under Mercedes Benz as well as gears licensed under German ZF. Before the 1992–95 war, Volkswagen produced passenger and commercial vehicles at a plant near Sarajevo, while Kosmos - Banja Luka and Soko - Mostar produced buses. As a consequence of existing final vehicle assembly and automotive components production, the powerful and diversified supply chain and supporting infrastructure had been established including education system, research & development institutions and specialized and competent labour force with metalworking, automotive and electrical engineering skills.

The automotive industry of Bosnia and Herzegovina was disrupted and damaged by the war, but primary metal production, metal processing, tool making, plastic processing, mechanical and electrical engineering, and automotive textile products still exist and gradually the original cohesion of the automotive industry in BiH is on the way to its rebuild. Within the past ten years, this industry has experienced dynamic development, and has become strongly export-oriented, exporting in average 90% of their production, in 30 countries all around world.





## ACTUAL SITUATION

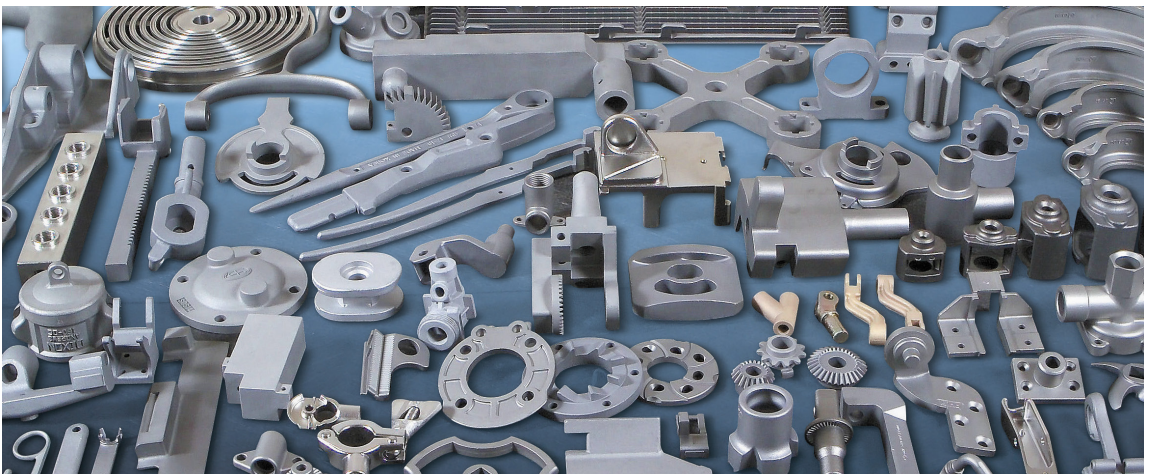
While in other segments bh industry stagnates, companies engaged in to auto components manufacture prosper year by year. Foreign companies show stronger interest for new investments such as one respectable consultant company Roland Berger that made a Study for potential investors from Japan – most powerful auto component market around the world. Still, main business partners of bh automotive sector are coming from Germany. That is supported by the fact that in 2011 the fastest growing export category of metal processing industry was automotive industry with extraordinary growth of 25,6% annually. Thanks to that, mentioned sector increased its share in the total export in 2011.

In terms of market structure situation is a little bit different since Luxemburg market is the most important market with 50,6 million KM or 26,1% of automotive industry export, where only export goods make auto components parts. German market is the second most important market with 44,8 million KM value of exports of automotive parts or 23,1% share of the total automotive industry export.

According to the results of FIRMA – SIDA project significant business results were achieved in 2011 and most of them were referred to the members of the global consortium of the automotive industry (Prevent BH, FAD, MAN + Hummel and CIMOS Group).

## AUTO COMPONENTS PRODUCTION

BiH 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 components of metal, rubber or plastic.



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.

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

Engineering & design, as an independent business, is still under its development potentials. In preceding period it used to be an integral part of the large manufacturing companies (Unis Holding, Famos, Cajavec), successfully involved in automotive industry supply. Further development depends on available funds and interest the industry could have in research and development.

Other segments of potential automotive components supply are also developing quite well, recovering from break of the large systems. It is especially noticeable in electrics and electronics, mostly due to the very active companies such are: Cajavec FSU, Laktasi (manufacturer of signals, relays and electronic switches) and Zrak - AEO, Kiseljak (manufacturer of electronic special components). A 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.

Next table shows how much of the total share of metal processing belongs to the automotive parts.

in BAM mn	2011					
	Sales	% share	Exports	% share	Employment	% share
Aluminum joinery	480.93	6.9%	198.69	2.4%	-	-
Other base metals product(iron, steel etc.)	699.57	10.0%	441.34	5.2%	-	-
Metal construction elements	452.29	6.4%	415.10	4.9%	3,232.0	2.4%
Other metal products	44.48	0.6%	75.50	0.9%	-	-
Machinery production	309.04	4.4%	597.72	7.1%	9,898.0	7.4%
<b>Metal products</b>	<b>805.81</b>	<b>11.5%</b>	<b>1,088.32</b>	<b>12.9%</b>	<b>13,130.00</b>	<b>9.8%</b>
Automotive parts	201.45	2.9%	194.07	2.3%	4,545.0	3.4%
<b>Total MP</b>	<b>2,187.8</b>	<b>31.2%</b>	<b>1,922.4</b>	<b>22.8%</b>	<b>21,205</b>	<b>15.9%</b>
<b>Manufacturing</b>	<b>7,015.1</b>	<b>100.0%</b>	<b>8,430.4</b>	<b>100.0%</b>	<b>133,707</b>	<b>100.0%</b>

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

## CUSTOMERS AND EXPORT

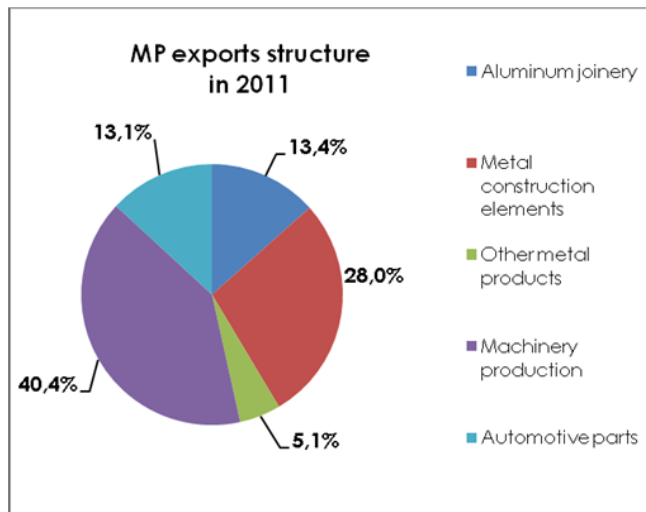
Tradition and good cooperation from the past are only one of the factors that make bh comparative advantages comparing to other regional countries. Geographic position and educated workers is positive base for especially German investors to decide to move a part of their production in to Bosnia and Herzegovina.

Historically and today Auto components sector in Bosnia and Herzegovina produces for the leading automotive industry brand names (Volkswagen, Mercedes, MAN). Many BH companies forming this sub-sector are producers of a wide range of components, while Volkswagen Sarajevo used to finally assemble various types of VW, Skoda and Audi passengers' cars in SKD system. Prevent BiH, as a subsidiary of a Slovenian group, supplies the seat covers for the VW-models Golf, Polo and Lupo and French manufacturers Renault and Peugeot. There are, also, companies which had indirect contacts (as subcontractors) with Toyota and Mazda (Jajce Alloy Wheels, Bekto Precisa Gorazde).





Auto components sector in Bosnia and Herzegovina is strongly export-oriented, exporting in average 90% of their production in 30 countries all around world. Survey of 34 companies active in this sector, undertaken at the beginning of 2012 by USAID, indicates that 13,1% of the total metal industry export belong to automotive sector – visible at the Graff below.

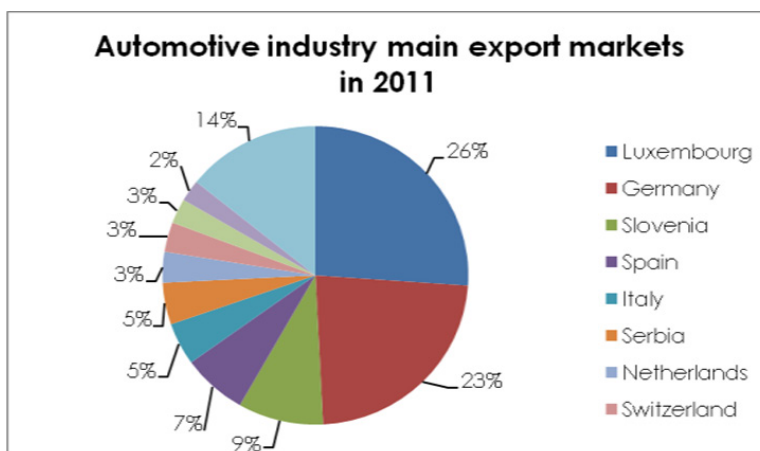


Source: Foreign Trade Chamber of B&H

Beside the crisis, it is very important to point out that all companies active in automotive sector of Bosnia and Herzegovina expect the growth in exports in the following 3 years.

At present, export of automotive parts goes mostly to Germany, Luxemburg, Italy, and Turkey and in particular to Slovenia. It is the result of full privatization of the company TMD Gradacac, done by the Slovenian partner - CIMOS. Noticeable portion goes also for Ex-Yu countries, especially Serbia where large manufacturer of Zastava/FIAT automobiles is located.

Main export automotive markets (customers) of the automotive industry in 2011 were Luxemburg, Germany, Slovenia, Spain, etc...Shown at the Graff below



Source: Foreign Trade Chamber of B&H

Automotive industry is one of bright samples of the fast expansion and good innovation supported through the cooperation with big European manufacturers.

## BUSINESS RESULTS OF THE AUTOMOTIVE INDUSTRY

Significant business results achieved in 2011 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 Unis Tok from Kalesija, Plamigo from Gračanica and CIMOS Group, TT Kabel from Široki Brijeg, Miviko from Posušje and Kapis from Tomislavgrad. Aggressive expansion of the mentioned manufacturers is mostly the result of the successfully established business relations and entrance at the German market supported by FIRMA project. Due to that it is necessary to establish so called VDE certification as an additional incentive to penetrate the German market.

Next table show metal processing industry inflow in 2012 including automotive. (jan - apr. 2012)

	Exports		Manufacturing	
	2011	2012	yoy growth rates of exports	yoy production dynamics
Aluminum joinery	63,586,368.10	58,248,690.95	-8.4%	-2.4%
Other Base metals joinery	147,720,549.29	154,235,734.44	4.4%	-2.4%
<b>Base metals joinery</b>	<b>211,306,917.39</b>	<b>212,484,425.39</b>	<b>0.6%</b>	<b>-2.4%</b>
Metal/Construction products	123,213,417.77	131,959,053.67	7.1%	-
Other metal products	23,443,531.87	26,814,022.62	14.4%	-13.3%
Machinery production	197,447,394.22	178,893,932.59	-9.4%	-52.2%
Automotive industry	64,532,745.95	60,484,971.93	-6.3%	-27.1%
<b>TOTAL MP Industry</b>	<b>619,944,007.20</b>	<b>610,636,406.20</b>	<b>-1.5%</b>	<b>-16.6%</b>

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

## LABOUR FORCE AND EDUCATION

Human resources with technical skills and expertise are the most favorable 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.4545 employees in 36 companies.

Another advantage of BiH is the high density of research and development institutes, which are the base for effective cooperation with the companies and meeting their development needs. 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

## TECHNOLOGY AND STANDARDS

In terms of achieved production quality and knowledge application, almost all the companies are in favorable conditions, readily available to move forward and advance the production. The equipments in companies are mostly of German, Italian and ex-Yu origin and aging from 1 year to 30 years. However, ownership drives investments and accordingly modernization. Private and new companies usually have up-to-date machines and tools, complemented with qualified management. Concerning the international standards, most of the companies have obtained ISO 9000 and 9001 quality certification while some of them even TS 16949 and TQS.

The quality certifications that B&H's companies received are presented in the table below:

Quality certifications	Number of firms
ISO 9001	25
ISO 14001	7
ISO TS 16949	8
CE mark	0
No certificate	6
No answer	0

Source: Survey of USAID FIRMA project

Phase in obtaining quality certificates	Number of firms
No activity	5
Preparation phase	7
Final preparation phase	2
Certification phase	1
Recertification	14
Certificate expired or lost	1
No answer	0

Source: Survey of USAID FIRMA project

## FDI IN AUTOMOTIVE INDUSTRY

Foreign interest in the automotive components sector in Bosnia and Herzegovina increased in recent years and according to some assessment FDI inward stocks are app. 80 million EUR. Several international automotive suppliers have taken a share in BiH companies or have taken over companies completely. The corresponding investments allowed particularly those companies a high and dynamic growth. Examples of this trend are the companies TMD Ai, (subsidiary of the Slovenian Cimosa-Group), which in the area of metal processing produces high-quality precision parts, or the filter manufacturer Unico Filter, which has been taken over by the German market leader Mann-Hummel. Biggest exporter and second-largest company in the country is the Prevent as a subsidiary of a Slovenian group. Prevent has several production sites in BiH for automotive products as well as 42% share in VW Sarajevo and 51% of share in the company FAD Jelah. Other companies which received significant amount of FDI are: Jajce Alloy Wheels / Croatia and Germany, Bekto Precisa/Austria, ADK/Slovenia, Skania BH / Sweden, Unis Valjci / Slovakia.

Furthermore, BiH registered large investments in the metal processing sector (Mittal Steel Zenica, and Jelsingrad Banja Luka), indirectly linked to the automotive industry, in the amount of app. 500 million EUR.

## SUCCESS STORIES

- PREVENT, Slovenia
- MANN-HUMMEL, Germany
- CIMOS, Slovenia
- BEKTO International, Austria

### 1. Prevent BH doo (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 operate 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. 2012 Prevent Group celebrated 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 – statement

Statement: 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.

## 2. Mann+Hummel (BA) j.s.c. Tešanj (Germany)

Since 2005 former company UNICO FILTER from Tešanj is a member of MANN + HUMMEL Group, the world's largest manufacturer of filters from Germany. MANN + HUMMEL Group are known as a company that operates globally and employs more than 14,000 workers at 50 different locations all over the world. In 2012 MANN + HUMMEL BA achieved a turnover of approximately 47 million, where exports represent approximately 95% of total turnover. In the period from 2006 to - 2012th MANN + HUMMEL BA has invested around 12 million Euros, and by the 2018th it is planned to invest another 10 million Euros.

Otherwise, the company is the 2013th year set a very ambitious plan that provides for the overall growth of about 30% compared to the implementation in 2012.

Many years of experience in the manufacture of parts for the automotive industry and motor contributes to the reliability of the quality of the production of the Bosnian-Herzegovinian MANN + HUMMEL that is made up of:

- The filter elements for air filters, oil and fuel filters;
- Cabin filter elements for cars, trucks, construction and agricultural machinery;
- Removable oil filters, fuel and hydraulic systems

Filters are manufactured by the modern standards and the materials of high quality in accordance to ISO / TS 16949:2002 and ISO 14001:2004 standards as well as the compliance policies corporations on environmental protection.

## WHY TO INVEST IN AUTOMOTIVE SECTOR IN BIH?

The main reasons why to choose Bosnia and Herzegovina as your destination for investing in automotive sector are as follows:

- Strategic location: Geographical proximity to automotive manufacturing base in Europe allows foreign investors low distribution costs and "just-in-time" production delivery from Bosnia and Herzegovina
- Long and extensive tradition in auto-components supply and complementary metal processing sector
- Highly qualified and educated labour force capable to learn fast
- Availability of research and development institutes (6 Faculties of Mechanics)
- Price competitive environment, average net wage 400 €
- Stable and convertible currency linked to EURO and fully reformed and developed banking sector
- Quality production – ISO and industry certificates
- Equipment mostly of EU origin, especially from Germany
- Infrastructure in place and energy sources available

## INVESTMENT OPPORTUNITIES

Strategic location, high quality and reliable suppliers, good educational base, innovations, infrastructure and energy availability are the focal points of promises to potential investors. With all recent strategic movements and industry renewal in BiH, 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.





## LIST OF THE AUTOMOTIVE COMPANIES AND THEIR PRODUCTS

ASA Prevent Group, Sarajevo

Sales of VW Group automobiles, manufacturing of seat covers, leather, rubber parts,  
brake components  
[www.asa-prevent.ba](http://www.asa-prevent.ba)

BEKTO-Internacional, Goražde

Plastic and metal injection molding, tools for plastic and metal injection castings  
[www.precisa.ba](http://www.precisa.ba)

BUPLAST d.d. Bugojno

Plastic components  
[buplast@bih.net.ba](mailto:buplast@bih.net.ba)

FAD d.d. Jelah

Brake components and systems for passenger cars  
[www.fad.ba](http://www.fad.ba)

FAMOS-Fabrika motora East Sarajevo a

Engines and gears for commercial vehicles, components for engines and gears  
[sfamos@paleol.net](mailto:sfamos@paleol.net)

A D FAMOS «Koran» Pale

Engine components and repair  
Phone/Fax: +387 57 22 62 69  
[www.famoskoran.com](http://www.famoskoran.com)

ODP FAP-Autodelovi, Rudo

Fuel, air and oil tanks; exhaust systems  
Phone/Fax: +387 58 71 11 12

ČAJAVEC FSU A.D. – Laktaši

Electro-mechanical signaling components  
[www.cajavec-fsu.com](http://www.cajavec-fsu.com)

FUSOL A.D. Nevesinje

Steering systems for passenger cars  
Phone/Fax: + 387 59 60 16 57

JAJCE ALLOY WHEELS d.o.o. Jajce

Alloy rims  
[jaw@tel.net.ba](mailto:jaw@tel.net.ba)

PANAFLEX A.D. Bijeljina

Flexible tubes and drives  
[www.panaflex-mv.com](http://www.panaflex-mv.com)

**POBJEDA d.d. Tesanj**

Oil and water pumps, hydraulic components, gearboxes and transmissions  
[www.pobjeda-tesanj.ba](http://www.pobjeda-tesanj.ba)

**POSLOVNI SISTEM CIMOS TMD**

Components and accessories for motor vehicles, agro machines, tools  
[www.tmdai.ba](http://www.tmdai.ba)

**SARAJ KOMERC d.o.o. Gornji Vakuf-Uskoplje**

Filter caps; springs and spring elements  
[www.saraj-komerc.com](http://www.saraj-komerc.com)

**SOKO – Tvornica transmisija, Mostar**

Drive shafts, half-axles, reduction gears  
[www.kardani-soko.com](http://www.kardani-soko.com)

**STANDARD A.D. Gradiška**

Auto-electrical switches, plastic parts  
[standard@gradiska.com](mailto:standard@gradiska.com)

**TAG Goražde**

Cutting tools and design  
[tagdd@bih.net.ba](mailto:tagdd@bih.net.ba)

**TESLA Brčko**

Starter batteries  
[www.tesla.co.ba](http://www.tesla.co.ba)

**Tvornica precistaca Rogatica**

Air, oil and fuel filters for commercial vehicles  
[www.tpr-filteri.com](http://www.tpr-filteri.com)

**UNICO FILTER/ MANN+HUMMEL Tesanj**

Air, oil and fuel filters for passenger cars  
[www.unico-filter.com](http://www.unico-filter.com)

**UNIS TOK d.o.o Kalesija**

Bearing rings for commercial vehicles, forge  
[unistok@bih.net.ba](mailto:unistok@bih.net.ba)

**ZRAK AEO Kiseljak**

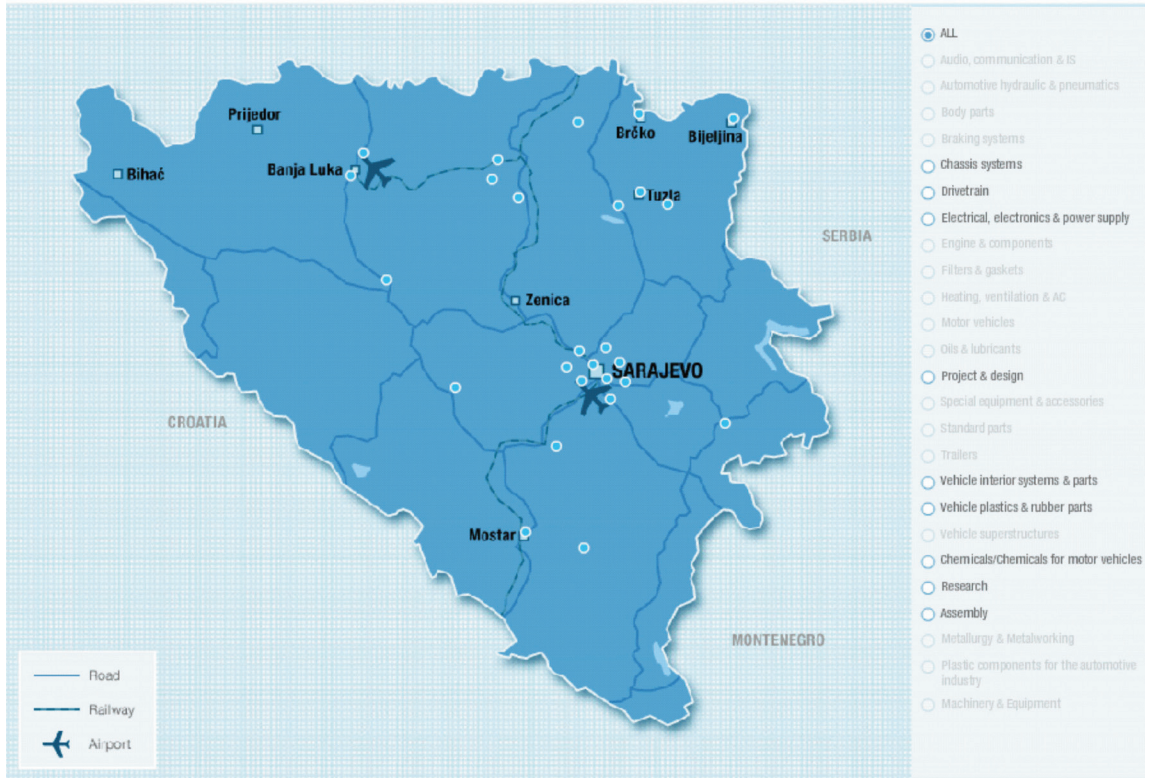
Auto electro equipment  
[zrakeo@tel.net.ba](mailto:zrakeo@tel.net.ba)

**SUR TEC EUROSJAJ d.o.o. Konjic**

Galvanization and chemicals for galvanization  
[www.surtec-eurosaj.com](http://www.surtec-eurosaj.com)



OECD has prepared an extensive database of automotive suppliers, not only in Bosnia and Herzegovina but also in the whole Western Balkans region, and that list is available at FIPA web site ([www.fipa.gov.ba](http://www.fipa.gov.ba)).



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](mailto:FIPA@FIPA.GOV.BA),

WEBSITE: [WWW.FIPA.GOV.BA](http://WWW.FIPA.GOV.BA)