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BOSNIA AND HERZEGOVINA TELECOMMUNICATIONS

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OVERVIEW**Economy Overview**

The economy of Bosnia and Herzegovina was on the rise in the period before the global economic downturn hit the country in late 2008. In 2009 the country experienced the full effects of the crisis with GDP, exports and employment all showing declines. Domestic consumption stagnated under the influence of an increasing unemployment and slowing wage growth. Investments fell off considerably due to much lower capital inflows while Government expenditures continued to grow in order to cushion the considerable fiscal deficit. In the period after 2009 the country's economy began its slow and unsteady recovery with more positive signs seen in 2013 and 2014.

Table 1. Main Economic Indicators of Bosnia and Herzegovina

Main Economic Indicators of Bosnia and Herzegovina						
Indicator	Q1 2014	2013	2012	2011	2010	2009
GDP Growth y/y (%)	2.7%*	2.10%	-1.20%	1.00%	0.80%	-2.70%
GDP per capita (EUR)	1,510	6,539	6,396	5,434	6,384	5,348
Inflation (CPI), y/y, average, (%)	-0.7	-0.1	2.0	3.7	2.1	-0.4
Industrial production (% y/y)	4.6	6.7	-5.2	5.6	1.6	-3.3
Trade Balance*** (EUR bln)	-0.803	-3.471	-3.781	-3.734	-3.334	-3.486
Editor's note: *preliminary data						
Source: Agency for Statistics of Bosnia and Herzegovina						

Industry Overview

Bosnia's telecommunications market is dominated by three companies, state owned BH Telecom d.d. Based in Sarajevo and Hrvatske Telekomunikacije d.d. (HT d.d.) Mostar, both in Federation of Bosnia and Herzegovina, and Telekom Srpske a.d., headquartered in Banja Luka, Bosnia's Serb Republic.

The three companies are the only providers of mobile telephony in Bosnia and Herzegovina. They also operate on the fixed line telephony and on the Internet services markets along with another 14 alternative operators and 72 Internet Services Providers (ISPs).

Table 2. Revenue of telecommunications sector

Year	Revenue of Telecommunications Industry (BAM)	Telecommunications Industry as % of GDP	GDP (BAM)
2013	1,400,000,000	5.52	25,343,932,000
2012	1,400,000,000	5.64	24,813,305,000
2011	1,350,000,000	5.37	25,116,972,000
2010	1,300,000,000	5.23	24,878,693,000
2009	1,400,000,000	5.67	24,670,958,000

Source: Communications Regulatory Agency of Bosnia and Herzegovina

History and Geography

Before the 1989 war, the Federal Republic of Yugoslavia's monopoly Post, Telegraph and Telephone (PTT) provided fixed-line telephony to 750,000 subscribers in Bosnia and Herzegovina. During the war more than 45% of the telephone lines were destroyed and only 15% of the population had access to telephony. After the end of the war in 1992 PTT split into three state-owned companies, engaged in telecommunications and postal services. Javno Preduzece PTT Saobracaja BiH (JP PTT BiH) was headquartered in Sarajevo, HPT d.o.o. in Mostar, both in the Federation of Bosnia and Herzegovina, and Javno Preduzece Posta, Telegraf i Telekomunikacije (JP PTT) was based in Banja Luka, Bosnia's Serb Republic. In the period 1996 – 2003 each of the three companies was reorganised into two entities:

- JP PTT, Banja Luka, split into fixed-line telephony provider Javno Opste Drzavno Preduzece (JODP) za Telekomunikacije (currently Telekom Srpske) and postal operator JODP za Postanski Saobracaj, both based in Banja Luka;
- JP PTT BiH split into postal operator JP BH Posta, Sarajevo and fixed-line telephony provider JP BH Telecom, Sarajevo;
- HPT d.o.o. split into Javno Poduzece Hrvatske Telekomunikacije d.o.o. (JP HT d.o.o.), in Mostar, engaged in fixed-line telecommunications services and postal operator Hrvatska Posta d.o.o., Mostar.

The newly-founded companies operate in different parts of Bosnia and Herzegovina. BH Telecom and HT Mostar are active mainly in the Federation of Bosnia and Herzegovina, while Telekom Srpske operates in Bosnia's Serb Republic. BH Telecom and Telekom Srpske operate in the self-governing Brcko district.

REGULATIONS

Major Developments

The milestone document for Bosnia's telecommunications industry is the Decision on the Telecommunications Sector Policy of Bosnia and Herzegovina, issued by the Council of Ministers on 28 March 2002. The Decision is a legal framework for the liberalisation of the telecommunications services in Bosnia and Herzegovina and is in line with the EU 2003 Regulatory Framework for Electronic Communications Infrastructure and Associated Services.

The telecommunications regulatory body in Bosnia and Herzegovina is the independent Communications Regulatory Agency (CRA) (Regulatorna Agencija za Komunikacije), established in 2001. The agency is involved in implementing the Decision on the Telecommunications Sector Policy of Bosnia and Herzegovina and in issuing telecommunications and broadcasting licences.

CRA granted 14 licenses for fixed line telephony services as of June 3, 2014.

In 2009 CRA granted licences to BH Telecom d.d., HT d.d. and Telekom Srpske a.d. to provide third-generation (3G) mobile telecommunications services under the Universal Mobile Telecommunications System (UMTS) technology.

On December 18, 2008 CRA adopted a numbering plan for telephone services in accordance with the recommendations of the International Telecommunication Union and the European Conference of Postal and Telecommunications Administrations.

CRA adopted a rule on unbundled access to the local loop on May 27, 2008. On January 31, 2008 CRA introduced number portability for fixed and mobile phone lines. However, the launch of the service was pushed back to 2012 after the telecommunications operators did not meet the deadlines set for implementation of the services.

In 2006 the international voice services were liberalised in Bosnia and Herzegovina, four years after the liberalisation of the domestic voice telephony and data services.

The provision of fixed-line and mobile telephony services is subject to an individual licence in Bosnia and Herzegovina.

The CRA granted GSM licences to BH Telecom d.d., HT d.d. and Telekom Srpske a.d. in 2004, as well as licences for providing fixed-line telephony in 2002.

In 2007 the mobile operators in Bosnia and Herzegovina were obliged to sign national roaming agreements in order to cover the whole territory of Bosnia and Herzegovina.

COMPANIES

Major Developments

In July 2014 Bosnian telecommunications company Blicnet d.o.o., a subsidiary of Slovenia's telecommunications company Telekom Slovenije d.d., signed a contract on the acquisition of 100% of its local peer Telrad Net d.o.o.

Also in July 2014, Telekom Srpske a.d. set up a unit in Austria's capital Vienna, Mtel Austria, which will operate as mobile virtual network operator (MVNO). Except mobile telephony services it will also offer multimedia contents from the area of former Yugoslavia, including live TV and web-based music streaming services, mainly intended for people from the region who live in Austria.

Telekom Srpske a.d. acquired local cable operator Elnet d.o.o. in June 2014.

In February 2014 Telekom Srpske a.d. absorbed its subsidiary Telegrafsko telefonski inženjering d.o.o., which engages in the construction of telecommunication networks.

In December 2013 Telekom Srpske a.d. announced its plans to buy Sarajevo-based Internet provider Logosoft d.o.o. for EUR 12 mln.

In January 2013 Telekom Slovenije d.d. acquired from minority shareholders a further 30% in Bosnia's telecommunications company Aneks d.o.o., thus becoming its sole owner. Banja Luka-based Aneks provides broadband internet, fixed telephony, and analogue and digital TV services. In 2013 Aneks d.o.o. changed its name to Blicnet d.o.o.

In August 2010 British private equity investment firm Mid Europa Partners LLP acquired three Bosnian cable operators for an undisclosed sum. The acquisition of BH Cabel Net d.o.o., Elob CATV d.o.o. and GlobalNET d.o.o. provides Mid Europa

with network coverage of the Sarajevo, Zenica-Doboj and Herzegovina-Neretva cantons. The investment company planned merged the three Bosnian companies under the Telemach brand.

On February 3, 2010 Telekom Srpske a.d., majority owned by Serbian Telekom Srbija AD, acquired a 49% stake in Montenegrin mobile operator m:tel d.o.o. from Dutch Ogalar BV for EUR 10 mln.

In January 2009 Bosnian cable operator Aneks d.o.o., a subsidiary of Telekom Slovenije d.d., acquired its local peer Profel Komunikacije d.o.o., which supplies cable television in Prijedor, Bosnia's Serb Republic and has licences to offer these services in the administrative centre of Bosnia's Serb Republic, Banja Luka, and in Sanski Most, western Bosnia.

In September 2008 Aneks d.o.o. acquired Bosnian cable television operator Netkom for EUR 1.3 mln. Later Netkom, which had 6,500 clients and was based in Bosnia's Serb Republic, merged into Aneks d.o.o.

The Agency for Privatisation in the Federation of Bosnia and Herzegovina planned to sell 51% of BH Telecom d.d. and 14% of HT d.d. by end-2008. However, in early 2009 the Government decided to suspend the privatization of the two companies because of the global economic downturn.

In January 2007 the Directorate for Privatisation of Bosnia's Serb Republic sold 65% of Telekom Srpske to Serbia's state-owned telecommunications company Telekom Srbija AD for EUR 646 mln.

In 2002 mobile phone operator Eronet-Pokretne Komunikacije d.o.o., Mostar, span off from its parent company Hrvatske Telekomunikacije and was privatised. In 2004 its privatisation was declared illegitimate and Hrvatske Telekomunikacije acquired 51% of Eronet.

Table 3. Licenced Telecommunications Companies in Bosnia and Herzegovina

Licenced Telecommunications Companies in Bosnia and Herzegovina		
Licence	Number of Companies	As of:
National Fixed-line Telephony Operators	3	August 2014
GSM Operators	3	August 2014
UMTS Operators	3	August 2014
Public Electronic Communication Networks Operators	85	Aug 14, 2014
Public Fixed-line Telephony Providers	14	Jun 3, 2014
Internet Services Providers	72	Aug 14, 2014

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 4. Ownership Structure of Bosnia's Major Telecommunications Companies

Ownership Structure of Bosnia's Major Telecommunications Companies	
Company	Majority Shareholders
BH Telecom d.d.	State – 90.00%
Telekom Srpske a.d.	Telekom Srbija a.d. (Belgrade, Serbia) – 65.01%
HT d.d.	State – 50.10%
Source: Sarajevo Stock Exchange, Banja Luka Stock Exchange	

Leading Companies**Table 5. Main Financial Indicators of Major Telecommunications Companies (EUR mln)**

Main Financial Indicators of Major Telecommunications Companies (EUR mln)						
Company	2013		2012		2011	
	Total Revenue	Net Profit	Total Revenue	Net Profit	Total Revenue	Net Profit
BH Telecom d.d.	303.3	60.7	312.9	64.7	316.1	68.7
Telekom Srpske a.d.	244.5	51.3	250.8	56.2	256.5	54.9
HT d.d.	123.9	7.4	133.7	9.2	129.5	5.1
Source: BH Telecom d.d., Telekom Srpske a.d., Sarajevo Stock Exchange						

Table 6. Market Shares by Segments in 2013

Market Shares by Segments in 2013		
Company	Fixed-line Telephony	Mobile Telephony
BH Telecom d.d.	48%	44%
Telekom Srpske a.d.	35%	42%
HT d.d.	13%	13%
Others	5%	0.3%
Source: Communications Regulatory Agency of Bosnia and Herzegovina		

EMPLOYMENT**Table 7. Average Number of Employees**

Average Number of Employees		
Year	Information and communication industry	Total in Bosnia and Herzegovina
May 2014	17,879	707,780
2013	17,582	690,789
2012	17,316	686,852

Source: Agency for Statistics of Bosnia and Herzegovina

Table 8. Average Number of Employees by Company

Average Number of Employees by Company			
Year	BH Telecom d.d.	Telekom Srpske a.d.	HT d.d.
2013	3,480	2,183	1,502
2012	3,455	2,238	1,496
2011	3,433	2,277	1,478
2010	3,401	2,327	1,476

Source: Companies' annual financial statements

SUPPLY

The telecommunications services, provided in Bosnia and Herzegovina, include:

- Fixed-line telephony:
 - analog telephony;
 - Integrated Services Digital Network (ISDN) telephony;
 - Public Switched Telephone Network (PSDN) telephony;
- Mobile telephony under the:
 - GSM standard with networks operating in the 900 MHz and 1800 MHz bands;
 - UMTS technology in the 1900 MHz and 2100 MHz bands;
- Internet services:
 - Asymmetric Digital Subscriber Line (ADSL) Internet;
 - Dial-up Internet;
- Data transmission;
- Leased lines;
- Public payphones.

Bosnia's fixed-line telecommunications infrastructure consists of the networks of the dominant telecom operators BH Telecom, Telekom Srpske and Hrvatske Telekomunikacije. As of December 2013 the three companies are still the only providers of fixed-line telephony in the country, although the market has been liberalised. On a local level 14 companies held licences for fixed-line telephony.

A total of 99.98% of Bosnia's fixed-line network had been digitalised by December 2012, compared to 99.60% in January 2010 and 99.50% in January 2009.

The penetration rate of the segment stood at 23.2% in 2013 in Bosnia and Herzegovina, down from 24.2% in 2012. By comparison the average penetration rate of fixed-line telephony was 27.6% in Southeast Europe (SEE) and 36.2% in the EU member states as of 2013.

Mobile telephony is provided via the fully digitalised networks of BH Telecom d.d., Telekom Srpske a.d. and HT d.d. The mobile telecommunications services include voice telephony, as well as data transmission services - Short Message Service (SMS), Multimedia Messaging Service (MMS), General Packet Radio Service/Enhanced Data Radio Service for GSM Evolution GPRS/EDGE. BH Telecom d.d. started providing mobile telephony under the brand BHTMobile in 1996, Telekom Srpske a.d. launched the service in 1999 under the brand MOBIS' (now m:tel) and HT d.d. in 2000, under the brand Eronet.

The average mobile telephony penetration rate in Bosnia and Herzegovina marked a stable growth in the period 2004-2013, reaching 90.8% in 2013 versus only 36.6% in 2004. However, the country still lags behind the average penetration rate of 117.4% in SEE and 126.9% in the EU.

As of December 2013 a total of 69 Internet Services Providers (ISP) operated in Bosnia and Herzegovina, down from 75 in 2012 and 80 in end-2011.

The ISP offer Internet connection via dial-up (through analog modem and ISDN), broadband (via ADSL and cable modems) and Fixed Wireless Access (FWA).

In 2013 the total number of internet subscribers in Bosnia and Herzegovina amounted to 518,662 and the total number of Internet users was estimated at 2,188,429. The Digital subscriber line (xDSL) was the dominant type of Internet access, accounting for 56.78% of the Internet subscribers, followed by the cable Internet access with a share of 29.6%.

Table 9. Penetration Rates (%) of Telecommunications Segments in Bosnia and Herzegovina

Penetration Rates (%) of Telecommunications Segments in Bosnia and Herzegovina			
Year	Fixed-line telephony	Mobile telephony	Internet services
2013	23.21	90.79	56.96
2012	24.19	87.25	56.59
2011	24.88	82.54	55.00
2010	25.76	78.44	52.00
2009	24.05	83.08	37.00
2008	25.53	82.72	34.00
2007	26.41	63.29	27.25
2006	25.46	48.77	24.50
2005	25.20	41.48	20.80

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 10. Mobile Telecommunications in Bosnia and Herzegovina

Mobile Telecommunications in Bosnia and Herzegovina						
Year	Indicators	Mobile Telephony Operators				Total
		BH Telecom d.d.	Telekom Srpske a.d.	HT d.d.	Other*	
2013	Installed Capacity	2,950,000	2,100,000	1,600,000	N/A	6,650,000
	Subscribers	1,547,571	1,466,742	464,601	9,405	3,488,319
	Capacity Utilisation Rate	52.5%	69.8%	29.0%	N/A	52.5%
2012	Installed Capacity	2,600,000	2,100,000	1,600,000	0	6,300,000
	Subscribers	1,493,205	1,411,169	447,957	0	3,352,331
	Capacity Utilisation Rate	57.4%	67.2%	28.0%	0.0%	53.2%
2011	Installed Capacity	2,100,000	2,100,000	1,200,000	0	5,400,000
	Subscribers	1,361,548	1,377,769	431,966	0	3,171,283
	Capacity Utilisation Rate	64.8%	65.6%	36.0%	0.0%	58.7%
2010	Installed Capacity	2,100,000	2,000,000	1,000,000	0	5,100,000
	Subscribers	1,306,251	1,344,006	363,443	0	3,013,700
	Capacity Utilisation Rate	62.2%	67.2%	36.3%	0.0%	59.1%
2009	Installed Capacity	2,000,000	1,900,000	900,000	0	4,800,000
	Subscribers	1,251,467	1,231,489	709,108	0	3,192,064
	Capacity Utilisation Rate	62.6%	64.8%	78.8%	0.0%	66.5%
2008	Installed Capacity	1,600,000	1,600,000	800,000	0	4,000,000
	Subscribers	1,426,790	1,109,686	642,560	0	3,179,036
	Capacity Utilisation Rate	89.2%	69.4%	80.3%	0.0%	79.5%
2007	Installed Capacity	1,450,000	1,600,000	800,000	0	3,850,000
	Subscribers	1,069,284	880,337	500,804	0	2,450,425
	Capacity Utilisation Rate	73.74%	55.02%	62.60%	0.0%	63.65%

*IZI Mobil d.o.o. and Blicnet d.o.o. which operate under agreements with Telekom Srpske a.d. and BH Telecom d.d., respectively.

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 11. Mobile Telecommunications in Bosnia and Herzegovina

Mobile Telephony Coverage of Population in Bosnia and Herzegovina				
Coverage in terms of:	2013	2012	2011	2010
3G/4G mobile telephony network	90.0%	70.0%	70.0%	70.0%
2G mobile telephony network	99.0%	99.0%	99.0%	99.0%

Source: Agency for Statistics of Bosnia and Herzegovina

Table 12. Licences for Mobile Telephony in Bosnia and Herzegovina as of February 2014

Licences for Mobile Telephony in Bosnia and Herzegovina as of February 2014			
Company	System	Spectrum band (MHz)	Period
BH Telecom d.d.	GSM and UMTS	900	October 2004 – 2019
		1800	February 2005 - 2019
	UMTS	2100	April 2009 - 2024
Telekom Srpske a.d.	GSM and UMTS	900	October 2004 – 2019
		1800	February 2005 - 2019
	UMTS	2100	April 2009 - 2024
Hrvatske Telekomunikacije d.o.o.	GSM and UMTS	900	October 2004 – 2019
		1800	December 2004 - 2019
	UMTS	2100	April 2009 - 2024

Source: Cullen International

Table 13. Fixed telephony lines by technology in Bosnia and Herzegovina, and Neighbouring Countries as of December 2013

Fixed telephony lines by technology in Bosnia and Herzegovina, and Neighbouring Countries as of December 2013				
Country	Total number of fixed lines	Technology		VoIP and other
		PSTN	ISDN	
Bosnia and Herzegovina	886,313	781,846	25,587	78,880
Croatia	1,633,457	1,127,684	54,301	451,472
Montenegro	169,803	161,928	4,713	3,162
Serbia	2,836,446	2,643,510	75,119	117,817

Source: Cullen International

Table 14. Licenced Providers of Fixed-line Public Telephony in Bosnia and Herzegovina as of Jun 3, 2014

Licenced Providers of Fixed-line Public Telephony in Bosnia and Herzegovina as of Jun 3, 2014		
Company	Headquarters	Licence Issued
Austrofon d.o.o.	Tuzla	Oct 1, 2013
Dasto Semtel d.o.o.	Bijeljina	Feb 1, 2012
Voiptel Net d.o.o.	Brcko	Jan 1, 2012
Telemach d.o.o.	Sarajevo	Apr 18, 2011
Telrad Net d.o.o.	Bijeljina	Apr 18, 2011
ELTA – KABEL d.o.o.	Doboj	Aug 1, 2010
M&H Company d.o.o.	Sarajevo	Jan 19, 2009
AKT.Online d.o.o.	Sarajevo	Jan 1, 2007
EuroproNET Bosnia d.o.o.	Sarajevo	Oct 16, 2006
Logosoft d.o.o.	Sarajevo	Aug 4, 2006
Crumb Group d.o.o.	Bijeljina	July 27, 2006
ANEKS d.o.o.	Banja Luka	May 8, 2006
AirABA d.d.	Sarajevo	April 20, 2006
T3 d.o.o.	Sarajevo	April 20, 2006

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 15. Licensed Internet Services Providers in Bosnia and Herzegovina

Licensed Internet Services Providers in Bosnia and Herzegovina	
Year	Number
Aug 14, 2014	72
2013	69
2012	75
2011	80
2010	75
2009	77
2008	66
2007	60
2006	52
2005	42
2004	42

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 16. ISPs in 2013 by Location in Bosnia and Herzegovina

ISPs in 2013 by Location in Bosnia and Herzegovina				
Town/Canton/Region	Number of Citizens	Number of Subscribers	Number of ISPs	Share of broadband subscribers
Tuzla	501,638	55,328	20	99.31%
Sarajevo	401,687	96,915	16	98.26%
Banja Luka	451,088	66,469	15	99.57%
Zenica-Doboj	401,137	43,868	12	99.46%
Distrikt Brcko	74,960	11,409	10	99.77%
Una-Sana	297,632	33,963	9	99.57%
Central Bosnia	252,673	33,420	9	99.67%
Herzegovina - Neretva	224,499	37,308	9	99.61%
Doboj	238,735	25,185	8	99.88%
Bijeljina	143,199	20,660	8	99.81%
Prijedor	177,772	17,438	7	99.78%
Zvornik	142,198	11,018	7	99.95%
Eastern Sarajevo	85,843	11,300	6	89.87%
Western Herzegovna	81,522	12,781	5	99.75%
Posavina	44,686	4,891	5	99.84%
Mrkonjic Grad	40,957	3,654	4	99.64%
Canton 10	84,259	8,672	3	99.85%
Trebinje	80,957	9,809	3	99.87%
Foca	77,965	6,830	3	99.80%
Bosnian-Podrinje	35,213	3,075	3	99.41%
Samac	32,686	2,910	3	100.00%

Source: Communications Regulatory Agency of Bosnia and Herzegovina

DEMAND

In 2013 the country's total revenue from telecommunications services remained flat on the year to EUR 715.8 mln. Mobile telephony experienced an 11% drop in 2013 after a steady growth in the period 2005-2012. In contrast, the revenue of the fixed line telephony segment was on the rise in 2013 and 2012 after several years of decline. The year-on-year growth of the internet services' revenue slowed down to 0.92% in 2013 from 2.85% in 2012 and 8.95% in 2011.

Demand for fixed-line telephony in Bosnia and Herzegovina followed the trend in SEE and continued to shrink in 2013. The fixed-line subscribers in the country totalled 891,622 or by 4.1% less than a year ago.

In 2013 the number of mobile subscribers continued to grow reaching 3.488 million, of which pre-paid subscribers accounted for 80.7% of the total. The number of SMS messages exceeded 1.5 million and MMS messages totalled 3.1 million, down by 19.7% and 28.8% on the year, respectively.

The number of internet subscribers was constantly growing in the period 2005-2013 with an average annual increase of 14%. In 2013 the number of internet users was estimated at 2,188,429 compared to 805,185 in 2005. In 2009 the dominant technology for Internet access was xDSL, which was used by 56.8% of the total number of Internet subscribers in the country. The second place was occupied by cable Internet access with a 29.6% share of the total Internet users.

The broadband internet access is rapidly raising its share in the total number of internet subscribers. In 2013 more than 99% of the total internet subscribers used broadband connection, compared to 85% in 2012 and 83% in 2008.

Table 17. Telecommunications Sector Revenue in Bosnia and Herzegovina by Segments (EUR mln)

Telecommunications Sector Revenue in Bosnia and Herzegovina by Segments (EUR mln)				
Segment	2013	2012	2011	2010
Mobile telephony	341.7	382.2	350.0	330.5
Fixed-line telephony	243.5	215.6	189.6	202.3
Internet services	68.2	67.6	65.7	60.3
Other	62.4	50.3	84.9	71.5
Total	715.8	715.8	690.2	664.7

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 18. Number of Subscribers by Segments in Bosnia and Herzegovina

Number of Subscribers by Segments in Bosnia and Herzegovina					
Segment	2013	2012	2011	2010	2009
Fixed-line telephony	891,622	929,453	955,937	989,680	947,626
Mobile telephony	3,488,319	3,352,331	3,171,283	3,013,700	3,192,064
Internet users	2,188,429	2,174,250	2,113,100	2,000,000	1,421,540

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 19. Fixed-line Telephony Subscribers in Bosnia and Herzegovina

Fixed-line Telephony Subscribers in Bosnia and Herzegovina					
	2013	2012	2011	2010	2009
BH Telecom d.d.	423,429	458,721	480,903	502,376	507,318
Telekom Srpske a.d.	308,270	322,581	337,991	360,102	313,462
HT d.d.	114,785	121,888	124,462	127,202	126,846
Alternative operators	45,138	26,263	12,581	0	0
Total	891,622	929,453	955,937	989,680	947,626
Y/Y change of Total	-4.07%	-2.77%	-3.41%	4.43%	-3.42%

Source: Communications Regulatory Agency of Bosnia and Herzegovina

Table 20. Fixed Telephony Lines by Subscribers Category in Bosnia and Herzegovina, and Neighbouring Countries as of December 2012

Fixed Telephony Lines by Subscribers Category in Bosnia and Herzegovina, and Neighbouring Countries as of December 2012			
Country	Total number of fixed lines	Subscriber category	
		Residential	Business
Bosnia and Herzegovina	886,313	787,213	99,100
Croatia	1,633,457	1,399,546	233,911
Montenegro	169,803	147,417	22,386
Serbia	2,836,446	2,560,068	270,783

Source: Cullen International

INVESTMENTS

Table 21. Flows of Foreign Direct Investments (FDI) in Bosnia and Herzegovina

Flows of Foreign Direct Investments (FDI) in Bosnia and Herzegovina					
	January - September 2013	2012	2011	2010	2009
Postal and Telecommunications	13.0	5.0	11.0	-10.0	-30.0
Total FDI (EUR mln)	210.1	285.3	354.8	306.8	180.0

Source: Central Bank of Bosnia and Herzegovina

Company Investments

From 2008 to July 2014 BH Telecom d.d. signed deals worth a total of more than EUR 74 mln with Croatian telecommunications equipment maker Ericsson Nikola Tesla d.d. to upgrade its core network and extend its 2G and 3G mobile network.

In June 2014 BH Telecom d.d. opened its new administration building worth EUR 19 mln in Sarajevo, the capital of Bosnia and Herzegovina. The building's total built-up area is 8,027 sq m.

Telekom Srpske a.d. invested a total of EUR 97 mln in its network in the period 2011-2013. In the period between 2006 and 2009 the company invested more than EUR 205 mln in the development of its telecommunications infrastructure, mostly on its mobile network and on broadband access, mainly ADSL.

In May 2012 Hrvatske Telekomunikacije d.d. signed a EUR 4.8 mln contract with Ericsson Nikola Tesla d.d. to upgrade its 2G and 3G networks. Under the deal, the Croatian company will deliver to Hrvatske Telekomunikacije d.d. radio base stations and related software, as well as services for their installation and integration into the company's network.

In January 2009 BH Telecom d.d. signed a EUR 2.5 mln deal with Ljubljana-based IT company Smart Com to provide the implementation and integration of convergent telephone IP and IPTV services.

BH Telecom d.d. invested a total of BAM 12.7 mln in new equipment and the construction of an office in Mostar in the first half of 2008. The company's investments in implementing new technologies and expanding its network stood at BAM 23 mln in 2007, EUR 7.6 mln in 2006, and BAM 91.5 mln in 2005. In

2003 the company allocated BAM 220-250 mln for the introduction of General Packet Radio Service (GPRS) and Universal Mobile Telecommunication System (UMTS) technologies. In 2002 and 2001 BH Telecom invested a total of BAM 10.3 mln in equipment. Telekom Srpske a.d. spent a total of EUR 30 mln on new equipment in 2007.

PROJECTIONS AND EXPECTATIONS

The competition on the telecommunications market of Bosnia and Herzegovina will continue, putting pressure on the incumbent operators' market share and revenue. The companies in the sector will try to attract more subscribers, including those of their competitors, by offering lower prices and better service quality in order to keep profits intact. The introduction of new products and services is another factor that will determine who will survive in the competitive environment.

Bosnia and Herzegovina is lagging behind its neighbours in implementing the EU regulatory framework in the field of telecommunications. The slow adoption of sector policies and political interference raise concerns over the regulatory certainty and predictability and will slow down the development of the telecommunications industry in the country.

INDUSTRY REFERENCES

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