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Armenia

Great country Smart opportunities

20 years in Armenia

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A steady macroeconomic environment (GDP CAGR to 2020 is 3.2% for Armenia vs. CAGR of 2.7% for global GDP), low inflation rate, and stable exchange rate provide a predictable and favorable basis for investment

Clearly written legislation in accordance with international standards and a favorable tax regime create a welcoming environment for foreign investment

Armenia ranks first among EAEU countries in economic and investment freedom, due to its open legislation to foreign investors, which confirms country's commitment to attract and retain foreign investors

Opportunities in Armenia

Regulatory framework

Government strives to make its legislative regime investor friendly. Armenia has one of the most favorable legislative regimes for foreign investment among European countries

Foreign investors are permitted to 100% property ownership. Armenia provides free currency exchange and free profit repatriation

There is almost no sector-specific restrictions in foreign investments

Investments by non-residents are fully secured by a five-year grandfathering clause protecting against legislative changes

Financial sector

Armenian financial sector provides favorable infrastructure for investments in the country

The market is highly-developed: international banking and financial groups are well-presented in the market. The sector-specific legislation is in line with relevant international standards

There was no insolvency cases during last 15 years what indicates market stability

Ease of doing business

Armenia has an internationally recognized high level of investment freedom. Armenia ranks 21st among 180 countries by investment freedom component according to The Heritage Foundation ranking

Armenia offers a low level of tax burden from general taxes and various tax incentives (sector-, location- and size-oriented)

Armenia has fast and simple business registration procedures (up to 2 working days) according to one-stop shop policy for entrepreneurs

Agriculture

Opportunity to market agricultural products with minimal customs fees and bureaucratic trade barriers within the EAEU market of more than 180 million consumers

Potential usage of tax incentives supported by government can facilitate an increase in the profitability of agricultural business

Currently announced projects total USD 278 million with opportunity for foreign investment

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Tourism

The number of foreign visitors to Armenia is anticipated to more than double by 2020, which will increase demand for the development of tourist infrastructure and entertainment facilities

Armenia's heritage, open border (visa-free regime with 60+ countries) and ranking as one of the world's safest travel destinations create attractive fundamentals for the development of tourism in the country

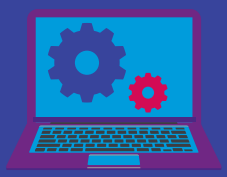
Total investments required in currently planned projects amount to USD 800 million with opportunity for foreign investment

Renewable energy

The alternative energy sector is developing rapidly due to Armenia's significant natural renewable resources for both local consumption and exporting to neiboghring countries (electricity production in small HPPs grew by around 54% over the last 5 years)

The Government provides significant incentives for investing in renewable energy, including guaranteed purchase contracts for renewable energy, which creates secure conditions for investment in renewable energy projects

The total sum of currently announced projects amounts to USD 596 million with opportunity for foreign investment



IT and R&D

A pool of low-cost and highly qualified technical specialists due to strong educational heritage, leading to active and developing partnership of R&D institutions with business

The qualifications of Armenian IT specialists has already confirmed by global IT companies such as Microsoft, IBM, and Synopsys, who have chosen Armenia as a preferred location for their work

A growing sector with increasing export opportunities: 30% CAGR over 2011-2016, and on target to double by 2018 as compared to 2016

Significant government support creates favorable IT startup environment (0% profit tax, 10% income tax)

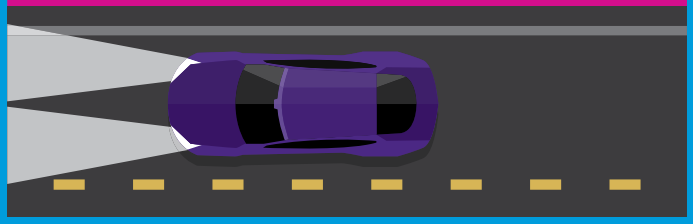
Opportunities for opening a local R&D/IT development base following the example of several multinational firms already operating in Armenia

Infrastructure

Armenia has the role of transportation hub in the region and a transit partner of EU, EAEU, Middle East and Asian countries, which is supported by current infrastructure

Due to anticipated increase in cargo and tourist flow in the medium term, Armenia aspires to further develop transport infrastructure, which is being implemented through PPP projects

The total sum of currently announced projects amounts to USD 3.1 billion with opportunity for foreign investment



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— Agriculture

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Appendix

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Armenia at a glance

Government
Parliamentary Republic

Population
2,998,600 people

Average temperature
January: -3° C (27° F)
July: +27° C (81° F)
Year average: +13° C (55° F)

Administrative and territorial division
10 regions (marzes)
48 cities and towns
866 villages

Total area
29,743 square km

Currency
Armenian dram (AMD)
1 EUR = ~520 AMD
1 USD = ~480 AMD

Capital
Yerevan

Time
UTC / GMT +4:00

Languages
Official:
Armenian
Widely used:
Russian, English

GDP overview
Structure by sectors:
Services – 26%
Agriculture – 17%
Industry – 16%
Trade – 11%
IT, education and science – 7%
Other – 22%

Nominal GDP – USD 10.7 billion (2016)

Time by air
In 1.5 hours:
Tehran, Jerusalem
In 3 hours:
Dubai, Moscow
In 4 hours:
Berlin, Paris, Rome

FDI
USD 3 billion (2010-2015)

Literacy rate
99.8% (2015)

Internet penetration
69.6% (2015)

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Foreword

Armenia is a country with a unique and diverse historical and cultural heritage, which has developed into a remarkable culture at the crossroads of East and West. With its breathtaking and diverse nature, highly educated and intelligent people, and centuries of tradition to uphold and preserve, Armenia is open to share its history and values with the world and transform these assets into a promising and stable future.

Currently the Government of Armenia has embarked on deep and comprehensive reforms of the business environment to make Armenia a preferred destination for foreign investment. Today, Armenia has one of the most open investment regimes in the region.

Due to smart macroeconomic, legal and tax policies carried out by the Government, the Armenian economy has been demonstrating stable growth since 2013, which has continued in 2014-2016, despite the global economic slowdown. A number of sectors have shown significant growth in the recent years, including innovations and technology, financial services, education, hospitality and mining. Evidence of Armenia's considerable investment potential can be seen in the country's positions in global rankings of the level of socioeconomic development and opportunities for doing business.

In 2015 the Republic of Armenia became a member of the Eurasian Economic Union (EAEU), along with Russia, Kazakhstan, Kyrgyzstan and Belarus, which specifies a unified customs territory offering free movement of goods within the countries of the EAEU. Armenia has signed free-trade agreements with Georgia and most of the CIS countries. The country currently enjoys GSP beneficiary status with Canada, Japan, Norway, Switzerland, and the United States. Since 2009, the country has also been included in the list of countries granted GSP+ status by the European Union.

Due to its unique location and people, Armenia is a bridge between Iran, the EAEU and the EU. This is a country with access to the EAEU market of over 180 million consumers, with exceptional resources, diverse traditions and cultures, which creates excellent opportunities for new ideas and businesses. Armenia is on its way to a prosperous future and openly awaits its next smart major investment.

I hope that this report gives you a better understanding of the great opportunities that Armenia offers to investors throughout the world.

Oleg Goshchansky

Chairman
and Managing Partner
KPMG in Russia and the CIS

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Overview of the Armenian economy

— General economic overview of Armenia
— Advantages of EAEU membership

General economic overview of Armenia

Armenia has a stable macroeconomic environment with economic growth rates above the world average, which provides a favorable basis for investment

Armenia has an open-door policy towards foreign investors and one of the most open investment regimes among European countries

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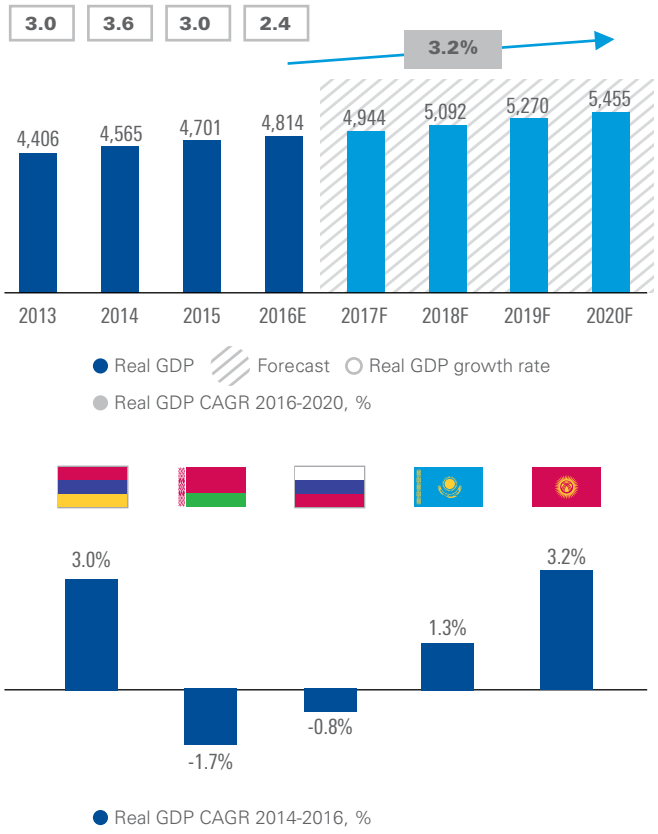
Stable macroeconomic conditions

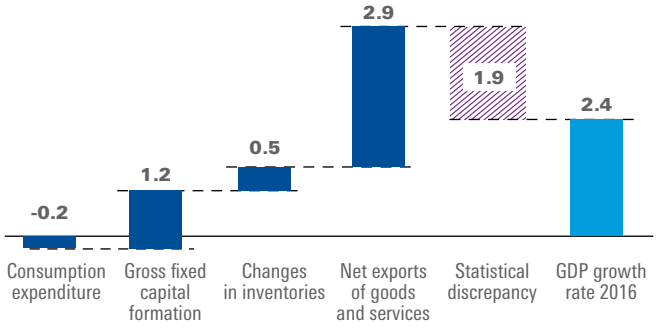
Republic of Armenia real GDP[a], forecast and EAEU[b] benchmark / AMD bn



The Armenian economy has been demonstrating ***stable growth since 2013***, and it has continued to develop during 2014-2016, unlike some of the other EAEU countries. The main contributor to GDP increase in this period was ***export of goods and services***, with a contribution to growth of 6.1 and 2.9 percentage points in 2015 and 2016, respectively.

Real GDP CAGR[c] up to 2020 is expected to be ***above 3%*** which is higher than the world average expected CAGR of 2.7%. Thereby, Armenian economy will develop steadily despite the current ambiguous macroeconomic environment globally. The share of investment in GDP is expected to ***increase up to 23%*** in 2020, which will create the potential for further economic development.

Breakdown of contribution to Armenian GDP growth in 2016 / Percentage points



Inflation and currency

The Republic of Armenia has a relatively ***low inflation rate:*** the CPI index has not exceeded 5% since 2013 (average consumer inflation over 2013-2016 was ***2.8%***). This rate is atypical for most EAEU and CIS[d] countries; for example, the average inflation rate in 2013-2016 was more than 9% for Russia and more than 8% for Kazakhstan.

Expected Armenian CPI in 2017 of 1.6% means that Armenian inflation will be within the mid-term Armenian Central Bank target of 4±1.5% to 2020. Low inflation expectations provide a favorable economic environment for investments.

An additional advantage of Armenian economy is its ***strong currency***. The Armenian Dram (AMD) did not depreciate substantially in 2014-2017, unlike the currencies of other EAEU and CIS countries. ***The depreciation of the dram was only 20%***, whereas the Ukrainian hryvnia and Kazakhstani tenge lost more than half their value. Currency stability decreases risks of devaluation of assets (measured in hard currencies), which are bought and owned in Armenia.

Note: (a) Calculated in 2012 prices; (b) Eurasian Economic Union; (c) Compound annual growth rate; (d) Commonwealth of Independent States

Source: IMF, national statistical agencies

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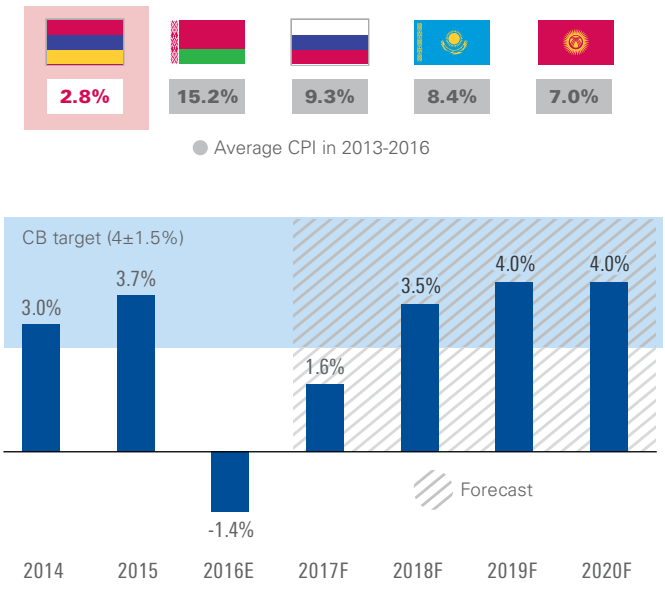
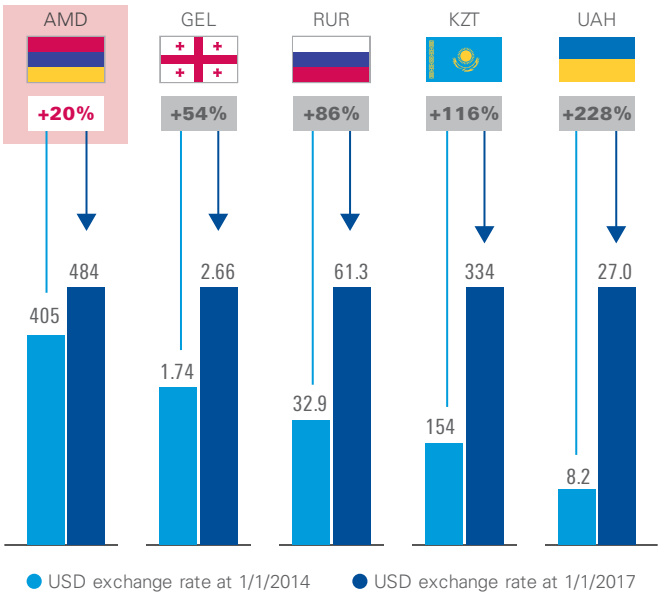
CPI dynamics and forecast in Armenia and EAEU benchmark / %, period average



Depreciation of currencies against the USD, 2014-2017 / %

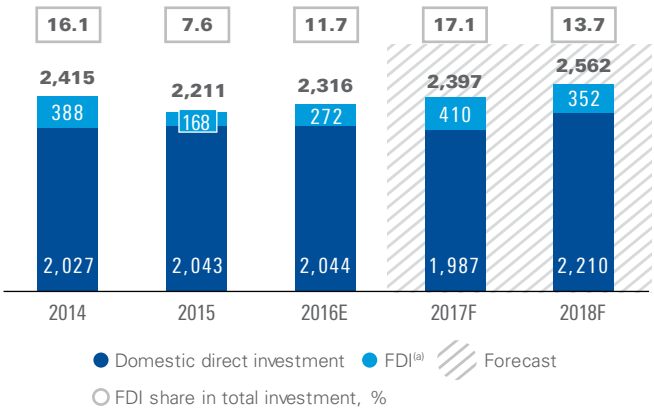


Investment structure in Armenia

Armenian macroeconomic conditions offer a number of advantages for potential investors. In addition, Armenian law is open to foreign investment. The ***share of FDI in GDP in 2015 was 1.6%*** and is expected to increase to ***3.1% in 2018***.

At the moment, major foreign investors to Armenia are Russia, France, Germany and Argentina (cumulative ***FDI over 2010-2015 was USD 3 billion***). Major investments were made in the energy sector and telecom (about USD 1.9 billion in 2010-2015).

Investment in Armenia / USD mn



Note: (a) Foreign direct investment

Source: IMF, EIU, Central Bank of Armenia, xe.com

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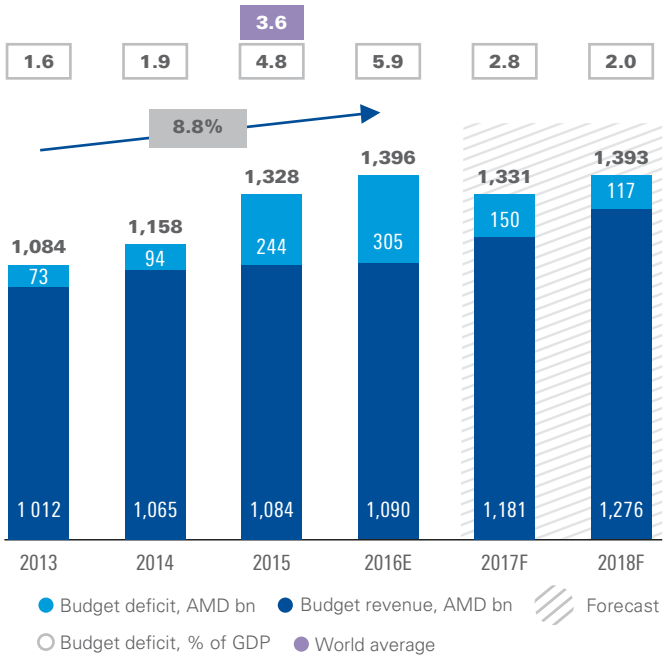
Public finance

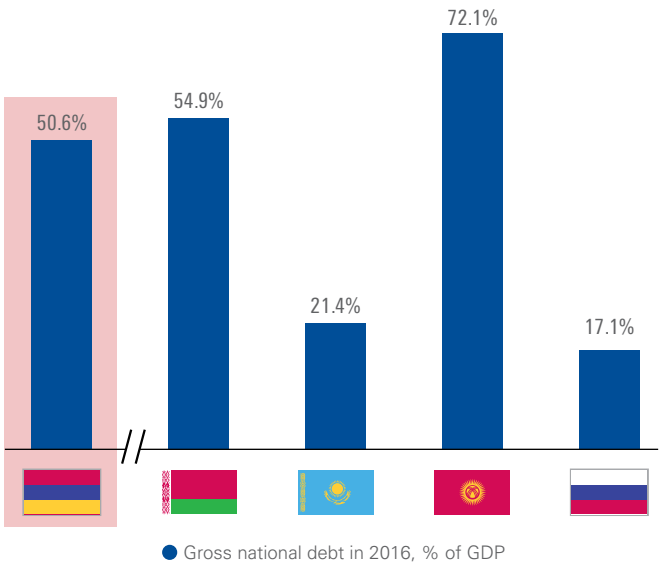
Government spending in Armenian has been consistently higher than income over the past several years, and this is expected to continue through 2018. However, ***budget deficits have not exceeded 6% of GDP***, which is not critical for economic stability.

Armenia's ***gross national debt is at the average level*** among EAEU countries, at approximately ***50% of GDP.*** The debt consists mostly of of long-term loans from international organizations such as the IMF.

Armenian budget revenue and expenditure / AMD bn, % of GDP



EAEU gross national debt in 2016 benchmark / % of GDP



Source: IMF, EIU

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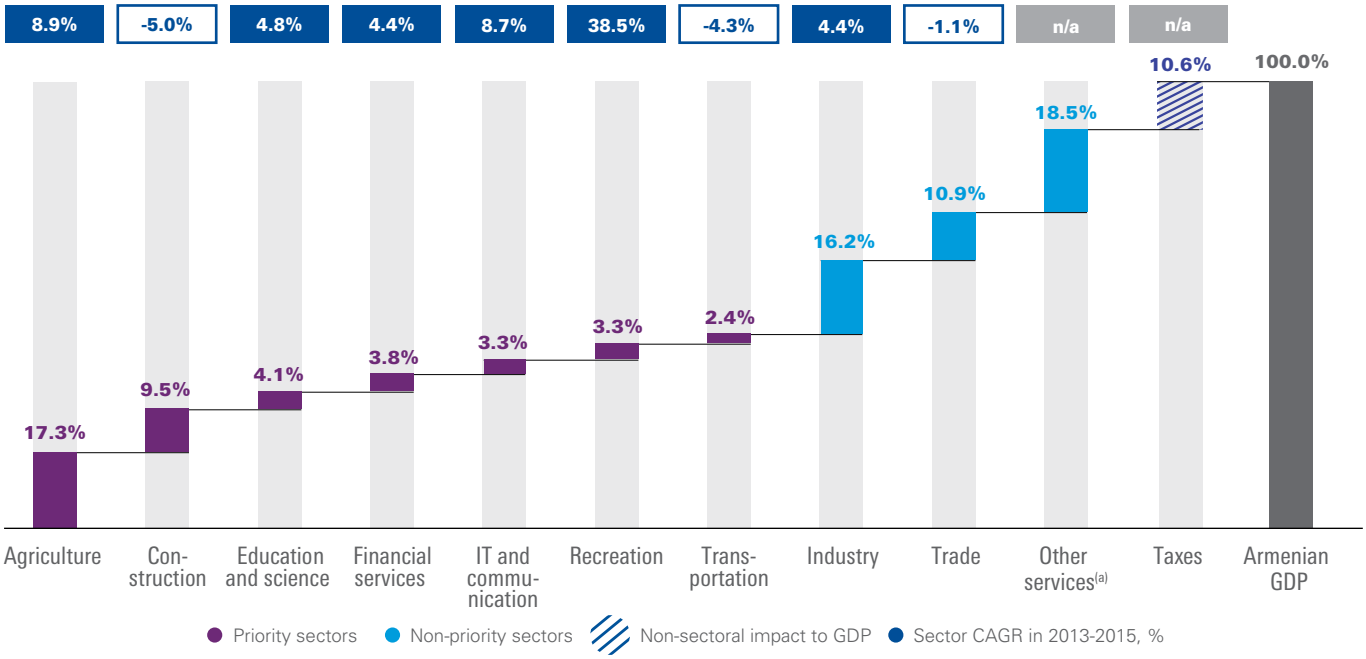
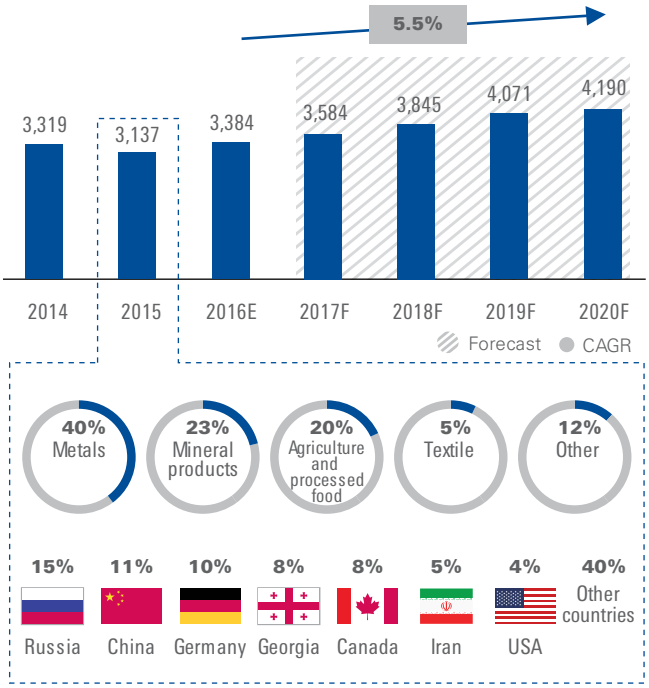
Armenian GDP structure by sectors and export

Republic of Armenia GDP sector structure in 2015 and growth rates / %



Republic of Armenia export of goods and services, dynamics and structure(b) / USD mn, %



Agriculture, industry (comprised of manufacturing, mining and energy and water supply), trade and construction have the largest impact on Armenian GDP. ***The recreation and agricultural sectors had the highest increase in 2013-2015,*** and were therefore one of the most attractive sectors for investment.

One of the advantages and development factors of agricultural and industrial sectors is their ***strong export potential***. Industrial products (mostly metals and mineral products) and agricultural products (including processed food) account for more than 80% of Armenian exports. The volume of total exports depends mainly on trends in these two sectors. Due to stable exports, relatively high demand is expected in these sectors in the medium term.

Armenia has solid prospects for export growth with ***CAGR of more than 5%*** to 2020. Main importers from Armenia are neighbouring Russia, Georgia, and Iran; China and Germany also account for considerable shares of total exports, mainly because of metals purchases. In addition to Armenia's local market, consumers in these geographical and product markets can be viewed as target markets for foreign investors in Armenia.

Note: (a) Administrative and support services, public administration, human health and social work activities, accommodation and food services, activities of private households as employers, financial intermediate services indirectly measured (FISIM); (b) Export structure by sectors is presented for 2014

Source: IMF, OEC, Armstat

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Advantages of EAEU membership

EAEU membership gives Armenia-based business access to 180 million consumers in a market with GDP of USD 3 trillion

Armenia has first tangible results from EAEU membership: export to EAEU member states in 2016 has grown by 53% compared to 2015

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EAEU membership advantages

The Eurasian Economic Union (EAEU) is an international organization for regional economic integration. It is an international institution established by the Treaty on the Eurasian Economic Union. The Member States of the Eurasian Economic Union are the Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic, and the Russian Federation.

The EAEU provides ***free movement of goods, services, capital and labor***, pursues a coordinated, harmonized and unified policy in the sectors determined by the Treaty and international agreements within the Union. EAEU member status for Armenia results in ***export growth to other EAEU countries.*** In 2016 Armenia had USD 392.1 million of respective export ***which is 53%*** more than in 2015.

Businesses established in Armenia benefit from:

- ***Favorable conditions for importing raw materials*** from member states / exporting production to large markets due to minimal customs clearance formalities, technical regulations,SPS[a] measures etc.
- ***Location*** of the country potentially being a gateway for Iran to the EAEU market and vice versa
- Strategy of ***cooperation with EU countries***, potentially becoming a gateway for EU countries to access the EAEU market and vice versa

The Union was created to comprehensively upgrade and raise the competitiveness of and cooperation among the national economies, and to promote stable development in order to raise the living standards of the nations of the Member States.

The membership of the Republic of Armenia in the Eurasian Economic Union has led to a number of favorable changes for the country, its economy, and its businesses. Key changes include:

- ***Access to 180 million market*** with GDP of USD 3 trillion
- ***No customs duties*** for the movement of Eurasian Economic Union goods between member states
- ***No customs clearance formalities*** in shipping Eurasian Economic Union goods between Armenia and other member states
- ***Unified technical regulations*** for goods production among Eurasian Economic Union members
- ***Access to a region that ranks first in the world in oil and gas production*** and third in iron production.

All of the above changes create an unprecedented opportunity for the country and its investors to access an enormous market with exceptional resources and infrastructure.

Note: (a) Sanitary and Phytosanitary Measures

Source: Ministry of Economic Development and Investment of the Republic of Armenia, Eurasian Economic Commission

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Smart economy

— Education, science and R&D
— IT and Advanced Technologies
— Renewable energy

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Education, science and R&D

Armenian engineers have traditionally been top quality and in high demand due to affordable and quality education

Highly qualified and comparably cheap workforce: salaries are 27% lower than in neighboring countries

One othe most educated workforce among the CIS countries

One of the main scientific hubs in the CIS region for almost a century

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Key strengths

1

Specific educational initiatives aimed at boosting technologies and R&D, including establishment of tech laboratories in secondary schools, the Tumo Center for Creative Technologies, engineering laboratories, etc.

2

One of the most educated workforce among the CIS countries, with 50% of labor force having a tertiary education

3

More than 70 local and foreign companies are involved in R&D activities in Armenia

Opportunity to invest in ambitious new R&D investment projects worth about USD 182 million

4

27% lower average salary compared with other countries (Russia and Belarus)

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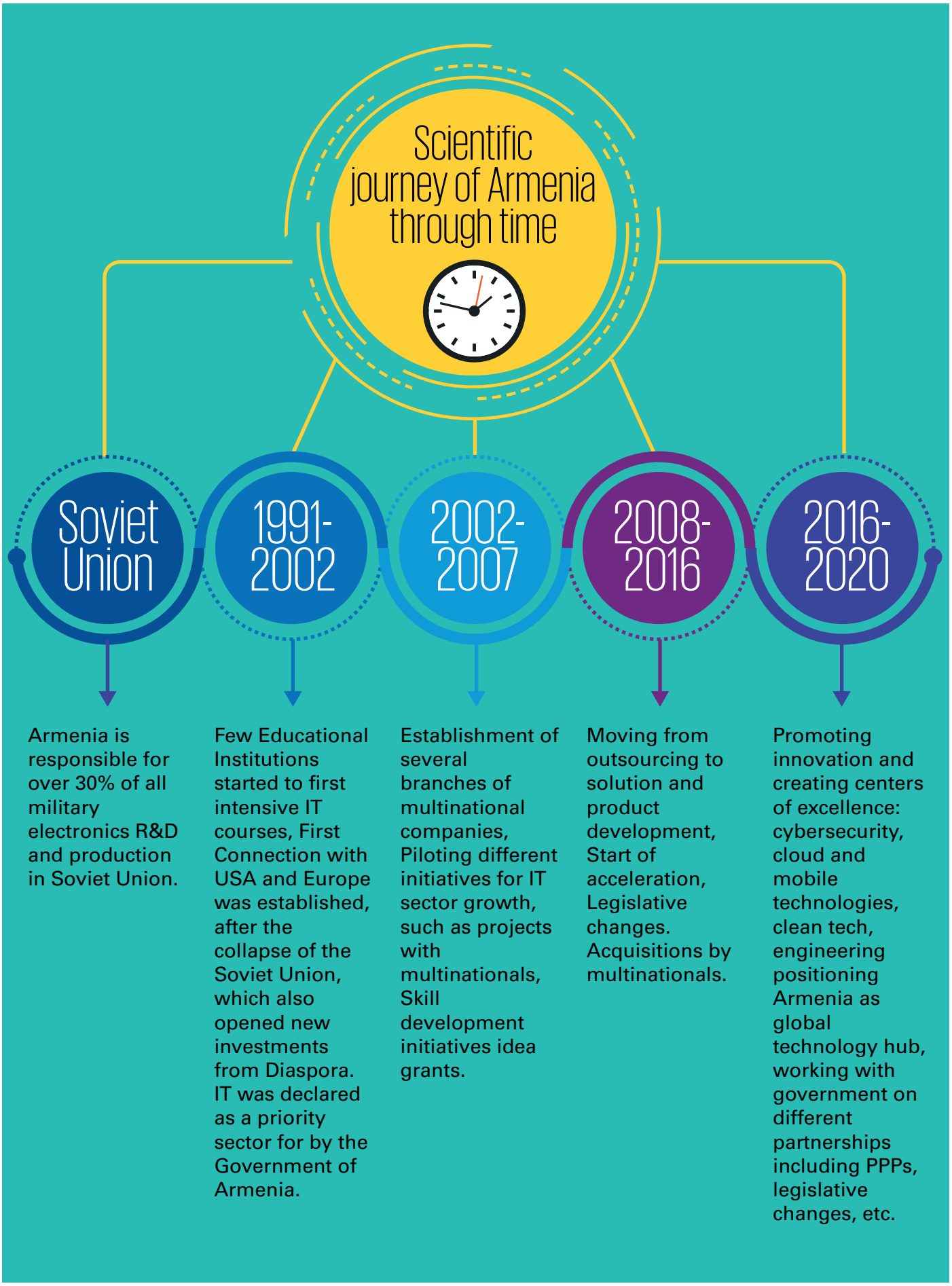

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Armenia: advantages

1 Most highly developed secondary education in the former Soviet area

2 50% of the workforce with tertiary education

Education

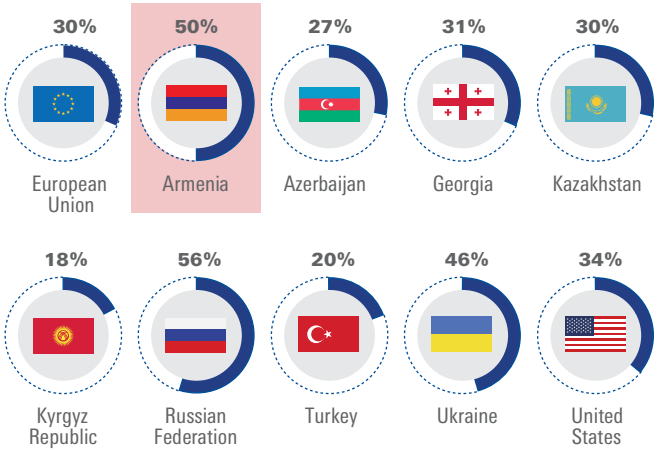
Academic and creative thinking, hard work and dedication have been an integral part of the Armenian culture for centuries. Education and science in Armenia are a key element of the prosperity of the country.

According to The World Bank analysis, the adult literacy rate in Armenia is 99.8%.

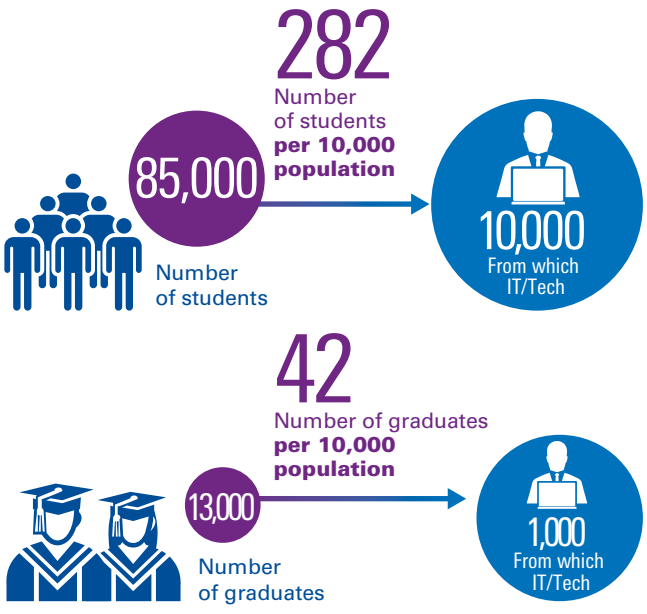
Armenia has one of the most educated populations among the CIS countries. Its labor force ranks second behind Russia, with around 50% having a tertiary education[(a)].

The Armenian educational system includes pre-school, secondary education (including primary school, middle school, high school) vocational (professional-technical), higher and post-graduate education.

Labor force with tertiary education (% of total)



Main statistics / 2015



Note: (a) The World Bank defines tertiary education as all post-secondary education, including but not limited to universities

Source: WB database, NSS

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Secondary education

Secondary education in Armenia is one of the most developed in the former Soviet area, creating the basis for a highly educated future workforce for the country.

There are several private schools with international programs providing high-quality secondary education (with availability to study in English), with opportunities for admittance to top universities in the US and Europe. The majority offer an International Baccalaureate Diploma Program, an academic program that is recognized by universities worldwide with a curriculum taught in English. The major schools include: Dilijan UWC, Ayb School, Anania Shirakatsi Armenian National Lyceum, Quantum college

Higher education

Universities and Departments offering IT specializations (see Appendix 1 for detailed information)

Key institutions	Offered IT/ Tech specializations
National Polytechnic University of Armenia	— Radio-frequency engineering and communications — Applied mathematics and physics — Study of mechanics and machines
Yerevan State University	— Mathematics and mechanics — Applied mathematics and informatics — Physics — Radio Physics
American University of Armenia	— Science and engineering
European Regional Academy	— Information Technologies
Armenian-Russian (Slavonic) University	— Applied Mathematics and Informatics
National University of Architecture and Construction of Armenia	— Cybernetics — Computer Systems and Informatics
French Higher Institute of Engineering in Armenia	— Information management systems

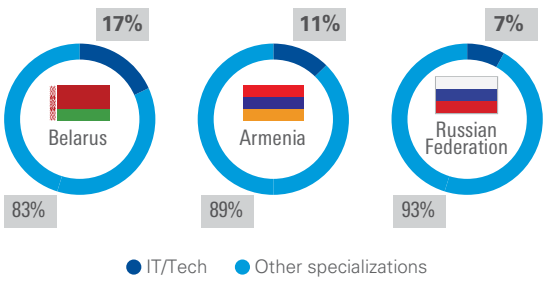
The availability of high-quality technical and management professionals working in industry, leading to sustained ICT (Information and Communication Technologies) growth in Armenia.

The Universities emphasize teaching fundamental knowledge, along with hands-on practical experience. The educational methods used by the Universities are continuously supplemented with new ideas and enhanced by the traditions and approaches utilized by the internationally acclaimed institutions of higher education. Over the decades, the programs offered by Armenian Universities have supplied the labor market in Armenia with a highly qualified workforce which meets the market's professional requirements.

There are 26 public state universities and 40 private universities in Armenia, of which 15 have strong IT and High Tech specializations.

During the 2014/15 academic year, approximately 80,000 students were enrolled in various specializations at Armenian Universities, of which more than 9.3 thousand students (or 11 % of the total student population) were enrolled in departments related to information and high tech.

Share of graduates in comparable countries



Source: NSS, statistical services of the respective countries

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Today, a large proportion of students choose the IT industry as one of the most desired industries. However, the universities alone are unable to provide students with enough experience to find a job in this industry. To help resolve this, many companies are organizing special training courses and internship programs for students. These include the following (see Appendix 1 for detailed information):

- ***Armenian-Indian Center for Excellence in ICT***
- ***Microsoft Innovation Center Armenia (MIC)***
- ***IBM Innovative Solutions and Technologies Center in Armenia (ISTC)***
- ***Armenian National Engineering Laboratories (ANEL)***
- ***Gyumri Technology Center (GTC)***
- ***Vanadzor Technology Center (VTC)***
- ***Regional mobile application laboratory for ECA (mLab ECA)***

Cooperation with the Private Sector

There is an emerging cooperation between the IT industry and universities. The most evident examples of this include the following:

- Interdepartmental Chair of Microelectronic Circuits and Systems, established by LEDA Systems (acquired in 2004 by Synopsys Inc.) and NPUA, and now part of the Synopsys University Program, supplies more than 60 high-quality VLSI and EDA specialists each year (Synopsys has expanded this initiative by opening interdepartmental chairs at YSU and RAU)
- Gyumri IT Center (GITC), the first IT training center in the city of Gyumri, established by the Fund For Armenian Relief (FAR) and EIF in 2006
- Academic Initiative launched in 2013 jointly with IBM and the IBM Innovative Solutions and Technologies Centre, established in 2015 (the physical building will be ready in 2016 at YSU)
- Samsung Learning Center, formed at YSU in 2014 through the joint efforts of Samsung and YSU

This cooperation makes it possible to hire graduates from tailored training programs, who meet the specific needs of companies.

ATM machine ***(Luther Simjian)***

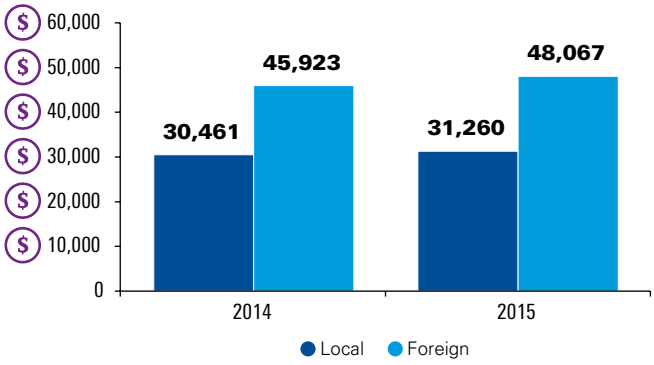
Source: EIF report

Workforce structure

The workforce is one of the most important competitive advantages in the Armenian ICT sector. Armenian specialists are considered highly productive among global ICT communities, making the sector attractive to foreign investors.

In 2015, the workforce employed in the IT sector reached 12,685, which constitutes around a 10% growth compared to the previous year. The number of technical specialists (such as software engineers, analysts, developers, IT project managers, and others) reached 10,250. Altogether, including support staff, employment in the sector has reached approximately 15,000.

Productivity of the IT workforce



The productivity of the technical workforce grew by 5% for foreign-owned companies compared to 2014, reaching around USD 48,000 per employee. For locally owned companies, employee productivity increased by 3%, and reached USD 31.2 thousand.

70% of the 10,250 technical specialists employed in the IT sector are engaged in the software and services segment, while the remaining technical workforce works in the telecommunications segment

In 2015 the number of management and business professionals in the overall IT workforce increased compared to 2014, which is an indicator that the country actively incubates managerial staff for the sector.

68% of the Armenian ICT workforce have a Master's degree or higher. Students represent 35% of the entire ICT workforce.

Armenia is still considered to be a ***low-cost location for offshore development***, where salaries are competitive with those of many IT-outsourcing countries such as India, Russia, Israel, Ireland, and China.

According to official statistical data from the national statistical services, the average salaries for the IT and telecommunications sector in Armenia are about 20% lower than in other EAEU countries.

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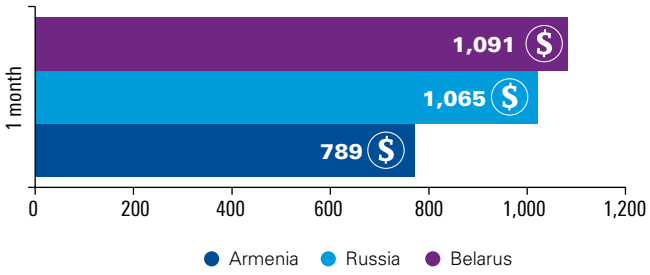
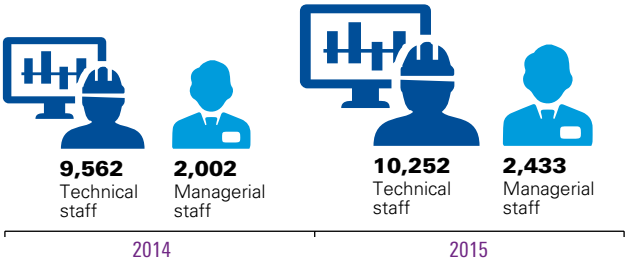
Average monthly salary in the IT sector,
USD per month



Workforce distribution



According to an EIF survey, the average monthly salary of a junior technical specialist amounts to $300 to $400, while the salary of senior specialists can be as much as $3,500. According to the same survey, salaries are connected more with work experience, rather than the educational achievements of technical employees.

Automatic transmission ***(Asatour Sarafian)***

Science

The sciences have been a cornerstone in preserving and developing the nation's incredible intelligence. The country's inventions have contributed to the new era of science globally.

Armenia has been the main scientific hub in the region since the Soviet era. Its major scientific institutions have served as key research and R&D centers in the region for decades.

The major institutions are (see Appendix 1 for details):

— National Academy of Sciences of the Republic of Armenia (NAS RA)

— A.I. Alikhanian National Science Laboratory Foundation (Yerevan Physics Institute - YerPhi)

MRI machine ***(Raymond Damadian)***

Source: NSS, statistical services of the respective countries, EIF report

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Research and Development (R&D)

R&D is considered one of the key drivers of growth in the country. Government and sectoral representatives have been implementing a number of new initiatives for revealing and developing R&D potential. The key focus has been on new educational initiatives, which are believed to boost the country's technology and R&D. The main initiatives include:

Name	Description	Governmental/ Private/ PPP
Armenian-Indian Center of Excellence in ITC (AITC)	— AITC provides a specialized infrastructure and high-performance facility for the delivery of IT-related training and R&D programs that create new opportunities for the development of the technological workforce in Armenia	Joint project of the Governments of Armenia and India
Armenian National Engineering Laboratories (ANEL)	— ANEL is a center of excellence that hosts 30 state-of-the-art education and research laboratories. — The laboratory aims to strengthen educational capabilities and enhance the research potential of the Armenian engineering sector by upgrading to world standards and expanding educational and research facilities	Governmental
Synopsys	— Synopsys invests heavily in microelectronics education and is engaged in many successful cooperation programs with major universities of Armenia, such as National Polytechnic University of Armenia (NPUA), Yerevan State University (YSU), Russian-Armenian Slavonic University (RAU), etc.	Private
Tumo	— Tumo is a digital media learning center. Since its opening in 2011, the center has provided thousands of students aged 12-18 an open environment where they can use the latest digital tools, learn from media professionals, and explore the intersection of technology and art	Private
Armath	— With more than 100 engineering laboratories/clubs established in schools, this project aims to promote technological education in all schools of the Armenian communities, assist pupils who show an early interest in modern high technology, promote the development of an engineering mindset from an early age, and prepare competent students	PPP

Major R&D companies in Armenia

This is currently a booming and diversified sector, with more than 70 companies with solid R&D expertise (most of them local companies), including:

DATALOGGING

— SE Technologies
— Bitlis-men
— Ovak Technologies

EMBEDDED SYSTEM DESIGN

— Dvin electronics
— ARARAT technologies
— OPEN technologies
— VAN technologies

COMMUNICATION SYSTEM DESIGN

— In Sol Innovative Solutions
— OLYMP Engineering
— MUSH technologies

SEMICONDUCTOR TEST

— WaveArt Wireless Solutions
— Unified ATE Systems
— 10X Engineering
— Project Integration

SMART MACHINE CONTROL

— RAFA Solutions
— Nairi-Tech High Tech Solutions
— Integrator

CONDITION MONITORING

— SETA Dynamics
— Pegasus Logic Innovative Engineering Solutions
— R&W Research RF & Wireless

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Export structure

The main export market for companies in the ***Precision Engineering sector*** is the CIS. Many multinationals, such as National Instruments, have created a Precision Engineering cluster in Armenia to serve the CIS countries.

The number of Armenian ICT companies developing their own products and investing in R&D is growing from year to year, which is a positive indicator that the Armenian ICT sector is transforming from an outsourcing destination for foreign companies to a technology development hub.

Development of products and services is a primary operation for 78% of companies established during 2014-2015. This is an indication of the growth trend in innovation in Armenia's ICT industry.

Generally, governments use R&D tax incentives to support related activities. As for the companies, such tax incentives are an effective way of reducing innovation-related costs. The type and nature of several of the tax incentives provided by governments are unique.

In Armenia, R&D tax incentives are still developing. In 2014 tax incentives were introduced by the Parliament, which has created unheard of favorable conditions for IT industry growth: the income tax will be only 10%, and profit tax 0%, for newly established start-ups, and they can profit from these incentives for up to three years.

Armenia: opportunities

There are a number of new investment R&D projects in the pipeline, amounting to around USD 182 million. These are ambitious projects aimed at creating new technological solutions, which may potentially impact other sectors (e.g. mining, aviation, energy, etc.) and further boost developments and investments in the economy, resulting from the multiplier effect on GDP

Major related investment projects

Synthetic diamond production

Manufacture of a wide range of high quality mono-crystal synthetic diamonds with new unique physical, mechanical and technological properties that are competitive in the world market. The new solution will allow the production of cheaper mono-crystal diamonds sized to 20-30 mm.
Project owner: ORION LLC
Project cost: USD 99.8 million
IRR: 52%

Production of Special Solid Glass

Manufacture of special solid glass with new technological machinery using kanazit. Solid glass is widely used in the aerospace industry and in the production of special-purpose products.
Project owner: Karakert stone factory
Project cost: USD 15 million

Sapphire manufacturing

Grow of sapphire crystals and plates cut from crystals for a wide range of possible uses, including electronics, manufacturing of lenses, ophthalmic scalpels, windows of spacecraft, rockets, aircrafts, as well as LEDs and many other modern devices
Project owner: PURE LLC
Project cost: USD 44 million
IRR: 17%

Production of Thermal Insulation Materials

Processing of perlite to obtain thermal insulated foamed glass, which is widely used in construction for thermal insulation of buildings and for energy-efficiency purposes.
Project owner: Karakert stone factory
Project cost: USD 12 million
IRR: 38%

New Magnesium Production Technology

A newly developed hydrometallurgical technology for production of magnesium. The project envisages the construction of a production plant with a magnesium production capacity of 1,000 tons/year (in the form of powder).
Project owner: Ecoatom LLC
Project cost: USD 6 million
IRR: 18%

Production of Acid-Resistant Materials

Production of basalt acid-resistant materials using available technological machinery. Produced materials used in the mining and transport sectors, particularly in transportation or storage of aggressive chemical substances.
Project owner: Karakert stone factory
Project cost: USD 5 million

Source: Invest in Armenia: http://investmentprojects.am/

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IT and Advanced Technologies

A preferred destination for major global IT companies such as Microsoft, IBM, Synopsys, etc.

Booming sector with growing export opportunities (20-22% annual growth over the last five years)

Favorable IT startup tax environment (0% profit tax, 10% income tax)

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Key strengths

1

Extensive experience, with large multinational IT companies having operations in Armenia (Microsoft, IBM, Synopsys, Oracle, Cisco, Ericsson, Huawei, D-Link, etc.)

2

Well-protected intellectual property rights under Armenia's legal and regulatory framework (existence of laws and regulations that meet international standards)

3

Solid government support for the sector and commitment to improving the investment climate in the IT sector, including: tax incentives and free economic zones (Alliance FEZ and Meridian FEZ)

4

Productivity per employee in the sector equaling USD 40,000, significantly higher than other sectors in the country

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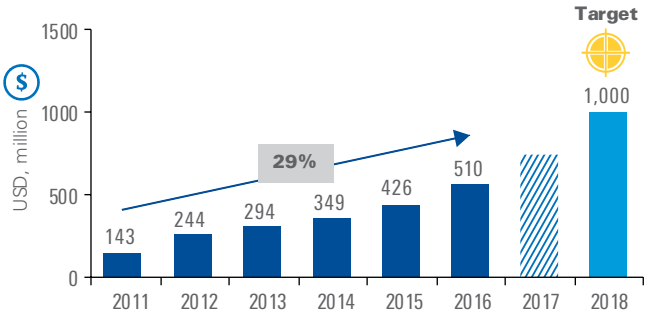
Armenia: advantages

1. 20-22% annual growth in the sector in 2010-2015
2. The leading sector in terms of labor productivity
3. Targeted 40% annual growth of employment in the sector

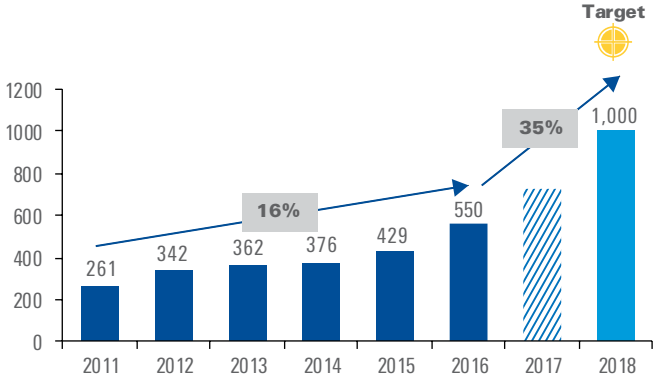
The information technology (IT) industry is one of the most dynamically developing industries in Armenia. Being the Soviet Union's main hub for software development, industrial computing, electronics and production of semiconductors, Armenia has kept its huge potential for development of technologies and continues to be the regional leader in the IT and high-tech industries. Armenia has an attractive technology market with tremendous potential, competitive labor, and a business environment that offers great opportunities for both established and start-up entrepreneurs and investors.

Industry size and dynamics



In 2011-2016, the output of the IT industry increased threefold, exceeding USD 500 million in 2016. The contribution of the IT sector to GDP more than tripled (from 1.4% to 4.7%) over the same periods. It should be noted that about 25% of sector revenue is generated from companies own R&D. The Government targets achieving an output of USD 1 billion in 2018.

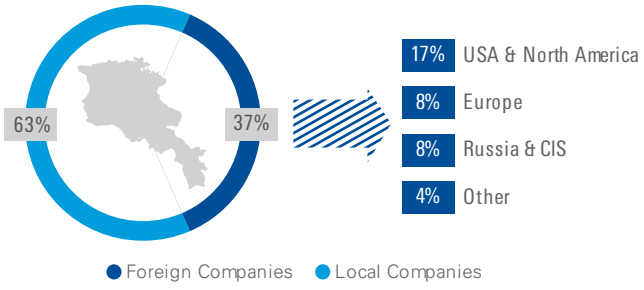
Number of Companies



Source: Enterprise Incubator Foundation (EIF)

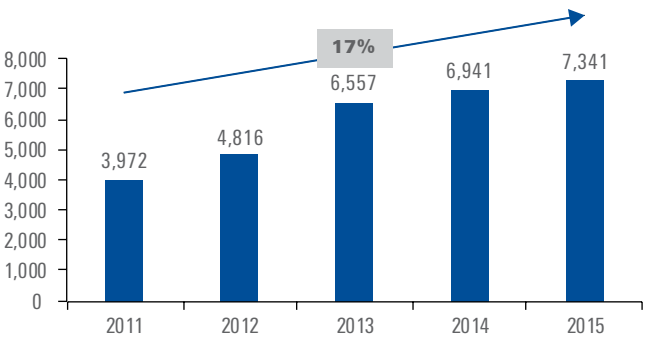
As of 2015, there were around 550 IT companies operating in Armenia, a 111% increase from 2011 to 2016. The majority of these companies (267) are local, representing 63% of the industry, while the rest 162 (37%) are branches of foreign companies. The Government targets 1,000 companies in the IT sector in 2018.

IT Companies operating in Armenia



In 2015 the contribution of the IT sector to employment was 7,000 (0.7% of total employment), which is twice as high as the number of employees in IT in 2011. The Government aims to increase the number of employees in the IT sector to 20,000 by 2018 in line with targeted sector growth, in order to supply the market with the required resources, which is supported by education capacity and capability.

Employment in IT / employees



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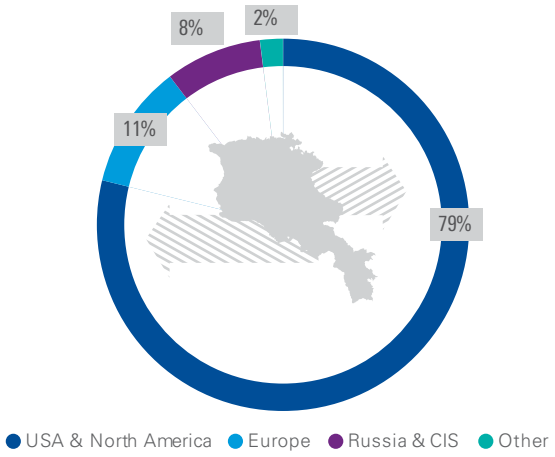
Most of IT companies operating in Armenia specialize in ***software development***, with the dominant specializations by number of companies being customized software and outsourcing and system design and automatization. ***Customized software and outsourcing accounts*** for 24% of total IT segment turnover.

Armenian IT companies offer products and services that meet high international standards, thus enhancing export opportunities. Sector exports increased significantly in 2015, reaching USD 214.4 million, accounting for 50% of IT sector output. The Government's target for IT exports is USD 700 million for 2018, about triple the 2015 value.

Foreign companies predominate in exports, accounting for about 76% of exports. The key export destinations are the USA, Canada and Europe, which are important markets with increasing and changing demand for technological solutions. This is an important challenge and opportunity for the Armenian IT sector to further boost the development of IT products and services and secure global demand for local solutions.

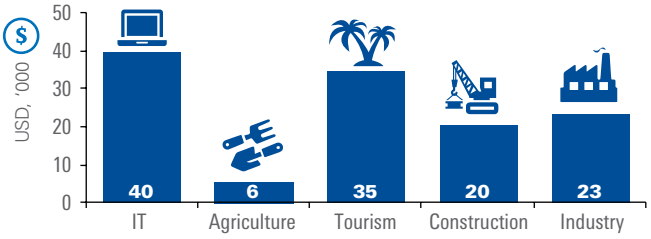
Export destinations



The workforce is one of the most important competitive advantages in the Armenian IT sector. Labor productivity in the IT sector is much higher than in other sectors, and currently amounts to USD 40,000 per employee. This creates a favorable investment climate for large ICT companies and multinationals.

The Government of the Republic of Armenia aims to increase IT sector productivity to USD 50,000 per employee in 2018.

Productivity per employee in Armenia by sectors, 2015



They are in Armenia

Successful investments and acquisitions in the Armenian IT sector by multinational companies in recent years indicate that Armenia is a preferred destination for many global players. Armenia caters to large corporations' research and development needs, bringing to bear the capabilities of its workforce and large innovative potential. The companies include (see Appendix 1 for detailed information):

— Synopsis Inc.
— National Instruments
— VM ware
— Oracle
— Mentor Graphics
— Microsoft Corporation
— IBM
— Monitis (GFI)

Armenia also offers a favorable business environment for IT startups, that enjoy tax and other Government incentives. The industry has seen a sharp increase in the number of IT startups over the last few years. Some of them are globally recognized, while others are very popular in the local market. Still, there is lot of room for new startup ideas in Armenia. The key companies include (see Appendix 1 for detailed information):

— PicsArt
— Joomag
— Shadowmatic
— SoloLearn
— Teamable
— Codefights
— LinguaCode
— GG Taxi
— SALTR
— Zangi
— Trughly

Source: Enterprise Incubator Foundation (EIF), NSSRA

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Armenia: opportunities

Recognizing the IT sector as the primary component of the country's economic progress and an important area for international cooperation, the Armenian Government has initiated the setup of a number of platforms for IT sector development and improvement of the investment climate. More than USD 100 million in investments were made by the Government of the Republic of Armenia to develop the IT sector.

Support for Infrastructure Development

— ***Enterprise Incubator Foundation (EIF)***, the largest development initiative within the IT industry in Armenia, established in 2002 by the Government of Armenia and the World Bank to support the development of the information technology industry in Armenia.

— ***Gyumri Technology Center*** (known as Gyumri TechnoPark), a technological center for IT development in Gyumri founded in 2014 via cooperation between the Armenian Government, EIF and the World Bank, with the aim of turning Gyumri into a technology zone with advanced IT infrastructure. USD 1.8 million in 2009-2016 from the state budget and USD 5.1 million from the World Bank credit funds was allocated to implement the project.

— ***Free economic zone "Alliance"*** established in 2012 and focused on the production and export of high and innovative technologies in the field of electronics, precision engineering, pharmaceutics and biotechnologies, information technologies, alternative energy, industrial design and telecommunications. FEZ residents are exempt from profit tax, income tax, VAT, property tax, customs duties, export customs duties, dividend taxes, real estate and property taxes.

— ***Vanadzor Technology Center***, a technological center for IT development in Vanadzor, officially opened in 2016. The project was financed form the state budget and the World Bank credit funds in the amount of USD 252 thousand and USD 4.6 million, respectively.

IT Sector Visibility Initiatives

— ***DigiTec Expo***, a specialized information, telecommunications and high-tech expo, arranged and implemented in close cooperation with the Government of Armenia to create a favorable environment for communication between high-tech companies, business consumers, and the general public.

— ***ArmTech*** the Armenian global high-tech congress, intended to promote international collaboration and attract investments, foster cooperation between IT specialists, and make the Armenian high-tech industry globally recognizable. The annual forum is organized sequentially in Armenia and the US.

— ***The Armenian IT/High-Tech Representative Office*** officially launched in 2012 at Plug & Play Tech Center in Silicon Valley, California. The office operates as a hub to foster the development of sales and investment opportunities for Armenian IT and high-tech companies in the US and to ensure Armenian IT visibility and presence in the US marketplace.

Government support and well-formed infrastructure create a solid basis for implementing new and ambitious IT projects in Armenia. The market is currently open to accept new players and projects, and the Government is ready to support the new initiatives to further boost the sector.

The upcoming projects include:

Wholesale Capacity Evolution and FTTH Regional Coverage Expansion

Project Owner: UCOM LLC
Location: Yerevan, Armenia
Project Cost: USD 32.8 million
Internal Rate of Return (IRR): 14%
Project Duration: 10-15 years
Payback Period: 7 years

Data Center Construction in Yerevan

Project Owner: Data Safe LLC
Location: Yerevan, Armenia
Project Cost: USD 21 million
Internal Rate of Return (IRR): 24%
Payback Period: 8.2 – 9.5 years

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Renewable energy

Liberal and favorable regulations for renewable energy investments

Potential for a fourfold increase in energy exports from Armenia

New projects with a total investment opportunity of around USD 596 million

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Key strengths

1

Armenia enjoys favorable natural conditions for renewable energy:

— More than 2,500 hours of sun yearly and around 200 rivers

— A number of windy passes in the mountains

2

The country has significant alternative energy potential:

Solar - the annual average global horizontal irradiation (GHI) is about twice the European average.

Hydropower - hydropower resource potential of 21.8 billion kWh

Wind - estimated total installed capacity of 450 MW at electric power output of 1.26 billion kWh/y

3

Government support - during the first 20 years of operations, 100% of electricity produced from the new renewable energy systems would be purchased by the Government

4

Simplified licensing for solar systems - capacities of up to 150 kW are not regulated and net-metering is applied if requested

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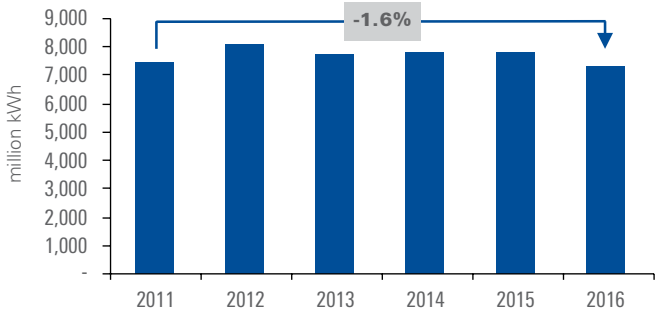
Armenia: advantages

1 **16% increase** in sector output in 2011-2015

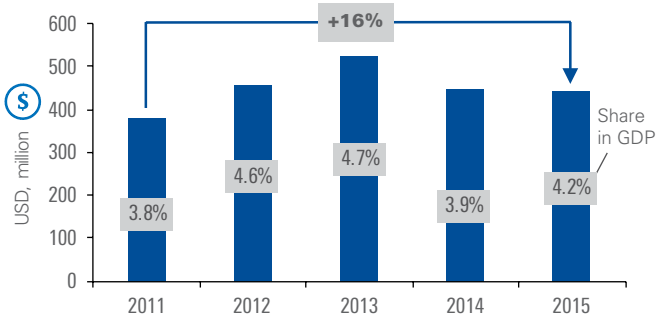
2 **1,424 million kWh** of electricity exported in 2015

3 **16.5% increase** in production capacity in 2011-2015

Total Electricity Production



Energy Sector Output



In 2016 the total production of electricity by all types of power stations (including thermal, hydro and nuclear) was around 7,315 million kWh.

The energy sector output in 2015 was around USD 443 million, accounting for around 4.2% of the nominal GDP in 2015. Energy sector output increased by approximately 16% compared with 2011, and by around 46% compared with 2010.

The total electricity production capacity of the country was estimated at around 4,087 thousand kW in 2015, an increase of around 580 thousand kW (or 16.5%) compared with 2011.

In 2015 the distribution of electricity production by type was as follows:

— 35.9% - thermal power plants
— 28.3% - hydro-electric power plants (of which 10.7% by SHPPs).
— 35.8% - nuclear power

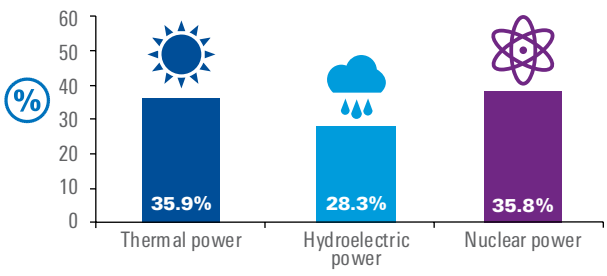
However, the production capacity is estimated as follows:

— 59% - thermal power plants
— 31% - hydro-electric power plants, including 8% from small hydro power plants (SHPP < 30 MW)
— 10% - nuclear power plant.

The difference between actual production and capacity indicates that there is ***room for development of renewable energy in the country***.

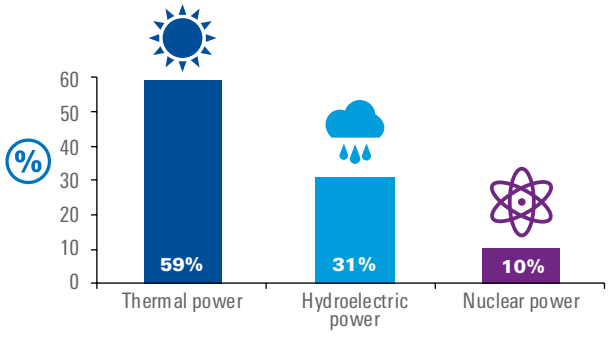
Electricity production and production capacity, 2015

Production



7,798.2 million kWh

Capacity



4,086.8 thousands kW

Source: NSSRA, Ministry of Energy infrastructure and Natural Resources

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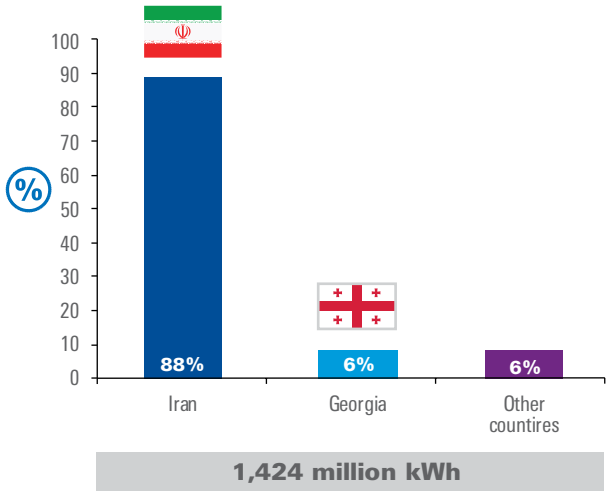
Electricity export structure by country, 2015



In 2015, 1,424 million kWh of electricity were exported, of which exports to Iran accounted for around 88% and Georgia for 6%, with the rest being exported to other countries.

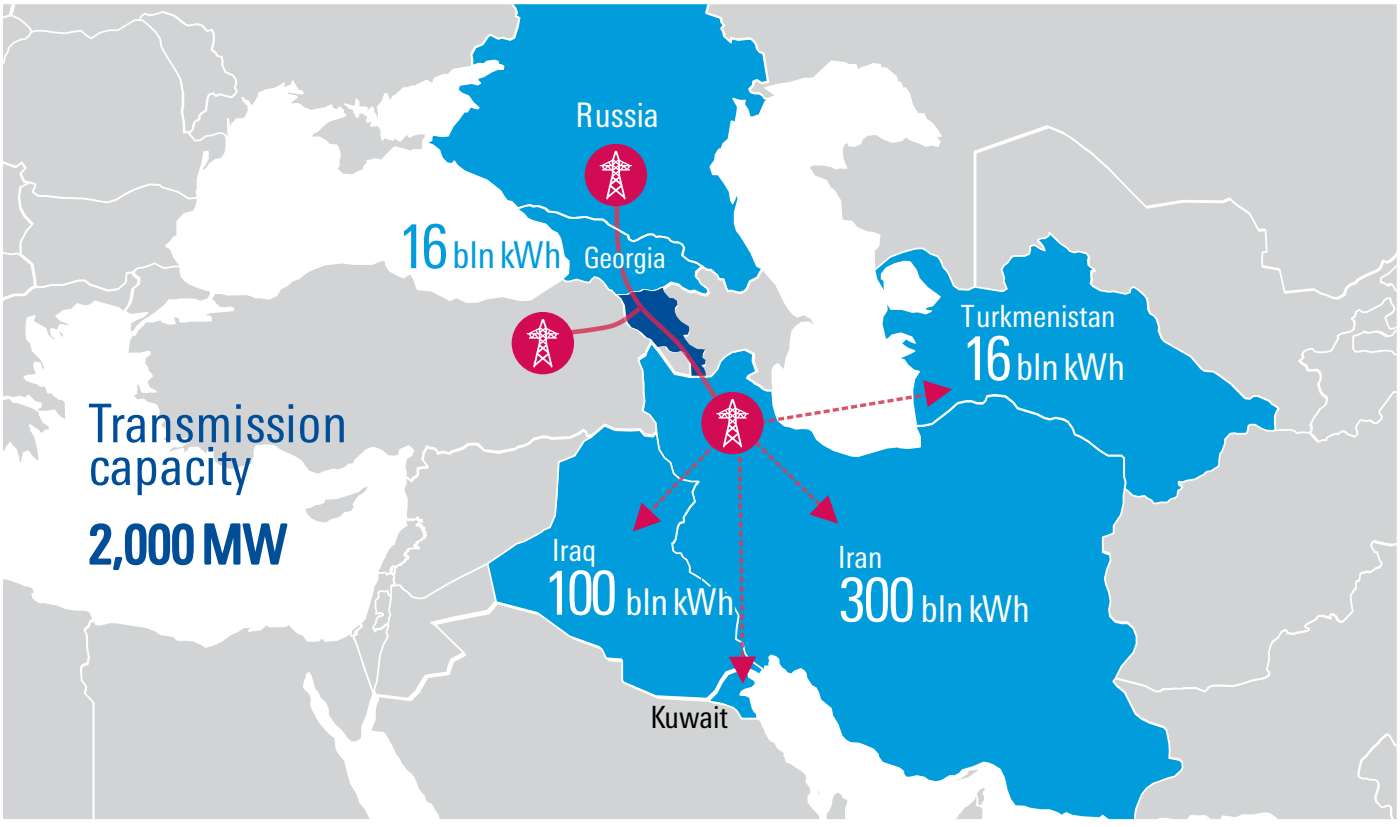
The transmission lines of the RA are operated by two major companies: Electric Networks of Armenia CJSC and High Voltage Electrical Networks CJSC. High Voltage Electric Networks CJSC performs the function of electric power transmission, and Electric Networks of Armenia CJSC implements electric power distribution.

The Government plans to implement a number of projects to further improve the transmission lines, including the new Georgia-Armenia and Iran-Armenia transmission lines projects. In particular, plans include putting the following into operation by 2019:

- Armenia-Georgia 400/500 kV voltage transmission line with electricity exchange capacity of around 350 MW, which will expand to 700 MW by 2021
- Iran-Armenia 400 kW power transmission line with capacity of up to 1,200 MW is expected to be launched in 2018
- Common energy market with the EAEU, which will create another 10.8 billion kWh of export capacity
- The new high voltage grid is expected to increase export of electricity by almost four times.

Increasing export and potential access to new consumers is an opportunity to increase energy production in Armenia, mainly focusing on an increase in renewable energy production, which has significant spare capacity.

Armenia has developed infrastructure to export electricity



Source: Public Services Regulatory Commission

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Armenia: opportunities

Government policy

The Armenian Government, aiming to further develop the energy sector, specified the following key objectives for upcoming years:

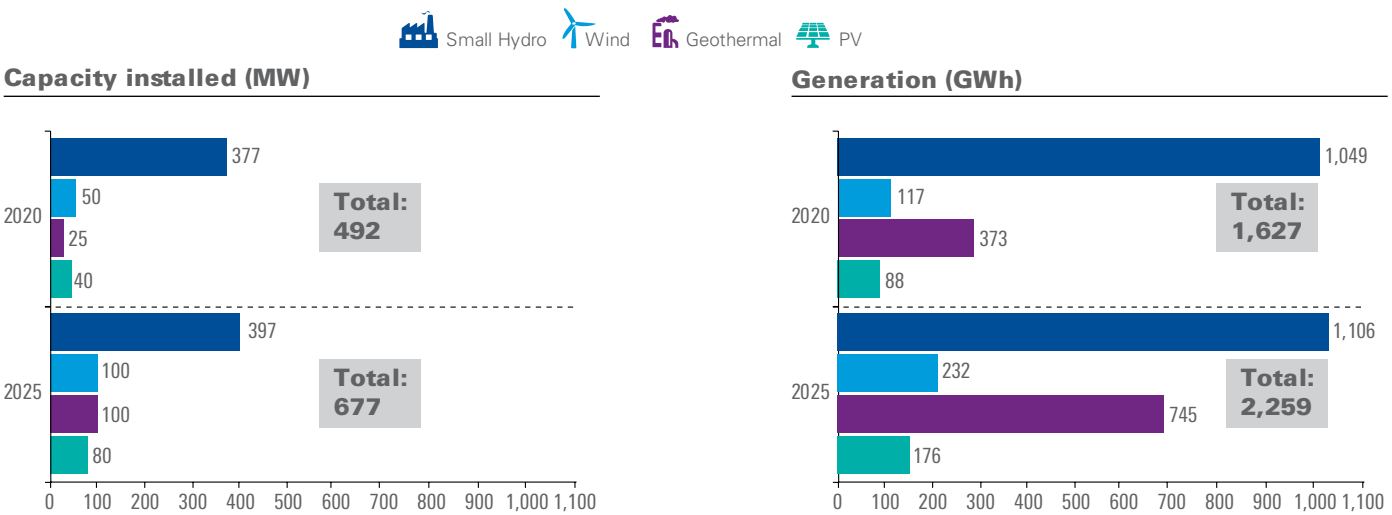
- Develop an ***incentive program aimed at popularizing micro units in the renewable energy*** sector, to be launched in 2018
- ***Establish mandatory energy-efficiency standards*** for newly constructed and reconstructed apartment buildings, as well as for facilities being constructed (reconstructed, renovated) at the expense of state funds
- ***Construct solar power plants*** as part of the Scaling up Renewable Energy Program (SREP), which will be implemented jointly with the Climate Investment Fund (CIF) in 2017-2019
- ***Support private projects*** related to the construction of wind power plants, as well as draft legislative incentives
- Draft an ***investment program for the construction of a geothermal power plant*** in the Karkar area, provided that the economic viability of geothermal resources is given final confirmation

The government has set ambitious targets for the development of renewable energy. Considering renewable energy as an important area of development, the Armenian government provides significant ***regulatory incentives*** including:

- ***Tariff Incentives:*** The Public Services Regulatory Commission (PSRC) supports renewable energy investments through fixed-rate feed-in tariffs. For instance:
  - On 25 May 2016 the PSRC set the tariff for wind power and bio-gas power at AMD 42.645 per kWh (around USD 0.09 per kWh) effective from 1 July 2016 till 1 July 2017.
  - On 16 November 2016 the PSRC set the tariff for solar power at AMD 42.645 per kWh (around USD 0.09 per kWh).
- ***Electricity Purchase Agreements:*** The Energy Law mandates that, during the first 20 years of operations, 100% of electricity produced from the new renewable energy systems must be purchased at tariff levels set by the PSRC.
- ***Simplified licensing:*** According to the current regulation, solar power systems with capacities of up to 150 kW are not regulated and net-metering is applied if requested.
- In addition, the Ministry of the Energy Infrastructures and Natural Resources developed a number of legislative acts, which has been adopted by the RA Parliament. The legislative acts are aimed at the following:
  - Ensure transfer of energy between the independent energy producers and persons having a license for energy transmission, as well as exclude the independent energy producers having less than 150kW capacity from the regulatory field.
  - Allow independent producers selling the produced but non-consumed energy for 50% of the tariff rate defined by the (PSRC) for the final consumers . If the independent energy producer produces less energy, than it consumes, then the payment to the licensed transmitting operator is done using special tariffs set by the PSRC

The significant Government support for and prioritization of sector development create a solid foundation for attracting new investments in the energy sector.

Renewable Energy Generation Capacity and Production Targets by 2020-2030



Source: Ministry of Economic Development and Investment

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The largest investment in the renewable energy sector in the country was the acquisition of the assets of the Vorotan Hydroelectric Facility by ContourGlobal, an international power generation company. The acquisition price was estimated at around USD 180 million, and under the agreement ContourGlobal committed itself to investing approximately USD 70 million over the next six years in a refurbishment program to modernize the hydroelectric plants.

SHPP (< 30MW) have attracted a significant amount of investments during recent years, providing dynamic growth in this subsector. There are currently 178 SHPPs operating in the country with a total capacity of 328.2 MW, and another 39 SHPPs under construction which will add another 74 MW of capacity by 2019.

The climatic conditions of Armenia provide promising investment opportunities in other renewable energy sectors, such as solar power with around 6,000 MW of estimated capacity and wind power with more than 800 MW of estimated capacity. There are also geothermal power opportunities in the country which add at least another 150 MW of capacity.

Currently available renewable energy projects provide a total investment opportunity of USD 243-272 million in hydro power, USD 81 million in solar power, USD 88 million in wind power and USD 134-154 million in geothermal power.

The total potential impact of all projects on GDP is estimated at around USD 58.2 million annually.

Hydro power

Shnogh Hydro Power Plant

Location: Debet River
Project Cost: USD 121-150 million
Capacity: 76 MW
Estimated annual energy generation: around 300 million kWh

Potential annual impact on GDP **USD 13.5 million**

Lori-berd Hydro Power Plant

Location: Dzoraget River
Project Cost: USD 122 million
Capacity: 65.3 MW
Estimated annual energy generation: around 205.9 million kWh
Internal Rate of Return (IRR): 9%
Payback Period: 8.9 years

Potential annual impact on GDP **USD 9.3 million**

Solar power

Masrik 1 PV Plant

Location: Armenia, Gegharkunik Marz
Project Cost: USD 65.2 million
Capacity: 50 MW
Estimated annual energy generation: 79-89 million kWh
Internal Rate of Return (IRR): 15%

Potential annual impact on GDP **USD 7.4 million**

Dashtadem 1 PV Plant

Location: Armenia, Aragatsotn Marz
Project Cost: USD 15.9 million
Capacity: 10 MW
Estimated annual energy generation: around 21 million kWh
Internal Rate of Return (IRR): 15%

Potential annual impact on GDP **USD 1.8 million**

Wind power

Semyonovka Wind Power Plant

Location: Armenia, Gegharkunik Marz, Semenovka village
Project Cost: USD 60 million
Capacity: 35 MW
Estimated annual energy generation: around 62.4 million kWh
Internal Rate of Return (IRR): 11.6%
Payback Period: 8.9 years

Potential annual impact on GDP **USD 5.5 million**

Zod Wind Power Plant

Location: Armenia, Ararat Marz
Project Cost: EUR 27 million
Capacity: 20 MW

Potential annual impact on GDP **USD 3 million**

Geothermal power

Karkar Geothermal Power Plant

Location: Armenia, Syunik Marz, Karkar
Project Cost: USD 90-110 million
Capacity: 28.5 MW
Internal Rate of Return (IRR): 10%

Potential annual impact on GDP **USD 9 million**

Jermaghbyur Geothermal Power Plant

Location: Armenia, Syunik Marz, Jermaghbyur
Project Cost: USD 44 million
Capacity: 25 MW
Estimated annual energy generation: around 194 million kWh
Payback Period: 12 years, including two years of construction

Potential annual impact on GDP **USD 8.7 million**

Source: Ministry of Economic Development and Investments, Ministry of Energy Infrastructure and Natural Resources, www.investmentprojects.am

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Projects in renewable energy in Armenia

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Discover Armenia

- Tourism and hospitality
- Agriculture
- Infrastructure

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Tourism and hospitality

A rich cultural and historical heritage of almost 7,000 years

Estimated twofold increase in the number of tourists by 2020

Presence of top brand hotels throughout the country

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Key strengths

1

25,000 monuments to different cultures and periods, 3 UNESCO World Heritage Sites

Developed infrastructure and attractions, creating a unique experience for travelers (e.g. Wings of Tatev and Tatev Monastery, Tsakhkadzor ski resort)

2

Visa free regime for citizens of more than 60 countries

Members of the worldwide strong Armenian diaspora, over 8 million, periodically visit the country and provide constant tourist inflow

3

Developed infrastructure, including modern Zvartnots International Airport (named the best airport in the CIS according to the Emerging Markets Airport Award)

Ongoing construction of the North-South Road Corridor – for easier, faster transportation around the country to the main tourist destinations

4

"Open sky policy" since 2013, with 23 international airlines operating in the country

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Tourism and hospitality sector

Capitalize on the heritage

1 **Thousands of years of culture, tradition and history**
Unique and diverse historical and cultural heritage created over thousands of years and developed into a remarkable culture at the crossroads of the east and the west

2 **Breathtaking and diverse nature**
A country of eight geographic and seven climatic zones, with a stunning diversity of landscape, flora, fauna and climate

3 **Safety**
According to the Gallup Law and Order 2015 report, Armenia was ranked among the top 10 safest countries in the world

4 **Great hospitality**
Armenia's strongest charm lies in the hearts of its people. Armenians warmly welcome foreign visitors, making them feel at home

5 **Healthy and Eco Food**
A delicious cuisine flavored with a history of taste and traditions, based on healthy and organic food

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Armenia: advantages

In 2015 the total contribution of the tourism sector to GDP in Armenia was around 13.7%, ranking the country 56th globally by this indicator. The same indicator in Russia was 5.7%, and in Kazakhstan 5.3%.

The total contribution of the tourism sector to GDP was estimated to be USD 1,432 million in 2016, and is expected to increase by 13.8% up to USD 1,630 million (around 13.6% of GDP) by 2020.

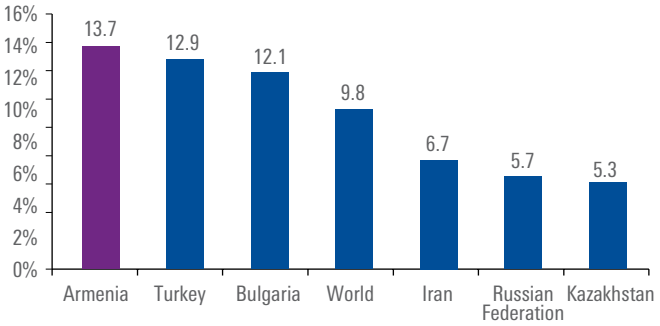
In 2015 the tourism sector contributed to employment by supporting roughly 40,000 jobs (3.3% of total employment), which is projected to rise by 1.6 percentage points in 2016.

Armenia has a large diaspora spread around the world (over 8 million Armenians), and its members periodically visit the country and have a substantial impact on the tourism sector. This provides a constant inflow of tourists to the country.

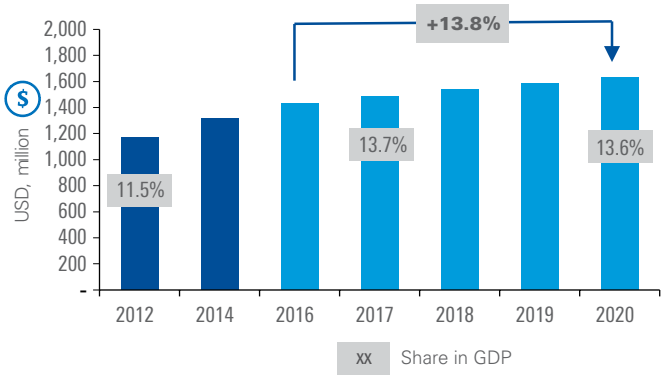
In recent years the tourism sector in Armenia has been undergoing rapid development. Tourism increased at an average rate of 5.5% during the period 2012-2016, reaching around 1.26 million people in 2016. ***The number of foreign visitors is expected to increase up to 2.6 million in 2020.***

It is estimated that domestic tourism increased by 86.4% in 2016 compared with 2012, to reach 960 thousand. The estimated number of domestic tourists is expected to increase on average by 13% during 2016-2020, reaching 1.6 million in 2020. Domestic tourists can be considered

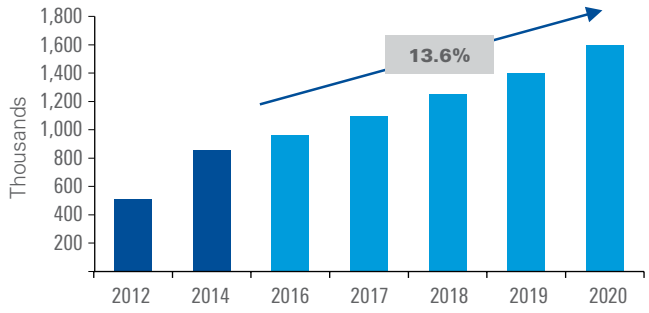
Contribution of tourism sector to GDP by countries



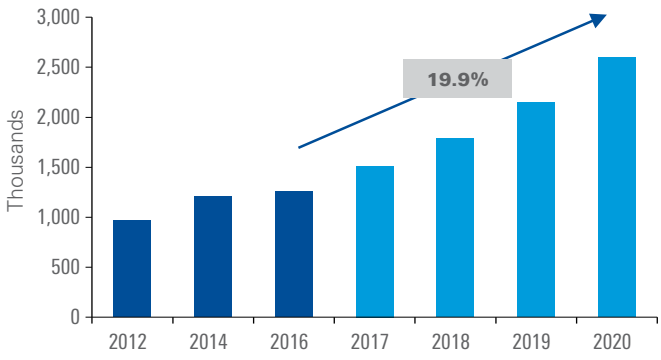
Contribution of tourism to GDP in Armenia



Number of Domestic Tourists in Armenia, 2012-2020



Number of Foreign Visitors to Armenia, 2012-2020



Source: Statistics Service of the Republic of Armenia (NSSRA), World Travel and Tourism Council, Ministry of Economic Development and Investments

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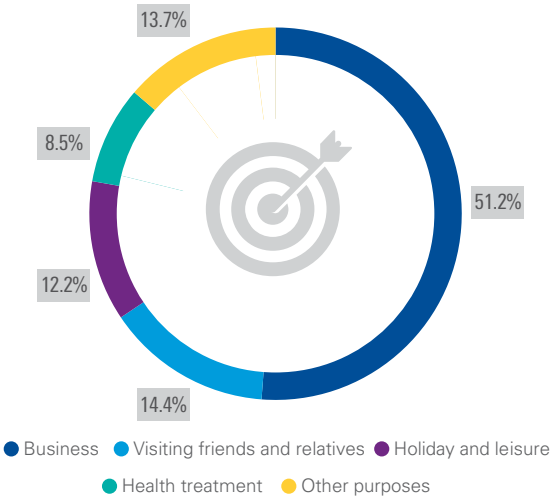
stable consumers of the hotels and entertaining centers throughout the country, securing year-round demand.

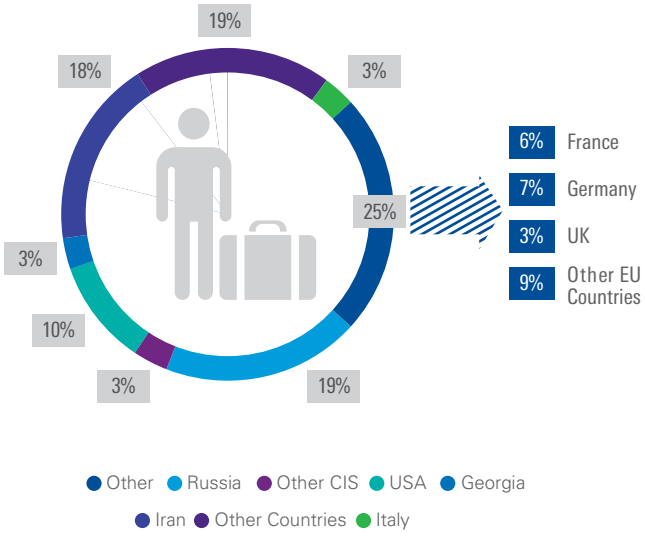
Almost 23% of foreign visitors to Armenia are from the CIS countries, 26% are from EU countries and the remaining 51% are from the rest of the world. The largest groups of visitors are from the Russian Federation (19%), the Islamic Republic of Iran (18%) and the USA (10%).

According to the Armenian International Visitor Survey, 51.2% of tourists in Armenia visited the country to meet

Breakdown of Tourists by Purpose of Visit



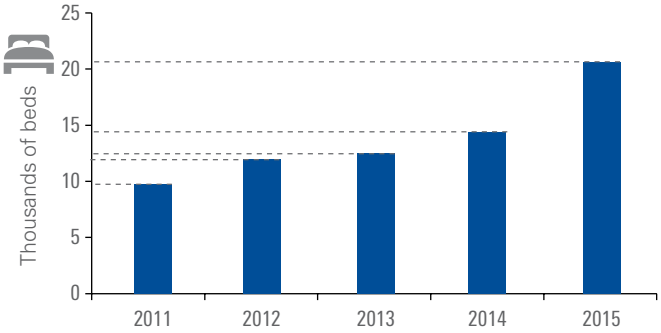
Foreign Visitors by Country, Jan–Sep 2016



friends and relatives, which indicates an active inflow of the Armenian diaspora.

The increasing number of foreign visitors drives up the demand for quality accommodations in all sectors. During

Number of beds



the period 2011-2015, the number of accommodation establishments increased by 24.2% each year, up to 340 in 2015.

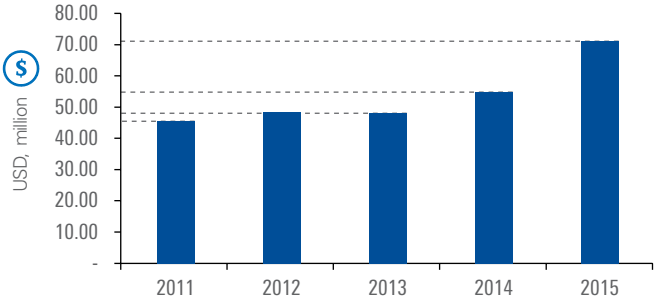
Continuous development of tourism creates favorable conditions for investments in hotels and other accommodation projects, especially considering the increasing revenue over recent years. The revenue of

Number of accommodation establishments

hotels and other accommodation providers increased on average by 11.8% each year to reach around USD 71 million in 2015 and Yerevan accounted for 86.8% of the total revenue in 2015.

Hotels are identified as major players in the tourism and hospitality sector in Armenia, and a considerable number of hotels will be opened in the coming years. Right now there are six international brands and 11 internationally branded hotels present in Armenia.

Revenue of hotels and other accommodation providers



Source: Armenian International Visitor Survey, NSSRA

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With a total 1,219 rooms (902 of which are in Yerevan), the internationally branded hotels (e.g. Marriott Armenia Hotel, Radisson Blu Hotel, DoubleTree by Hilton, Hyatt Place, etc.) accounted for 15.3% of all hotel rooms in Armenia.

In 2015 Armenia was ranked 38th among 141 countries in safety and security, which is higher than a number of popular tourist locations such as Czech Republic, Italy, Greece and France. Armenia also ranked significantly higher than Russia, Tajikistan, Moldova and Kazakhstan.

Citizens of more than 60 countries with all types of passports are exempt from the requirement to obtain a visa to enter the Republic of Armenia. The Government of Armenia set a specific objective to expand the list of countries of foreign nationals able to enjoy visa-free entry. In the visa requirements ranking of the Travel and Tourism Competitiveness Index 2015 Armenia was ranked 37th among 141 countries, higher than Tajikistan, Moldova, Russia and Kazakhstan.

In the recent years significant improvements have been made to the air transportation infrastructure in the country, which has improved the country's accessibility to foreign travelers.

— Two international airports with a capacity of over 4 million passengers

— Zvartnots International Airport was named the best airport in the CIS by the Emerging Markets Airports Award

— Zvartnots is the only airport in the Caucasus that has been given a B rating

Airlines

— Aeroflot
— Air France
— Austrian Airlines
— Siberia Airlines
— LOT Polish Airlines
— FlyDubai
— Qatar Airlines
— Ukraine International Airlines
— Air Arabia
— Mahan Air (Iranian)
— Aegean Airways
— Georgian Airways
— Iraqi Airways
— Al Naser
— Middle East Airlines

Number of operating airlines

Country	Rank
France	2
Spain	6
Netherlands	14
Portugal	30
Romania	50
Jordan	54
Venezuela	55
Armenia	56
Serbia	57
Argentina	58
Kazakhstan	59
Georgia	63
Azerbaijan	64
Tajikistan	82
Moldova	100

Safety and Security

Country	Rank
Azerbaijan	36
Morocco	37
Armenia	38
Hungary	39
Latvia	40
Czech Republic	46
Italy	48
Greece	57
France	62
Moldova	64
Kazakhstan	72
Tajikistan	76
Russian Federation	126

Visa requirements

Country	Rank
United Arab Emirates	30
Bangladesh	35
Swaziland	36
Armenia	37
Ethiopia	38
Tajikistan	39
Azerbaijan	67
Czech Republic	72
France	72
Greece	72
Italy	102
Moldova	114
Russian Federation	120
Kazakhstan	128

Source: T&T Competitiveness Index 2015

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Armenia: opportunities

Government policy

The key Government objectives for sector development in 2017 include:

1. Supporting ***new directions*** (ethnic and cultural, religious tourism and pilgrimage, adventure and extreme tourism, nature and ecotourism, medical, wine tourism, etc.) that have a strong growth potential; ***the goal is to at least triple the number of tourists within 5 years***
2. Introducing ***qualification standards for tourism services***, aimed at improving the quality of tourism services and infrastructure
3. Launching a pilot program for ***rural tourism with 60 rural settlements***, as well as a national action plan for development of rural tourism based on a summary of the results for one year
4. Initiating contests aimed at turning at least five caves into tourism destinations
5. Developing the ***tourism strategy*** «Pilgrimage to the first Christian country»
6. Expanding the list of countries of foreign nationals able to enjoy visa-free entry and the countries of foreign nationals able to obtain an entry visa to the Republic of Armenia at checkpoints
7. Developing a program to turn at least 20 historical and cultural monuments and specially protected natural areas that are not tourism destinations into tourism destinations

Key trends

The rapid development of the tourism sector and its infrastructure have attracted a number of investments in the country, especially in the hospitality and accommodation subsector. A number of hotels have been opened in recent years, including DoubleTree by Hilton (2015), the Radisson Blu Hotel (2016), and IBIS Hotel Yerevan (2016). Several more hotels are expected to open in the near future.

International Standard Hotels to be Opened in Yerevan

Name	Address	Star	Number of Rooms	Year of Opening
The Alexander, a Luxury Collection Hotel (Starwood Hotels & Resorts)	Abovyan Street	5*	114	2017
Holiday Inn Yerevan	Amiryan Street	4*	191	2018
Crowne Plaza Yerevan	Mesrop Mashtoc Avenue	5*	98	2018
Davit Bek Hotel (formerly Dvin Hotel)	Paronyan Street	5*	184	2019
Kempinski Hotel Yerevan	Republic Square	5*	150	n/a

Source: KPMG research

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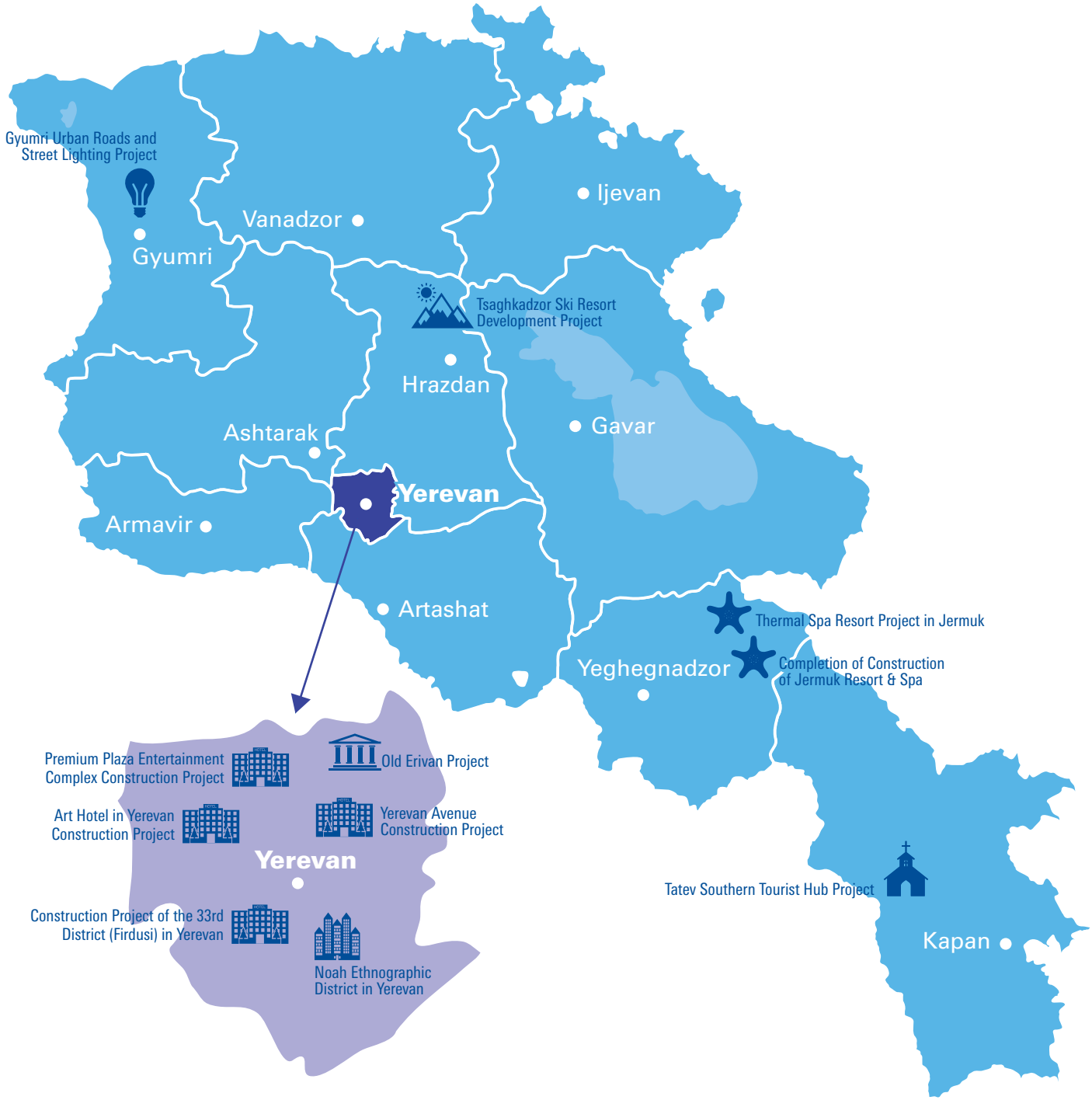
Major expected tourism and hospitality projects

There are currently a number of planned projects for development of the tourism infrastructure, including specific hotel development projects (with around USD 124 million in total investment required), regional development projects (with around USD 437 million in total investment required), and tourist site renovation and development projects (with around USD 207 million in total investment required). The projects require ***total investments of around USD 800 million***.



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Specific hotel development projects

Construction Project of the 33rd District (Firdusi) in Yerevan

Project Owner:
State Urban Development Committee of Armenia
Location:
Yerevan, Armenia
Project Cost:
USD 89.9 million
Project Goal:
development of a 5.5 hectare land plot situated near Republic Square, in the center of Yerevan
Internal Rate of Return (IRR):
12%
Payback period:
10 years

Art Hotel in Yerevan Construction Project

Project Owner:
State Urban Development Committee of Armenia
Location:
Yerevan, Armenia
Project Cost:
USD 24.48 million
Project Goal:
construction of a hotel
Internal Rate of Return (IRR):
15%
Payback period:
5 years

Completion of Construction of Jermuk Resort & Spa

Project Owner:
Jermuk Resort LLC
Location:
Jermuk, Vayots Dzor Region, Armenia
Project Cost:
USD 10 million
Project Goal:
completion of the construction of a spa resort in a region with mineral waters
Number of Buildings: 3
Number of Rooms: 180

Regional development projects

Thermal Spa Resort Project in Jermuk

Project Owner:
State Urban Development Committee of Armenia
Location:
Jermuk, Vayots Dzor Region, Armenia
Project Cost:
USD 78.7 million
Project Goal:
construction of a spa resort in a region with mineral waters
Internal Rate of Return (IRR):
22%
Payback period:
5 years

Gyumri Urban Roads and Street Lighting Project

Project Owner:
the Municipality of Gyumri
Location:
Gyumri, Shirak Region, Armenia
Project Cost:
EUR 14.6 million
Project Goal:
transformation of Gyumri into an attractive tourist destination
Funding Source:
European Bank for Reconstruction and Development

Tsaghkadzor Ski Resort Development Project

Project Owner:
MDP Consulting and Engineering
Location:
Tsaghkadzor, Kotayk Region, Armenia
Project Cost:
EUR 40.3 million
Project Goal:
improvement of the resort to promote it as a popular tourist attraction
Actual Implementation:
2018

Other entertainment complex development projects

Premium Plaza Entertainment Complex Construction Project

Project Owner:
State Urban Development Committee of Armenia
Location:
Yerevan, Armenia
Project Cost:
USD 32.27 million
Project Goal:
development of an ethnographic district with a view of Mount Ararat, to stimulate cultural tourism
Internal Rate of Return (IRR):
14%
Payback period:
7 years

Tatev Southern Tourist Hub Project

Project Owner:
IDEA Foundation
Location:
Tatev, Syunik Region, Armenia
Project Cost:
USD 331 million
Project Goal:
restoration of the Tatev Monastery complex, creation of a recreational zone in Tatev, revival of old villages, development of the infrastructure of Tatev National Park, tourist infrastructure in Halidzor and local community development
Funding Source:
donors, equity investors, debt / IFIs, government

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Tourist site renovation and development projects

Old Erivan Project

Project Owner:
State Urban Development Committee of Armenia
Location:
Abovyan-Buzand and Arami-Koghbatsi streets, Yerevan, Armenia
Project Cost:
USD 150 million
Project Goal:
restoration of Yerevan's dilapidated historical-cultural buildings to recreate Yerevan's architectural look of the 19th-20th centuries.
Funding Source:
Swiss-Armenian businessman Vartan Sirmakes

Yerevan Avenue Construction Project

Project Owner:
Yeremyan Projects
Location:
Yerevan Botanical Garden, Armenia
Project Cost:
USD 22.48 million
Project Goal:
construction of authentic buildings, cozy streets, squares, green areas and other spots to stimulate cultural and sustainable tourism in Armenia
Payback period:
15 years

Noah Ethnographic District in Yerevan

Project Owner:
State Urban Development Committee of Armenia
Location:
Yerevan, Armenia
Project Cost:
USD 98.34 million
Project Goal:
development of an ethnographic district with a view of Mount Ararat, to stimulate cultural tourism
Internal Rate of Return (IRR):
23%
Payback period:
5 years

General Impact on Economy

- **More tourist attractions**
- **Increase in duration of stay**
- **Increase in average expenditure by tourists**
- **Increased number of beds**
- **Created jobs**
- **Developed medical/spa facilities**
- **Improved infrastructure**
- **Restored cultural heritage**
- **Renovated cities**

Boosted Tourism

2.6 million tourists by 2020

- **Ethnic and cultural**
- **Wellness and spa**
- **Religious tourism and pilgrimage**
- **Urban tourism**
- **Medical tourism**

Promotion of the supporting sectors (trade, manufacturing, technologies, etc.).
Achievement of government objectives

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Major tourist sites by region and key market participants

Region	Tourist Attractions	Type of Tourism	Main Players in the Region
Yerevan	**Erebuni Fortress** (8th century BC) - Ancient Urartian fortified city **Yerevan Opera Theater** - Yerevan's cultural hub **The Cascade Complex** (Cafesjian Center for the Arts) **Vernissage market** **Yerevan Brandy Factory** **National Art gallery** **Matenadaran** - repository of ancient manuscripts, research institute and museum	— Ethnic and cultural tourism — Urban tourism — Wine tourism	— Marriott Armenia Hotel — Radisson Blu Hotel — DoubleTree by Hilton — Best Western Congress Hotel — Hyatt Place — Royal Tulip Grand Hotel
Aragatsotn	**Kari Lake** **Amberd fortress** (11th century)	— Nature and ecotourism — Ethnic and cultural tourism	— Tsiranashen — Amberd Hotel — North Star
Ararat	**Khosrov Forest State Reserve** **Pit at Khor Virap** (7th century)	— Nature and ecotourism — Religious tourism and pilgrimage — Ethnic and cultural tourism	
Armavir	**Ruins of Zvartnots Cathedral** (7th century) – Armenia's main cathedral, UNESCO Heritage Site **Echmiadzin** - Armenian Holy See, the Cathedral and Churches of Echmiadzin are UNESCO Heritage Sites	— Ethnic and cultural tourism — Religious tourism and pilgrimage	
Vayots Dzor	**Smbataberd Fortress** (9th century) **Jermuk** - a resort town with hot and mineral springs, as well as a skiing/snowboarding town equipped with a 200-seat ropeway) **Village of Areni** – tour of the wineries	— Ethnic and cultural tourism — Nature and ecotourism — Wellness and spa tourism — Adventure and extreme (winter tourism)	— Hyatt Place Jermuk — Vayk Hotel — Jermuk Armenia Resort — Olympia Sanatorium
Gegharkunik	**Lake Sevan** - the "pearl" of Armenian nature, one of the highest freshwater lakes in the world located at an altitude of about 1900 meters above sea level	— Nature and ecotourism — Adventure and extreme (windsurfing)	— Harsnaqar Hotel Complex and Water World — Tufenkyan Avan Marak Tsptakh Hotel — Best Western Bohemian Resort Hotel — Blue Sevan Resort Center
Kotayk	**Havuts Tar Monastery** (11th – 13th centuries) **Hot natural baths of Hankavan** **Garni temple** (1st century) – Armenia's only standing pagan temple **Geghard monastery** (4th century) carved out of a mountain - UNESCO Heritage Site **Tsakhkadzor ski resort** (Ropeway, skiing, snowboarding) Casinos	— Ethnic and cultural tourism — Wellness and spa tourism — Adventure and extreme (winter tourism)	— Tsaghkadzor Marriott Hotel — Golden Palace Hotel — Best Western Alva Hotel and Spa — Best Western Aghveran — Tsaghkadzor General Sport Complex Hotel — Ararat Resort — Hotel Russia — Shangri La Casino — Casino Senator Golden Palace
Lori	**Monasteries of Haghpat and Sanahin** (10th century) - UNESCO World Heritage Sites	— Ethnic and cultural tourism	— Tufenkian Avan Dzoraget Hotel — Lori Hotel
Syunik	**Tatev Monastery** (9th century) **and Ropeway** (the world's longest non-stop ropeway)	— Ethnic and cultural tourism — Adventure and extreme — Nature and ecotourism	— Hotel Mirhav
Tavush	**Dilijan National park** with unique flora and fauna indigenous to Armenia **Yell Extreme Park** (Zipline)	— Nature and ecotourism — Adventure and extreme	— Best Western Paradise Hotel Dilijan — Dilijan Resort — Tufenkian Old Dilijan Complex — Apaga resort
Shirak	**Gyumri** a living museum with the largest collection of 19th century houses in the Caucasus, with cobblestone streets	— Ethnic and cultural tourism — Urban tourism	— Berlin Art Hotel

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Agriculture

Access to more than 180 million potential consumers of agricultural products in the EAEU countries

Competitive taxation scheme with significant support from the Government

Total investment opportunities of around USD 278 million, with high rates of return

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Key strengths

1

Excellent conditions for the development of the sector:

— 307 days and more than 2,500 hours of sunlight per year
— alpine pastures
— clear mountain river water
— proven perception of high quality products

2

Competitive taxation scheme with significant support for investment:

— three-year VAT holiday for imported industrial equipment
— tax advantages for large exporters

3

Participation in a number of international trade agreements with the EU, CIS, and the US, providing access to millions of consumers of agricultural products

4

Skilled and relatively inexpensive labor force (26% cheaper on average than Georgia, Belarus and Kazakhstan)

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Armenia: advantages

1 One of the largest sectors of the economy, with significant support from the Government

2 Significant increase in agriculture and food processing output – 60% and 35% respectively over the last five years

3 Increase by 2.3 times in the export of the agricultural products during 2010-2015

Agriculture is the largest sector of the Armenian economy. It makes up more than 19% of Armenia's GDP, and employs almost 45% of the country's population.

Agriculture and food processing output volumes increased significantly in 2010-2015, by 60% and 35%, respectively.

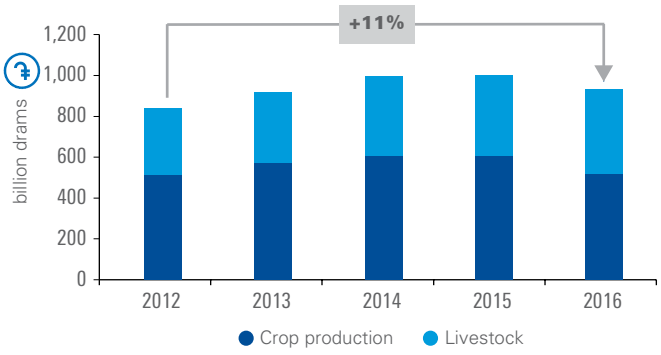
Gross agricultural output for 2015 totaled AMD 1 trillion, of which AMD 606 billion (or 61%) came from crop production and AMD 395 billion (or 39%) from livestock.

Armenia's agricultural production, including meat, vegetables and fruits are known for their exceptionally high and ecologically clean quality. The products has been mainly consumed inside the country, however in recent years the export has shown a notable growth due to the growing demand from the neighboring countries. In 2015 the export of agricultural products comprised 3.4% of the total export volume, growing to 4.7% as of the 3rd quarter of 2016.

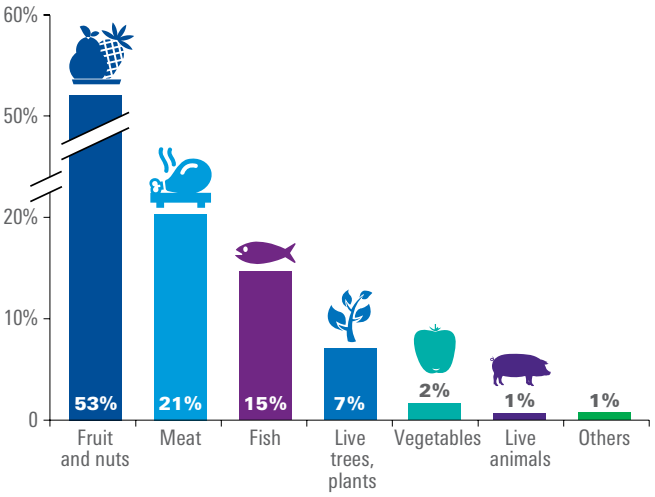
The agriculture has a significant growth capacity in terms of production and export. The sector growth is heavily supported by the Government through a number of incentives.

The new trade agreements with EAEU and EU are expected to further boost the demand for the Armenian agricultural products.

Structure of agricultural output



Agricultural export structure in Q3 2016



Source: NSSRA, trademap.org

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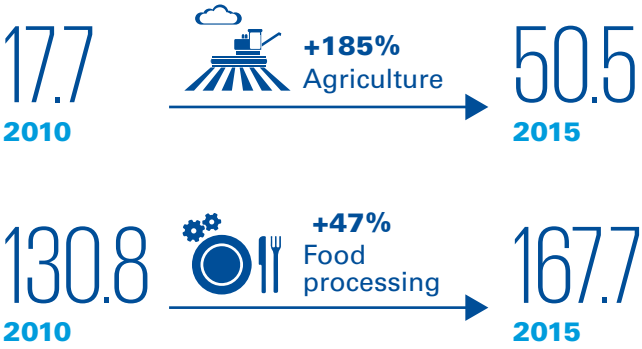
Armenian agriculture: key facts

2010-2015
+60%
Agriculture

2010-2015
+35%
Food processing

2015
AMD 1 T
Agricultural output

Agro-processing export growth / USD million



The ***food processing industry*** is mainly focused on ***export***. The largest share of exports are made up of beverages and spirits, dairy and fruit and processed vegetables.

Agro-processing export includes the export of agricultural and food processing outputs. Since 2010 there has been a sharp growth in export. In 2015 the level of agro-processing export equaled USD 218 million, 47% higher than in 2010.

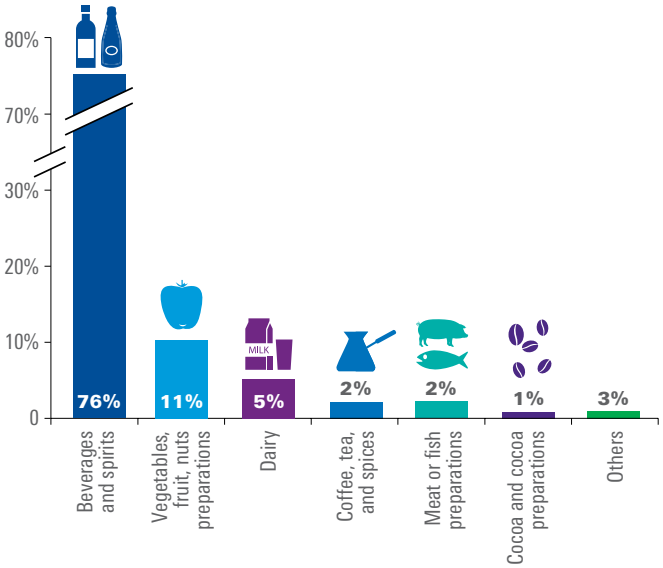
Alcoholic beverages and spirits make up the largest share of Armenian processed food exports, accounting for 66% in 2015 and 76% in the 3rd quarter of 2016.

In fact, the alcoholic beverages and spirits are products of higher than average value with potentially high returns. The growing export might indicate a growing demand from other countries, which would need to be supported by new producers of alcoholic beverages and spirits

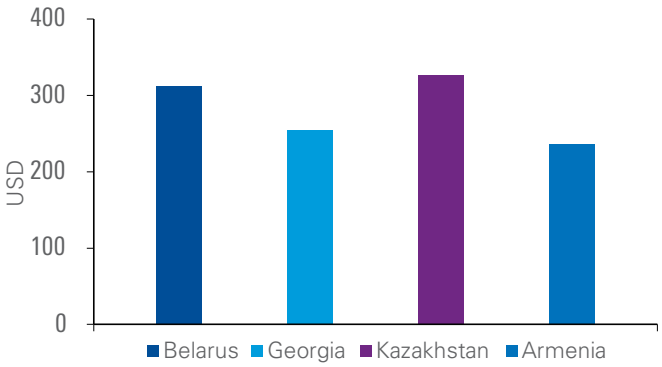
Vegetables, fruit and nut products accounted for 11% and dairy products accounted for 5% in the 3rd quarter of 2016.

The products of agricultural and food processing production are mainly exported to the CIS countries, with Russia accounting for 73% of total exports as at Q3 2016. Iran, Georgia, the USA and European countries are also among the main export destinations.

Structure of processed food exports in Q3 2016



Average labor costs in the agriculture sector in 2015



Source: trademap.org

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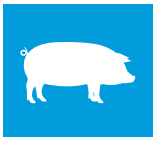
Main agriculture subsectors in focus



Animal husbandry

Nearly 40% of gross agricultural output from animal husbandry

Total number of livestock numbers equal 689,000 heads

Fish exports from Armenia increased from USD 320 thousand (2004) to nearly USD 3.4 million (Q3 2016)

A mild climate and massive alpine pastures are conducive to the meat and dairy sectors.

There is a significant opportunity for the production and export of meats and processed products to the member states of the Eurasian Economic Union. The Government is supporting this sector with ongoing improvement of legislation, the upgrade of laboratories and the construction of the appropriate infrastructure, to ensure traceability and facilitate the export of fresh and processed meat.

Modern greenhouses

300 hectares of greenhouse area have been added over the last five years

Total investment in greenhouses of around USD 50 million (2015)

Most of the greenhouses are constructed in the Ararat, Armavir and Kotayk Marzes, which are located close to the airport and central markets, making product distribution and transportation fairly easy. Fresh vegetables, flowers and berries are grown and can be exported all around the world.

The products from these greenhouses are mainly supplied to the local, Russian and CIS markets, where Armenian products are traditionally associated with high quality and excellent flavor.

Success story: Biga, Armenian-Dutch joint company, grows fresh strawberries, cherry tomatoes and white button Dutch mushrooms.

Intensive orchards

Capacity of 38,000 tonnes of fruit export

Apricots are the most famous Armenian fruit, and have an export potential of more that USD 20 million in brackets (the export volume in 2015 was around 6 million)

44,000 hectares of total orchard area.

Fruit growing is one of the leading sectors of Armenian agriculture. Due to the diverse elevations and differences in climate, special varieties of fruits have a unique taste and flavor.

Armenia produces a number of fruits and nuts, including apricots, peaches, plums, sweet cherries, cherries, apples, pears, quinces, walnuts, figs, pomegranates etc.

Success story: Euroterm CJSC, under the trademark Noyan, is one of the leading local manufacturers of natural juices, as well as fruit preserves and canned vegetables.

Since 2004 Euroterm CJSC has been heavily investing in primary production of agricultural goods, and today it has hundreds of hectares of vegetable gardens and fruit orchards.

Organic agriculture

Government priority on the development of organic agriculture

1,100 hectares of organically certified areas

Development of organic agriculture is among the priorities of the Government of Armenia. The growing market for organic produce and the existence of a certification body make organic production more profitable and accessible. The vast available regions convenient for organic agriculture include arable land and wild areas.

The highest demand for organic produce is seen in the production of fruits, berries, honey and herbal tea. Organic dried fruit, juices, dairy, and preserves production offer tremendous opportunities for investment.

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Viticulture & wine production

Over 70 varieties of wine

Grape harvest capacity of 260,000 tonnes

About 90% share in export (cognac)

Armenia is known as one of the oldest wine producing and grape cultivating countries in the world. This fact is supported by the recent discovery of the oldest known winery in the village of Areni. Ancient wine-making traditions and culture, as well as the high quality of brandy produced, make investment in grape processing and cultivation very attractive.

It is believed that the ancient grape varieties are descended from wild domestic species. Natural environmental conditions, heat, light and ground salt favor the development of horticulture and grape growing in Armenia.

There are a number of grape varieties for winemaking and brandy production in Armenia. The main types of wines are ordinary white and red wines, semisweet wines and sparkling wines.

Success story: Golden Grape ArmAs has 100 hectares of land for growing wine grapes, wine processing and distilling.

Foreign investments in agriculture and food processing form a sustainable share in overall investments. In 2015, foreign investments in agriculture accounted for 10.1% of total foreign investments, while food processing reached 9%.

This sector has a number of investment advantages:

- land – highly fertile and diverse types of soils
- water - resources equal 4.017 million m3 per year
- sun – 307 days and more than 2,500 hours of sunlight per year
- ease of doing business
- significant tax advantages for primary agricultural producers
- high return on investments within the sector

The Government also applies the following profit tax incentives for large exporters:

- Tenfold reduction if the export volume exceeds AMD 50 billion (about USD 105 million)
- Fourfold reduction if the export volume is within the range from AMD 40 billion to AMD 50 billion (from about USD 84 million to USD 105 million).

Tax incentives in the sector

	Agriculture	Food processing	Production of beverages
Profit tax	n/a	20%	20%
Import duties	0%	Depends on products /no duty for EAEU/	Depends on products /no duty for EAEU/
Export duties	0%	0%	0%
VAT	n/a	20%	20%
Excise tax	n/a	n/a	On the distribution of alcoholic beverages
Licensing requirements	None	None	On the distribution of alcoholic beverages

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Major related investment projects

The key investment projects in the section are focused on the following subsectors:

— Fishery
— Corn processing
— Greenhouses

The total current investment opportunity in agriculture equals around USD 278 million, with high rates of return.

Aquaculture Investment Projects

Project Owner: Ministry of Nature Protection of Armenia
Location: Yerevan, Armenia
Project Cost: USD 8.61 million
Project Goal: To develop stable fish production with cheap, safe and ecologically clean fish products.
Internal Rate of Return (IRR): 12%-75%
Payback period: 2.5-5.5 years

Bio Cluster: Corn Processing

Project Owner: Private entity
Location: Gegharkunik region, Armenia
Project Cost: USD 120 million
Project Goal: To establish a product manufacturing business with high added value based on deep processing of corn.
Payback period: 3.78 years

High-Tech Tomato Greenhouse (6 ha)

Project Owner: International Center for Agribusiness Research and Education
Location: Armenia
Project Cost: USD 8.631 million
Project Goal: Establishment of a large, six hectare tomato greenhouse
Internal Rate of Return (IRR): 20%Pars
Payback period: 2.81 years

Expansion of the Rose Greenhouse

Project Owner: Ecotomato CJSC & Armyanski Urajay LLC
Location: Goght village, Kotayk region, Armenia
Project Cost: USD 26 million
Project Goal: Addition of 17 ha to the land plot already acquired for the rose greenhouse.
Internal Rate of Return (IRR): 54%
Payback period: 18 months

Expansion of the Fresh Vegetable Greenhouse

Project Owner: Mavas Group LLC
Location: Dzoraghbyur, Kotayk region, Armenia
Project Cost: USD 14 million
Project Goal: Addition of 6.5 ha to the land plot already acquired for the fresh vegetable greenhouse.
Internal Rate of Return (IRR): 15%Pars

Establishment of a Vegetable Greenhouse

Project Owner: SPAYKA LLC
Location: Hrazdan, Kotayk Region, Armenia
Project Cost: USD 100 million
Project Goal: Establishment of an up-to-date greenhouse, with a total area of around 100 ha.
Internal Rate of Return (IRR): 24%
Payback period: 4.1 years

General Impact on Economy

Potential increase of FDI by USD 277 million

Increase of the sector's share in GDP

Increase in export of agricultural products

Creation of new employment opportunities in the regions of Armenia

Another significant boost in the sector

Growth of the sector
Access to markets in the region with millions of consumers

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Infrastructure

Armenia is an emerging transit partner in the region and a potential part of the “Silk Road” connecting east to west, south to north

Armenia has an opportunity to act as regional transit hub for transport, freight and communications

Strong commitment to PPP provides government support to investments during project implementation

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Key growth drivers of the sector

1

The Republic of Armenia connects the Middle East and Asian countries with Europe and the countries of the Eurasian Economic Union by the fastest and safest transit route

2

Extensive railway tracks and roadways throughout the country (the highest density among the EAEU countries), but needs to be modernized

3

Steady growth of freight transportation volumes is the main driver of higher usage of roadways and railway infrastructure

4

The highest intensity of aircraft passenger traffic among the EAEU countries indicates relatively high demand for Armenian air infrastructure

5

Rapid growth of the connectivity sector and high connection coverage are enhancing the role of connectivity sector in Armenian economic growth

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Armenia: advantages

The Republic of Armenia, located in the South Caucasus on the crossroads between the Middle East, Asian countries (first of foremost, China), the EU[a] and EAEU countries, aspires to become a ***hub for the international business community***. Armenia's opportunities in this respect are based on, for instance, being on ***the shortest transit route from the Persian Gulf to Europe***. The distance between Persian Gulf and Black Sea ports is about 3,000 km.

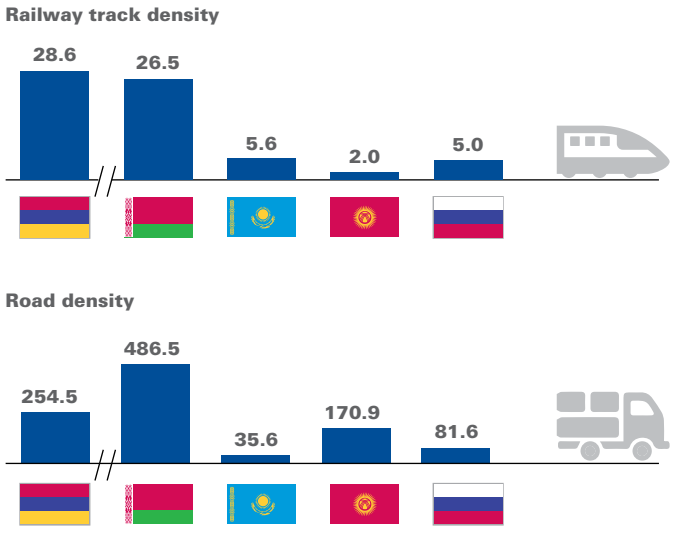
Due to its advantageous geographic position, it is essential for Armenia to develop infrastructure that can support freight and passenger inflows. The basic types of infrastructure for Armenia are transport infrastructure (consisting of roads, railway tracks and airports) and connectivity infrastructure, which supplies mobile communications and Internet.

Transport infrastructure

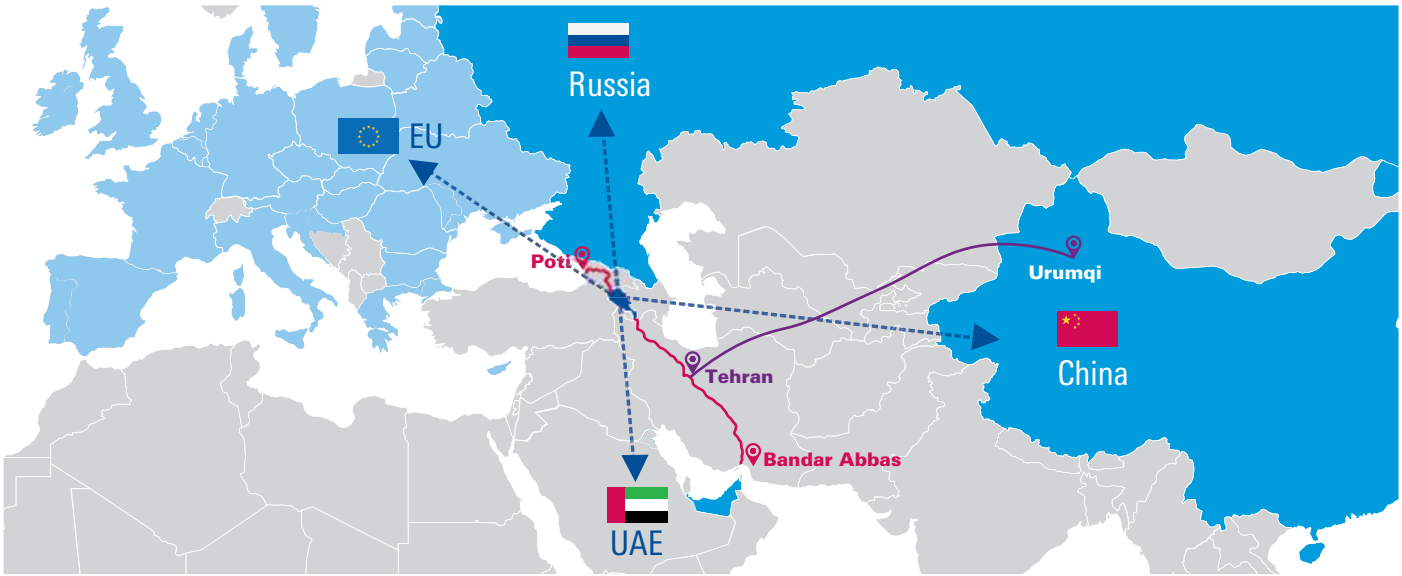
The Republic of Armenia has a developed transport infrastructure. The total length of railway tracks is 850 km, and the total length of general purpose roads is 7,570 km[b]. There are two international airports in Armenia, Zvartnots, located in Yerevan, and Shirak in Gyumri. Total annual passenger flow by air is 2.1 million people, with an overall capacity of more than 3.5 million people. Zvartnots airport also has cargo terminal with 10,000 square meters of warehouse space and the capability to handle over 100,000 tons of cargo annually.

A comparison with other EAEU countries shows that ***Armenia has extensive railways and roads*** throughout the country. Railway density in Armenia is the highest among the EAEU countries, and road density is second highest after Belarus. These figures show that Armenian infrastructure is able to support growing foreign trade. However, the rapid increase of tourist and cargo flow in the medium term requires ***further infrastructure development***.

Density of tracks and roadson the territory of EAEU countries[c] / km per 1,000 km² of territory



Transport opportunities due to Armenia's strategic location



Note: (a) European Union; (b) Data for 2015; (c) Standardized by total area of the country

Source: Armstat, Transport in EAEU research materials

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— Armenian road and railway infrastructure ***support less intensive cargo flow*** in comparison with other EAEU countries so it ***should be modernized*** to increase its potential capacity

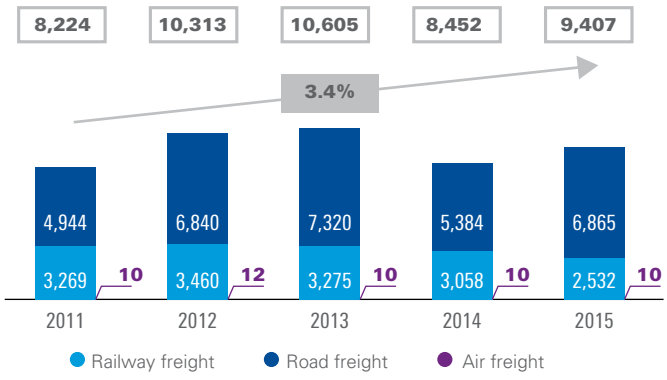
— Airport infrastructure is widely used by passengers and ***due to high demand needs to be further developed***

The total cargo volume shipped in Armenia has grown steadily at a ***CAGR of over 3%*** in 2011-2015. The largest share of cargo was shipped by road transport (73% in 2015). The total number of passengers carried in Armenia has been falling steadily during 2011-2015, with a CAGR of about -5%. This decrease has been caused primarily by a reduction in the road transport segment (the number of passengers carried by road transport has fallen by 16%), while other segments were stable.

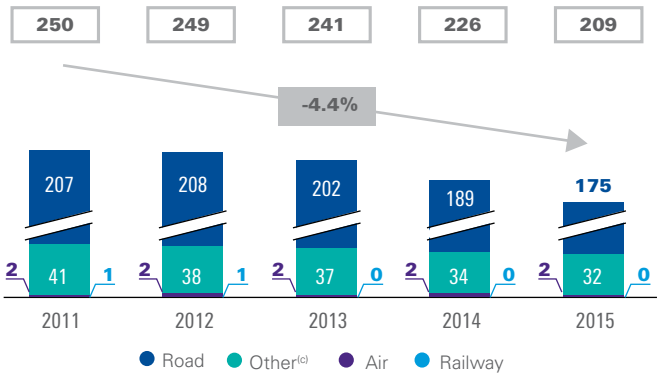
Freight volumes shipped per capita for Armenia are considerably lower at the moment than in other EAEU countries. Potential increase in cargo flow ***will require infrastructure modernization and further development*** in both the road and railway segments.

Armenia is the leader in average air traffic with 0.7 passengers per capita (the second highest is Russia with 0.64). ***So airport infrastructure has potential for development***, as it is widely used by passengers.

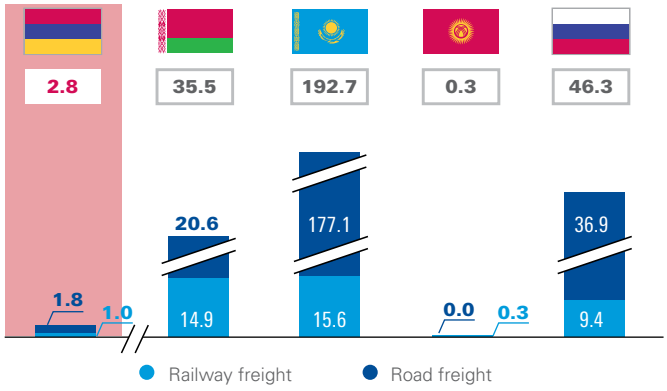
Freight shipped[(a)] in Armenia / thousand tons



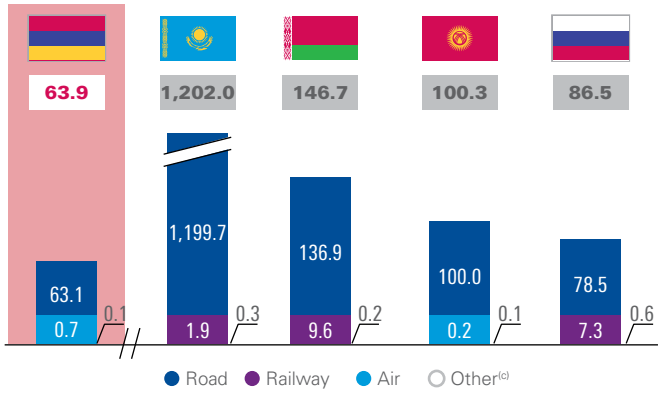
Passengers carried in Armenia / million people



Freight shipped per capita[(b)] among EAEU countries in 2014 / tons per capita



Passengers carried per capita among EAEU countries in 2014 / Passengers per capita



Note: (a) Excluding pipeline transportation; (b) Freight by air transport is not shown due to insignificance; (c) Includes passenger taxis, trolleybuses, subways and rope-ways

Source: Armstat, Transport in EAEU research materials

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Connectivity infrastructure

The Republic of Armenia has a ***globally competitive and rapidly growing communications sector.*** Its key development characteristics are as follows:

— ***Coverage level of 3G is 99.9%*** in all urban and rural communities. The number of mobile network subscribers is about ***3.4 million***

— ***4G/LTE*** is constantly developing, now covering Yerevan and other large cities, coverage level is about ***80%***

— The share of ***Fixed Mobile Convergence (FMC)*** services is ***more than 20%***, which is higher than the average European indicator

An additional point regarding the development of the Armenian connectivity sector is the fact that the ***Republic of Armenia participates in supplying the internet to countries of the Middle East and Asia*** along fiber-optic communication transit lines. The network, which lies on the territory of Armenia, is part of the Trans-Asia-Europe fiber-optic network, and is connected other networks:

— Georgian (at 1 Tbit/s),

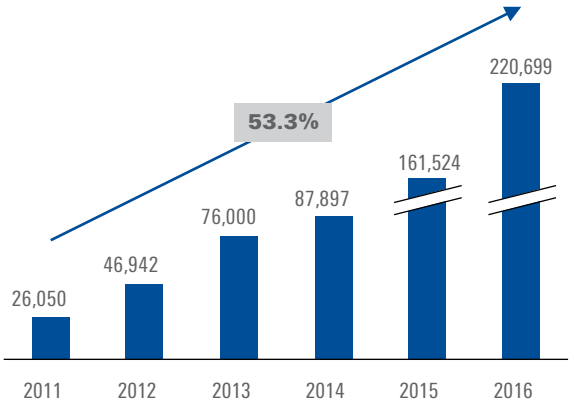
— Iranian (at 1 Tbit/s),

— Turkish (at 40 Gbit/s).

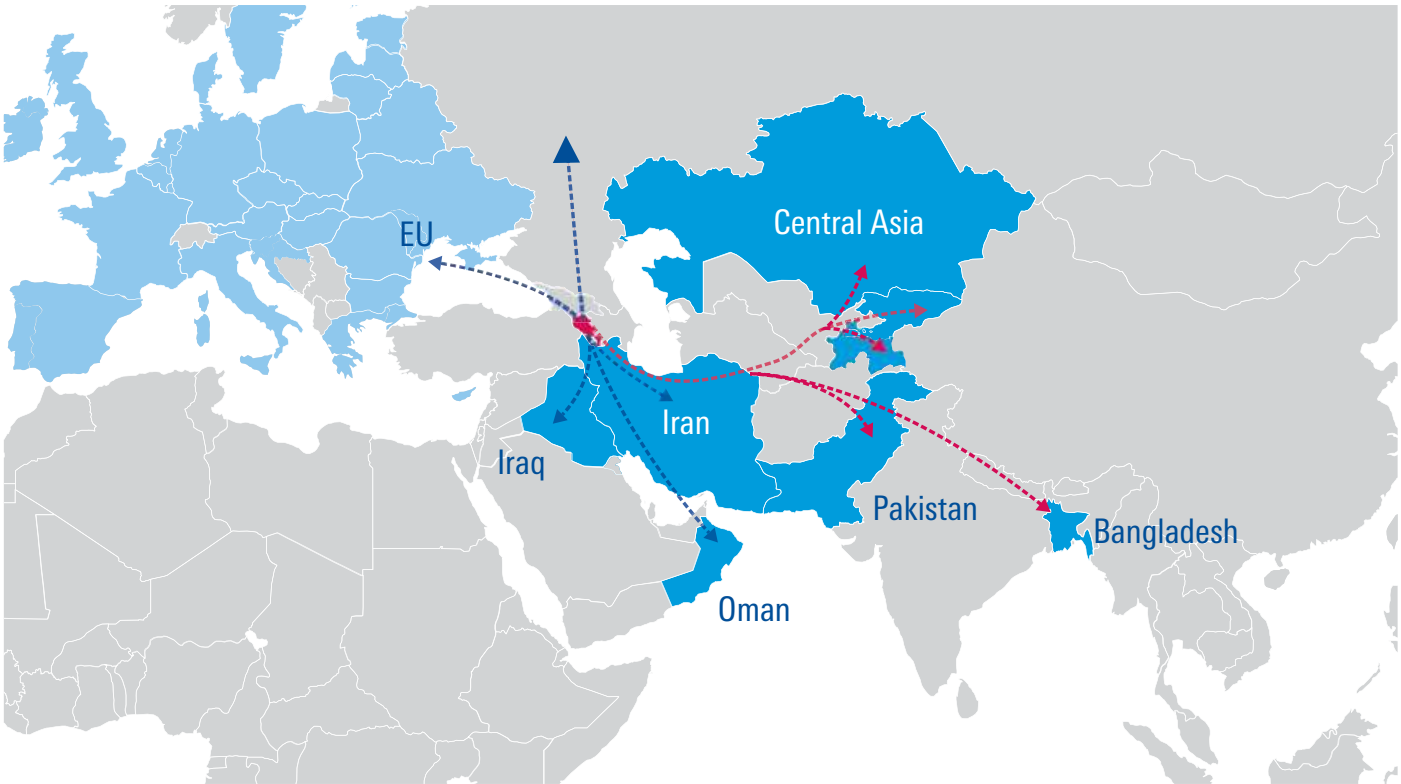
Besides, an alternative connection to Iran through Turkey has a capacity of only 220 Gbit/s, so the ***Armenian network is more advantageous for Iran.***

The demand for transit increases rapidly every year, with a CAGR of IP traffic in 2011-2016 of ***53%***. Further growth in IP transit volume is expected after the liberalization of Internet access policies in the Middle East. IP tariffs for transit fell by ~20% in 2016 compared to 2014, and by 450 times compared to 2008, mostly due to higher competition in the sector. These trends lead to the connectivity sector having a bigger impact on the Armenian economy.

IP transit through Armenia[(a)]/ Mbit/s



Direction of internet transit through Armenia by fiber-optic lines



Note: (a) Data for 2016 is projection based on actual figures for Q1-3 2016

Source: Ministry of Transport and Communication of the Republic of Armenia

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Government policy

The key types of infrastructure for the Republic of Armenia are road, railway and air transport and connectivity. ***Public private partnership (PPP)*** projects play a major role in the development of the necessary infrastructure for transport and communications, and have been ***the main instrument of government support*** for attracting investment in the Republic of Armenia.

Among ***the most successful PPP projects:***

- ***The reconstruction of the Zvartnots airport*** jointly with the company Corporacion America (with investments about USD 160 million)
- ***A project in the water supply and sanitation sector*** in cooperation with the French company SAUR (with investments about USD 40 million)
- ***The Tatev Revival project*** (with investments about USD 80 million)

In 2013 the Government of the Republic of Armenia introduced an ***Open Sky Policy*** in the field of civil aviation and air communications in Armenia. This new policy is expected to increase the number and diversity of incoming tourists and foster more favorable conditions and expanded opportunities for business.

At the moment, the Republic of Armenia is ***mainly focused on investment in:***

- Road infrastructure
- Railway infrastructure

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Key infrastructure projects in Republic of Armenia

1 The North-South Road Corridor

Project description

The North-South Road Corridor investment project is aimed at ***reconstruction*** of the currently used carriageway which runs 560 km from Bavra to Agarak. The project aim is to upgrade it to a ***470 km-long carriageway with a speed limit of 100-110 km/h***, making it possible to cross this section in ***half the time*** (4.5-5 h instead of the current 9.5-10 h). The corridor will be a part of a road network connecting the Persian Gulf (Bandar Abbas) with the Black Sea (Batumi and Poti) and further on to Europe.

Project financials

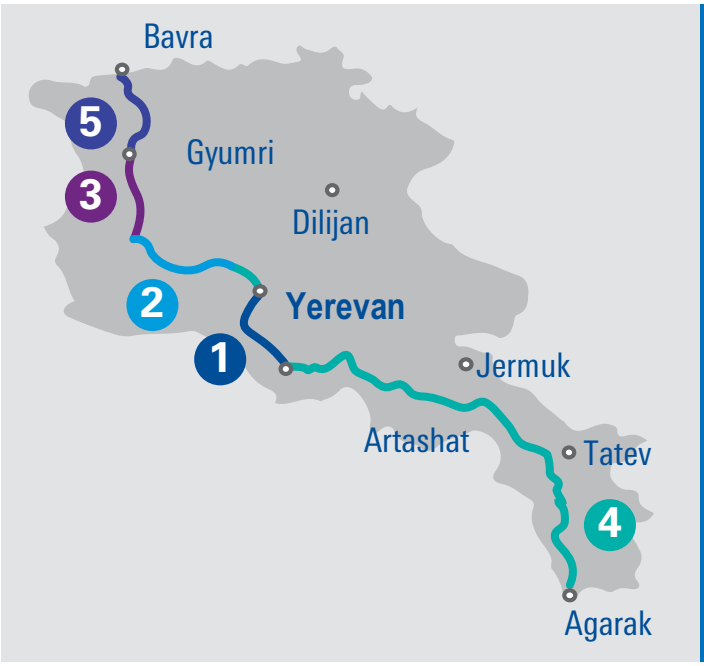
The preliminary estimated total project cost is ***USD 3 billion***. USD 1.2 billion has been already financed, but ***the remaining part, about USD 0.7-1.7 billion, still needs to be invested in this project.***

The road is divided into 5 tranches with separate financing arrangements for each. Tranches 1-3 are under construction, and the required financing is available.

PPP projects for the construction of toll-roads and tunnels in ***Tranches 4-5*** (Artashat – Agarak and Gyumri – Bavra) ***are available and need financing*** (under concession projects, the state will co-finance VAT and land acquisition and resettlement costs):

- the construction of the Sisian-Qajaran section in Tranche 4 has been already financed by EADB[a] and ADB[b] loans (USD 150 million and USD 170 million, respectively), however, ***there is still the possibility of PPP and new cofinancing***
- 80% of the Artashat-Qajaran section in Tranche 4 (220 km) may be separated out and ***considered as a project implemented under concession***
- the Gyumri bypass road section in Tranche 5 may be separated out and ***considered as a project implemented under concession*** (Investment and PPP)

The North-South Road Corridor project: tranches and key parameters



Estimated project cost:
USD 3.0 billion

Estimated remaining investment:
USD 0.7-1.7 billion

Estimated length:
470 km

Design speed:
100-110 km/h

Driving time:
4.5-5 h

Period of project Implementation:
2010-2020

- International quality high-speed freeway to connect South to North
- Connecting ***Bandar Abbas*** (Iran) with ***Poti*** and ***Batumi*** (Georgia) – two routes for cargo shipment to Armenia

Source: Ministry of Transport and Communications of the Republic of Armenia

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2 Zvartnots Airport public transport link

Project description

This project is aimed to enhance the quality of public transport between Zvartnots International Airport and Yerevan city center. Zvartnots International Airport is located 12 km to the west of Yerevan. The airport, which is the main air hub of the Republic of Armenia, has been operating since 1961.

Currently travel between Yerevan and Zvartnots Airport is ***mostly by taxis and minibuses***. It is estimated that around ***3.5-5 million trips*** are taken to and from the airport annually, mostly arriving and departing passengers, "meeters and greeters," and airport employees.

There are ***three technical options*** to connect Zvartnots Airport with the city center: link by subway, railway or express bus system.

Project financials

1. The connection of ***Yerevan Metro*** and Zvartnots could be accomplished:
   - By extension of the existing metro line 1 "Red" from Charbakh station (estimated cost ***USD 951.4 m***) or
   - By building a second metro line Yeritasardakan to Malatia-Sebastia (to be built) with an extension to the airport (estimated cost ***USD 1.8 billion***)
2. There are two possible options for a ***rail*** connection between the airport and Yerevan:
   - First, by construction of a light rail transit system from Davitashen to Malatia-Sebastia (to be built) with an extension to the airport (estimated cost ***USD 302 million***)
   - Second, the extension of the existing rail line from Sasuntsi Davit railway station (estimated cost ***USD 77 million***)
3. Creation of an ***express bus system*** operating between the airport passenger terminal and the city center is estimated to be ***USD 0.5 million*** annually.

Current view of Zvartnots airport

Source: Ministry of Transport and Communications of the Republic of Armenia

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Additional investment opportunities in Armenia

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Other important investment projects in Armenia

500 Bed Modern Medical Center Project

Project Owner: American International Healthcare Systems
Location: Yerevan, Armenia
Project Cost: USD 750 million
Investment Gap: USD 50 million
Project Goal: construction of a 500 bed state-of-the-art modern medical center in Armenia which will offer patients the most innovative diagnostic and treatment with the most advanced technologies available in the world
Funding source: Bank Loans for Humanitarian Purposes.

Construction of a Copper Smelting Plant

Location: Alaverdi, Lori Region, Armenia
Project Cost: USD 400-450 million
Internal Rate of Return: 8%
Payback Period: 13.8 years
Production volume: 80,000 tonnes

Al Hamra Shopping Mall Construction Project

Project Owner: State Urban Development Committee of Armenia
Location: Yerevan, Armenia
Project Cost: USD 90.7 million
Internal Rate of Return: 19%
Payback Period: 5 years

Development of Bio Equivalency Studies in Armenia

Location: Yerevan, Armenia
Project Cost: USD 4.6 million
Investment Gap: USD 1.65 million
Project Goal: establishment of a complex which will make it possible to conduct bioequivalence studies for generic drugs
Project Duration: 3 years

Gold Refining Plant Construction Project

Location: Yerevan, Armenia
Project Cost: USD 10-12 million
Internal Rate of Return: 38%
Project Goal: creation of higher added value through the expansion of gold processing which will allow for production of standard bank gold bullions of 999.9 fineness

Source: www.Investmentprojects.am

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Ease of doing business

- Financial sector
- Business climate
- Taxes and incentives
- Regulatory framework

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Financial sector

Armenia has highly-developed financial sector which is aligned with international regulatory standards

Capital markets environment in Armenia is tailored to the needs of international investors

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Financial sector

The Armenian financial sector is one of the most developed sectors of the economy; for this reason, there is a favorable infrastructure in place for investment in different sectors of the economy.

In the recent years, the ***financial sector in Armenia has been growing at a double-digit rate***. Within the last 10 years, industry assets have almost doubled every five years, reaching USD 9.5 billion by the end of 2016. Further increases are expected, with ***50% growth in total bank capitalization*** to 2018.

As at 31 December 2016, the financial sector of Armenia comprised 17 commercial banks, 34 non-banking credit institutions, seven insurance and eight investment companies, thereby serving different needs of businesses and consumers.

During the last 15 years, there have been ***no insolvency cases in the financial sector*** – evidence that the financial system is well-regulated and well-monitored.

The Armenian banking system has developed in line with international trends and the demand for financial services in the country.

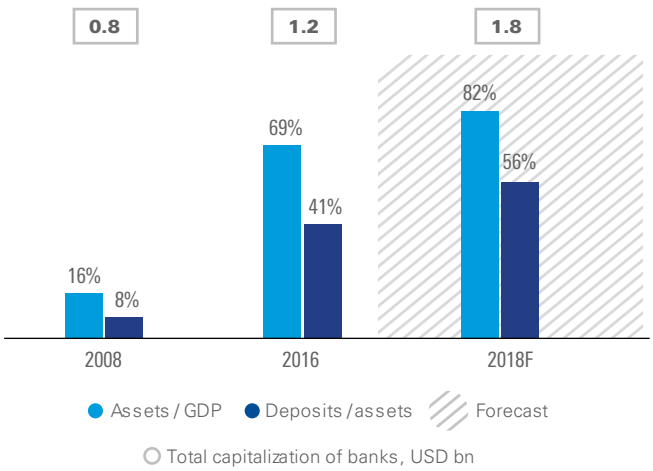
International banking groups, international investment and funding agencies are well represented on Armenian market.

The regulatory environment of the banking system strictly complies with internationally recognized principles and regulations, ***including IFRS reporting, Basel principles, and FATCA. The international players are under the same regulated framework in the market as local banks.***

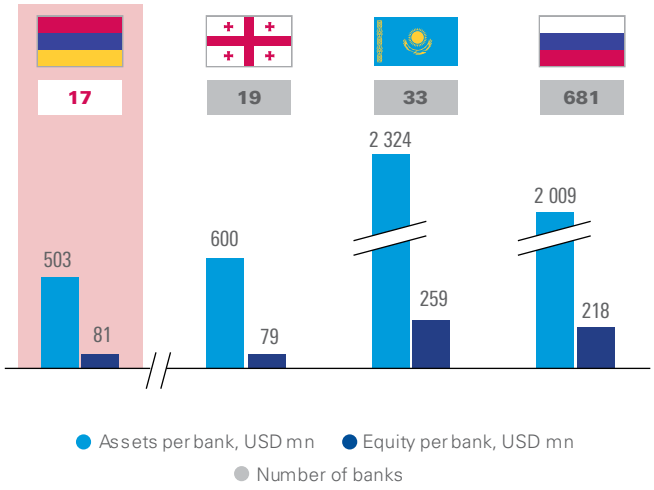
Some international banks and other financial institutions currently operating in Armenia

- HSBC
- Credit Agricole
- Amundi
- C-Quadrat
- VTB
- Byblos Bank
- Bank Mellat

Armenian financial sector:Key growth indicators/ %, USD bn



Benchmark of Armenian financial sector / USD mn



Source: CBA

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Capital markets

The stock exchange operating in Armenia is ***NASDAQ OMX Armenia OJSC*** (NOA). The company is part of the NASDAQ OMX Group, Inc. and is the 100% owner of Central Depository of Armenia OJSC. The exchange offers foreign investors an opportunity to acquire securities from outside Armenia and from Nasdaq OMX.

Membership in NASDAQ OMX Armenia ***is open to all companies***, providing investment services and complying with the Central Bank of Armenia and the requirements of NASDAQ OMX Armenia. Currently all commercial banks, five investment companies and the Central Bank of Armenia participate in exchange trading.

Central Depository of Armenia (CDA) acts as a ***centralized custodian***, as well as an operator of securities, centralized registry, and settlement system in Armenia.

NOA operates the market through its fully electronic, ***multi-asset trading system***, facilitating trading in a range of instruments such as equities, corporate bonds, government bonds, repos, currencies and credit resources.

Currently CDA has ***cross-border securities correspondent accounts*** with the National Settlement Depository of Russia, Republican Central Securities Depository of Belarus, and Kazakhstan Clearing and Settlement Depository. Since 11 July 2016 investing in Armenian bonds has become much easier due to the launch of ***Clearstream's direct link to Armenia***. Armenian securities are available for foreign investors on their accounts through international Clearing and Settlement Depositories.

Armenian Government Eurobonds are listed on the ***Irish Stock Exchange*** and are also traded over-the-counter and can be easily sourced via Bloomberg. Settlements are carried out by the Clearstream system. Locally issued Armenian securities can be acquired either OTC or from Nasdaq OMX Armenia.

Acquiring securities from outside Armenia (Eurobonds and Ardshinbank bonds):

— Sourcing from non-Armenian domiciled investors via Bloomberg
— Settlement via Clearstream

Acquiring securities from Nasdaq OMX:

— All locally issued securities are listed with Nasdaq OMX Armenia
— Settlements can be made via Clearstream or NSD Russia (National Settlement Depository)
— Alternatively, the client or the client's broker sets up a link or opens a brokerage account with one of the local stock exchange members, such as HSBC or Credit Agricole Bank
— Many global brokers have Direct Market Access to Nasdaq OMX

The environment is ***tailored to the needs of international investors:***

— Streamlined online registration via NASDAQ (ENG & RUS)
— Cost-effective set up ($2000)
— Freedom of contract
— No limitations on investment strategies
— Denomination of capital in FC leads to greater liquidity
— Nominee director & shareholders
— Dual regime: Remote & substantiated
— Derivatives transactions in Armenia are made according to ISDA criteria

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Business climate

Armenia is recognized as one of the best countries in the EAEU for doing business

Armenia is highly ranked for investment freedom by The Heritage Foundation (among the top 21 countries for investment freedom)

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Armenia in international rankings

Armenian positions in worldwide business climate rankings show that Republic of Armenia has one of the most favorable investment environment in the region.

Armenia has ***the best rank among EAEU[a] countries*** in the economic freedom index. This ranking highlights mostly the low level of trade tariffs and relatively efficient regulatory framework.

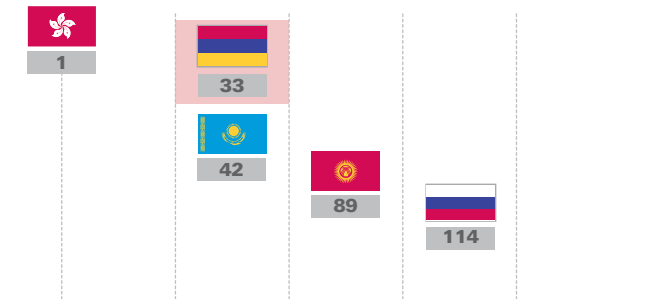
In 2016-2017 Armenia had an investment freedom score[a] of 80 points, which means a ***free economic environment for investments***. Armenia has one of the most favorable foreign investment regimes of any European country. There are almost no sectoral or territorial constraints on foreign investment. On the contrary, Armenian government offers a number of benefits for potential investors such as tax incentives or tax holidays[b].

In the Doing Business ranking of the World Bank, Armenia holds a place in the top 40 countries, climbing by five positions since 2016 (and seven positions since 2015). According to World Bank's research, the simplest procedures in Armenia are starting a business (9th place in total ranking by procedure), registering a property (13th) and getting a loan (20th).

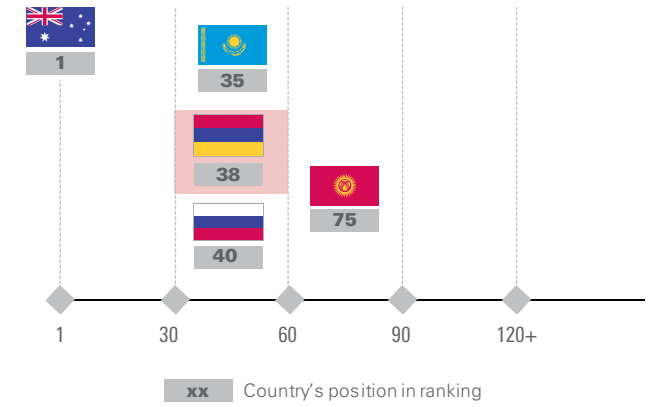
In Transparency International's Corruption Perceptions Index, Armenia has the second-best rank of all EAEU countries (higher than Russia and Kazakhstan).

International country rankings

Index of Economic Freedom (2017)



Doing Business (2017)



xx Country's position in ranking

Note: (a) Which is contained in Index of Economic Freedom; (b) Detailed information about tax incentives is presented in chapter "Ease of doing business"

Source: Doing Business 2017 Report, Index of Economic Freedom 2016 ranking, Corruption Perceptions Index 2016

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Taxes and incentives

Armenia has one of the softest tax regimes for enterprises and individuals in EAEU region

A number of preferred tax conditions like FEZ or a simplified tax regime are used to promote business activity

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Key takeaways

1

Armenia has favorable tax burden level, due to relatively low tax rates and the number of tax incentives in use

2

Small and medium enterprises are able to use a simplified taxation regime with lower tax rates and less red tape

3

A broad range of tax incentives, facilitating the development of production, export and growth of investment, are available in Armenia

4

It is possible to become a member (or operator) of a Free Economic Zone (FEZ) which provides considerable tax incentives and access to infrastructure

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Status

Armenia has a ***positive and open*** attitude towards foreign investment. Reforms in the economy and infrastructure, macroeconomic stabilization, and economic growth have contributed to the development and implementation of the country's foreign investment policy.

The main principles of the investment policy may be summarized as follows:

— A liberal attitude towards foreign investments and an Open Door policy

— Protection of investors' rights

— Provision of equal conditions for foreign and domestic investors

There are ***almost no restrictions*** on the sectors in which a foreign investor may invest (except territories where foreign investments may be restricted for reasons of national defense). Prior approval for making an investment is generally not required, except for investments in regulated institutions such as banks, investment companies and certain public utilities.

Foreign investors can benefit from the following incentives:

— ***100% ownership*** permitted

— Companies registered by a foreigner in Armenia ***have the right to buy land***. Although foreign citizens are not allowed to own land in Armenia, they are offered long-term leases

— ***VAT payment deferral*** for up to three years for imports of equipment and goods within the scope of investment projects, subject to Government approval

— ***Free exchange*** of foreign currencies

— ***No restrictions on repatriation*** of profits

— In case of any changes in legislation foreign investors can choose which law to use for up to a five-year term (***five-year grandfathering clause***)

— ***Free Economic Zones*** (no value-added tax, no property tax, no profits tax, no custom duties)

— ***Profit tax privileges for large exporters*** (exported goods and services for at leastAMD 40 billion or about USD 84 million, except those in mining, jewelry, processing of precious metals and gems, production of excisable goods)

— ***No export duties*** and restrictions

— No screening and specific authorization required for making investment

— ***No restrictions on remittances***

— No restrictions on staff recruitment

— No sector-specific or geographic restrictions on investments, except in certain national defense-related sectors

— ***Customs duty exemption***. Materials and equipment/technology imported from non-EAEU country that cannot be replaced by materials and equipment produced by EAEU countries to implement investment project in priority sectors of the Armenian economy and exceptionally in the territory of Armenia are exempt from customs duties.

— ***Tax exemptions in border areas of Armenia***

— Tax exemptions in the Tavush region of Armenia (operations within the framework of investment projects over AMD 2 billion or about USD 4.2 million, except those in mining and chemical production sectors)

Armenia has signed ***bilateral treaties*** on reciprocal investment promotion and protection with ***41 countries***[(a)]. Armenia is also a signatory of the International Convention of Investment Disputes (ICSID) and the CIS Multilateral Convention on the Protection of Investor Rights. In addition, it has double tax treaties with ***45 countries***[(a)] as of 2016. The benefits of these particular treaties are easy to access by providing supporting documentation of residency from foreign tax authorities. Since January 2015, ***Armenia has been a member of the Eurasian Economic Union*** (EAEU), which creates the following opportunities:

— ***Duty free import*** of raw materials from EAEU member states

— ***No customs formalities*** during mutual trade between EAEU member states, which leads to a reduction in financial and time costs for business

— ***No technical trade barriers*** and non-tariff trade measures between EAEU member countries

— ***Favorable import tariffs*** for about 770 products (until 2020).

Source: KPMG analysis, Ministry of Economic Development and Investments of Republic of Armenia

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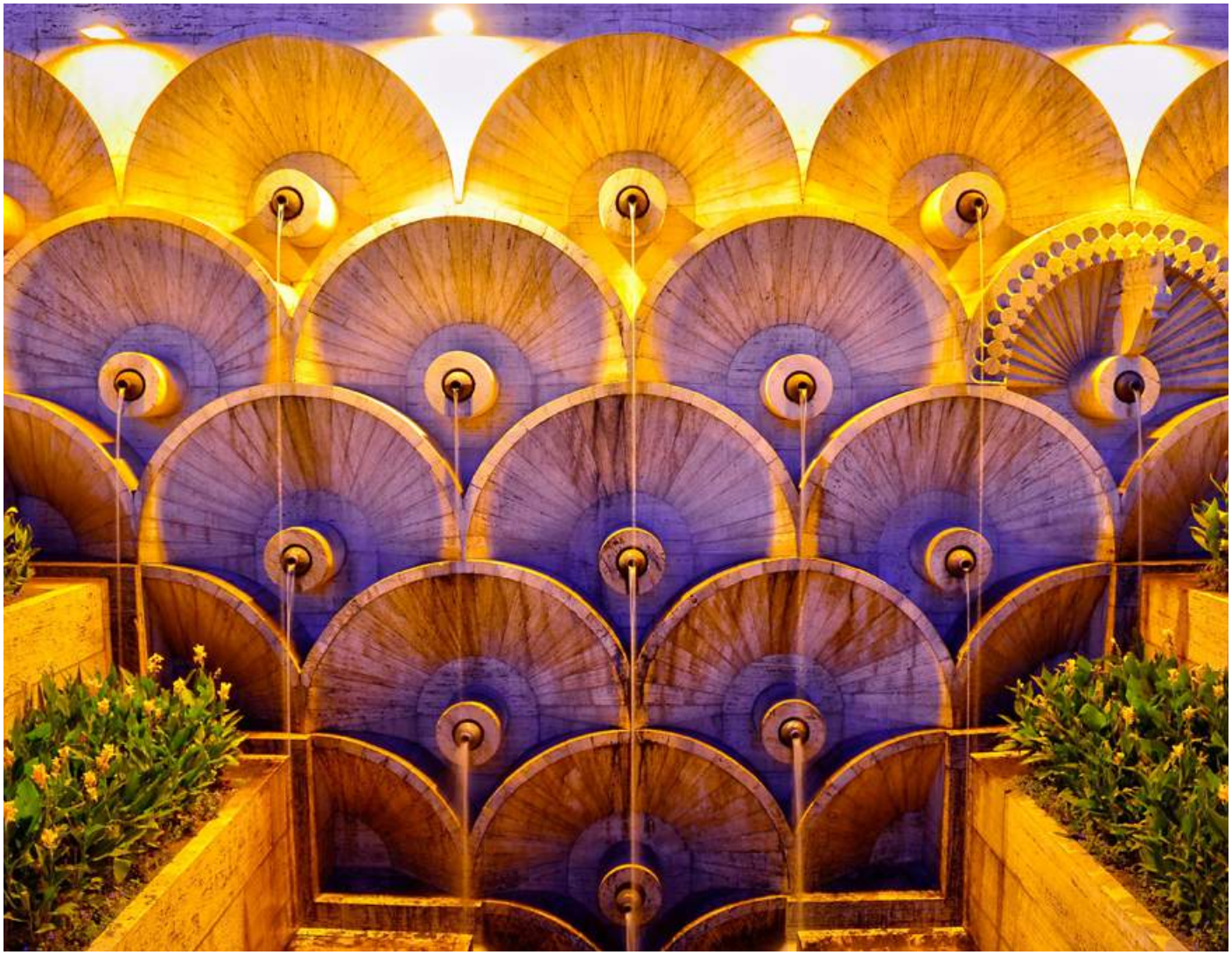
Armenia has signed free-trade agreements with Georgia and most of the CIS countries. Armenia currently enjoys ***GSP beneficiary status*** with Canada, Japan, Norway, Switzerland, and the United States. Since 2009, Armenia has also been included in the list of countries granted ***GSP+*** status by the European Union.

TThe Law "On Foreign Investments" sets forth the rights, guarantees and privileges for foreign investors. The law guarantees ***equal treatment of foreign and domestic investors***, restricts the government's ability to confiscate investors' property, ensures full compensation in case of nationalization or confiscation by the government, provides access to Armenian and international courts to resolve commercial disputes, allows for ***full repatriation of profits and property***. Foreign investments are allowed in wide sectors of economy and in various forms. Investments are ***protected against adverse legislative changes for a period of five years***.

The Ministry of Economic Development and Investments of Republic of Armenia is responsible for creating investment policy and improving the business environment. The Department of Investment Policy of the Ministry of Economic Development and Investments is responsible for developing investment policy, including drafting legislation for free economic zones, improving the investment environment, monitoring and assistance of public and private investment projects, and implementing investment policy.

The Development Foundation of Armenia (DFA) is supporting potential investors in Armenia by:

- Providing macroeconomic information on Armenia/ analyzing specific markets
- Assisting in business planning and setup, customer segmentation
- Organizing site visits
- Advising on tax and customs issues



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Current tax system in Armenia

The Republic of Armenia has one of the softest tax regimes in Europe, expressed in a low level of tax burden relative to GDP (23.5% compared to the average European level of 33%). Under the general tax regime, the tax system of Armenia consists of state taxes (VAT[a]), income tax, profit tax, excise tax) and municipal taxes (property tax, land tax). At the moment Armenia has double tax treaties and treaties on the prevention of fiscal evasion with 45 countries[b]. In addition, Armenia has free trade agreements that include zero or reduced import tariffs with CIS countries and Georgia, and a GSP[c] regime with USA, Canada, Switzerland, Norway, Japan and the EU countries.

Armenia enjoys ***completely automated*** tax filling and tax payment systems. All taxes can be filled and paid ***electronically***, which considerably facilitates the fulfillment of taxpayer duties and lowers tax administrative burden for businesses.

VAT has a rate of ***20%*** of taxable turnover. According to the Law "On VAT", specific types of transactions are:

— not subject to VAT,

— exempt from VAT,

— eligible for the zero VAT rate[d]

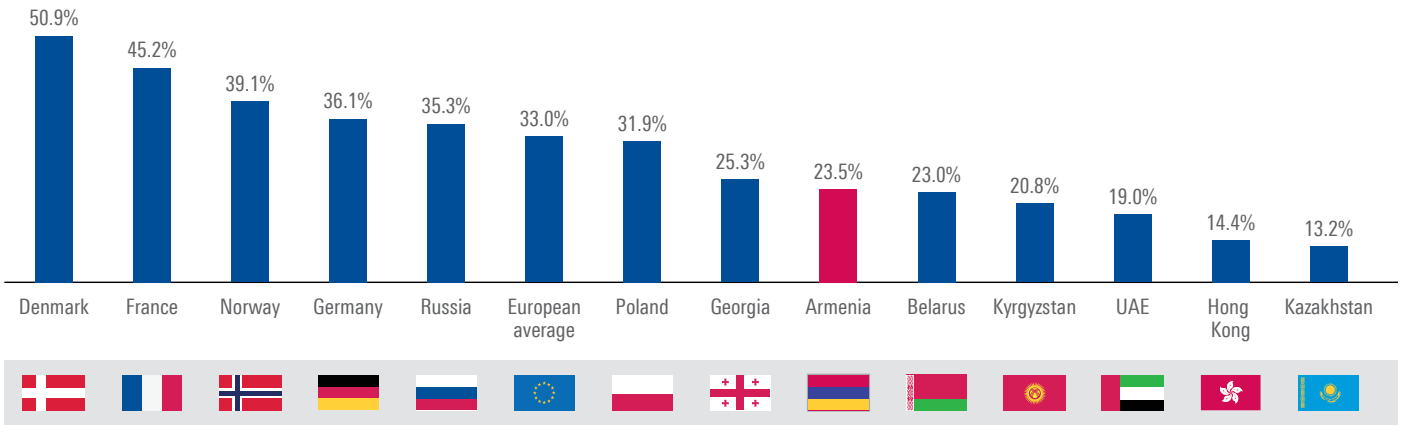
Profit tax is generally payable at a rate of ***20%*** of taxable profit. For non-residents specific tax rates apply:

— ***5%*** on insurance compensation, reiwnsurance payments and income received from freight

— ***10%*** on dividends, interest, royalties, income from the lease of property, capital gains (will be 0% from 2018) and other passive income (with the exception of income received from freight)

— ***20%*** on income from other services provided by non-residents

Some of the lowest tax levels of all EU, EAEU, Asian and Middle Eastern countries / % of GDP



Note: (a) Value added tax; (b) Austria, Belgium, Bulgaria, Belarus, Canada, Switzerland, China, Cyprus, Czech Republic, Estonia, Finland, France, Georgia, Germany, Greece, Croatia, Hungary, India, Indonesia, Iran, Ireland, Italy, Kazakhstan, Kuwait, Lebanon, Lithuania, Luxembourg, Latvia, Moldova, Netherlands, Poland, Qatar, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Spain, Syria, Tajikistan, Thailand, Turkmenistan, UAE, UK, Ukraine; (c) Generalized system of preferences; (d) The zero rate of VAT is, in general, applied to the exportation of goods and services from Armenia. The main difference between zero rating and exemption is that in the case of exemption the VAT paid to the supplier is not compensated

Source: Index of Economic Freedom 2017, Ministry of Economic Development and Investments of Republic of Armenia

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General income taxation in Republic of Armenia

Monthly taxable income	Income tax rate	Income tax rate from 2018
Up to AMD 120,000[a]	24.4%	23%
From AMD 120,000[a] to AMD 2,000,000	AMD 29,280 + 26% of the amount over AMD 120,000	AMD 34,500 + 28% of the amount over AMD 150,000
Over AMD 2,000,000	AMD 518,080 + 36% of the amount over AMD 2,000,000	AMD 552,500 + 36% of the amount over AMD 2,000,000

1 USD = 486.7 AMD[b]

Income tax is paid both by resident and non-resident individuals. A progressive scale with tax rates ***from 24.4% to 36%*** is used at the moment for wages and salaries. Besides, tax rates will be adjusted from 2018. Taxation of some types of income differs for non-residents:

- ***5%*** rate on insurance reimbursements and income from transportation (freight)
- ***10%*** rate on dividends (will be 5% for Armenian nationals from 2018), royalties, interest, lease payments, increase in the value of property and other passive income, as well as other income received from Armenian sources

The excise tax rate depends on the particular product group, but has no specificity for non-residents. Property tax and land tax are paid on an annual basis. The property tax rate is ***0.3%*** of cadastral value per year, while land tax rates are ***0.5-1%*** of cadastral value per year.

Some entities and private entrepreneurs may use the simplified taxation regime, which involves the use of turnover tax. Turnover tax can be used by taxpayers with revenue not exceeding AMD 115 million (approximately USD 230,000), which are SMEs[c] based on revenues.

It is important that ***starting from 01/01/2019*** turnover tax will be able to be used by taxpayers with revenue not exceeding AMD 58.35 million (approximately USD 115,000).

The main advantages of turnover tax are:

- Opportunity to replace VAT (and profit tax for legal entities)
- Reduce the amount of data that taxpayers must file with the tax authority
- Differentiation of tax rate based on income type (most turnover tax rates ***are lower*** than for general tax regime with profit tax)

Tax rates of turnover tax

Type of income	Turnover tax rate
Income from operating activities	3.5%
Income from commercial / trade activities	5%
Rental income, interest, royalties, income from sale of assets	10%
Income from other activities	5%

Note: (a) AMD 150,000 from 2018; (b) in February 2017; (c) Small and medium enterprises

Source: KPMG analysis, Ministry of Economic Development and Investment of the Republic of Armenia

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Tax incentives in Armenia

VAT payments can be deferred for imported equipment:

For one year - when the customs value of imported goods is less than AMD 70 million (or about USD 140,000)

For two years - when the customs value of imported goods is AMD 70-300 million (or about USD 140,000-600,000)

For three years - when the customs value of imported goods exceeds AMD 300 million (or about USD 600,000)

For companies creating **industrial zones:**

Privileges on profit tax, income tax, property tax and land tax are granted

Additional financial assistance and consultancy by relevant experts can be provided

Taxpayers operating in **agriculture industry** are **exempt from profit tax** until 31st of December 2024

Exemption from customs duties for materials/equipment imported from a non-EAEU country that cannot be replaced by materials/equipment produced by an EAEU country to implement an investment project[a]

Resident construction companies involved in investment projects approved by the government **may pay only 5% profit tax** for activities carried out outside Armenia

Residents that have created new jobs as part of the realization of a business project approved by the government of Armenia may **decrease profit tax** for first year of the project and two subsequent years for **remuneration of those new jobs**[b]

Exemption from VAT and profit tax for:

Companies operating in border territories of Armenia (with approval of the government)

Operations in the Tavush region of Armenia as part of investment projects[c] above AMD 2 billion (or about USD 4.2 million)

Certified start-up IT companies that create up to 30 new jobs pay:

No profit tax

Reduced income tax (at a 10% rate)

Major exporters[d] in Armenia **may reduce their profit tax rate.**

The decreased profit tax rate is:

5% for AMD 40-50 billion (or about USD 80-100 million) of exports

2% for AMD 50 billion (or about USD 100 million) of exports or more

Free economic zones

Free economic zones of Armenia brief description

	Alliance FEZ	Meridian FEZ
Operating since	August 2013	March 2015
Target industries	Industries using high and innovative technologies	— Jewelry — Diamond cutting — Watchmaking
Total area available (square m)	56,000 industrial area 38,000 office area	25,500 manufacturing and office area 10,000 exhibition area
Lease price per square meter (per month)	USD 10-15	USD 20

Note: (a) Applicable to priority sectors of the Armenian economy and exceptionally in the territory of Armenia; (b) But not more than 30 percent of actual profit tax calculated for the reported year; (c) Except those in the mining and chemical production sectors; (d) An exporter with volume of exported goods and services of at least AMD 40 billion, except those in mining, jewelry, processing of precious metals and gemstones, and the production of excisable goods

Source: KPMG analysis, Ministry of Economic Development and Investment of the Republic of Armenia

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A free economic zone (FEZ) is a combination of tax and infrastructure incentives for legal entities operating in Armenia. The Law of the Republic of Armenia "On Free Economic Zones" was adopted in May 2011 as a basic regulatory document for FEZ.

Residents of FEZ in Armenia have 0% tax rates for profit tax, VAT, property tax and customs duties.

There are ***3 steps to become a resident of FEZ***:

1. Submit an application to Government Interagency Committee (including a business plan)
2. Get permission from the Government (the decision is made in 21 days)
3. Sign a contract with the FEZ organizer

There are currently 2 free economic zones (Alliance FEZ and Meridian FEZ) operating in Armenia, both of them located in Yerevan. These FEZ have 16 residents as of March 2017. According to the business plans of residents, over a five-year period the creation of 535 new workplaces and USD 124 million of investment are expected.

It is also possible for private initiators ***to create new Free economic zones***. To become a FEZ organizer, an initiator needs to submit an application to the government, which should include a description of the FEZ and a design plan, business plan and list of services and fees for residents. After approval by the Government and signing of the contract, an initiator becomes an FEZ operator.

Government policy in tax regulation and tax administration

Recent tax policy reforms:

- ***Adoption of a new RA Tax Code***[(a)], which ensures stability and predictability of tax legislation and simplifies the tax system
- Provision of ***special tax credits for priority industries***:
  - ***Income from sales of IT*** is not considered income for the purpose of calculating corporate income tax[(b)] (relevant for start-ups)
  - ***Refund of interests paid for mortgage loans*** from personal income taxes is introduced to boost construction sector
- ***The minimum imported volume threshold*** (AMD 200 million or about USD 400,000) applied for VAT payment deferral ***has been eliminated***

Recent reforms in tax administration:

- Enlargement of tax administration's electronic management system capacities has continued; in particular, ***electronic submission of all kind of tax calculations*** is used at the moment
- Armenian membership in EAEU led to unification of customs policies so this resulted in extension of tax and customs deadlines:
  - ***VAT*** for imported goods must ***be paid before the 20th*** of the month following the month in which goods are actually imported to the RA
  - ***The customs declaration*** should be submitted ***not later than the 10th*** of the month following the month of the goods customs declaration

Oncoming tax reforms:

- Development of ***simplified VAT refund procedure***
- Implementation of an ***alternative system of corporate income tax advance payments***
- Implementation of a ***unified treasury account system*** for the calculation of taxpayers' tax liabilities
- ***Enlargement of frames of agreements*** on tax and customs area, double taxation and exchange of information and ensuring transparency
- ***Further simplification of the VAT payment deferral procedure*** calculated by tax and customs administrations when importing fixed assets and raw material within the framework of investment programs
- Implementation of the ***one stop shop principle*** for procedures applied by state bodies at state border crossing points

Note: (a) Completely comes into force in 01/01/2018; (b) If income is raised by the residents certified according to the procedures set out by the RA Law on "State Assistance to the Information Technology Area"

Source: KPMG analysis, Ministry of Economic Development and Investments of Republic of Armenia

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Regulation

Armenian legislation creates a comfortable environment for foreign investors, providing maximum protection for investments

Procedures in Republic of Armenia allow a business to be registered in two business days

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Key takeaways

1

100% land ownership is permitted for foreign investors to Armenia

2

Grandfathering clause for foreign investors with a five-year effective period to protect investments against volatility of the business environment

3

Free repatriation of profit, currency exchange and no restrictions on remittances give investors the opportunity to easily manage cash flows

4

Simple and fast (two business days) business registration procedures

5

Visa-free regime with 60+ countries has an additional positive impact on business activity

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Regulatory Framework

Foreign investment legislation

The Law "On foreign Investments" sets forth the rights, guarantees and privileges of foreign investors. The Law guarantees ***equal treatment of foreign and domestic investors***. The Republic of Armenia has no sector-specific or geographic restrictions on investments (except in certain national defense-related sectors).

For foreign investors ***100% ownership is permitted***. Companies registered by a foreigner in Armenia have the right to buy land. Although ***foreign citizens*** are not allowed to own land in Armenia, they ***are offered long-term leases***.

Investments made by foreigners cannot be nationalized or confiscated. Seizure of property can be applied as an exclusive measure if authorized by a court and where a state of emergency has been declared by the Government.

Seizure of property is subject to ***full compensation***. Foreign investors are also entitled to compensation of damages and losses (including lost profits) resulting from the unlawful acts of state authorities or state officials or improper performance of their duties.

The Law also contains a ***grandfathering clause*** which allows foreign investors to consistently apply investment legislation for ***five years*** from the time of the investment.

In addition to investment, Armenia is open for ***free exchange*** of foreign currencies, ***no restrictions*** on repatriation of profit, on remittances and staff recruitment.

Coming to Armenia

Armenia has a ***visa-free regime with more than 60 countries***. Citizens of these foreign countries can stay on the territory of the Republic of Armenia for ***as much as 180 days*** in each year unless otherwise specified by the international agreements of the Republic of Armenia.

Holders of all other national passports and travel documents, including UN Laissez-Passer, are required to obtain an entry visa. In all other cases the visa regime for the citizens of Armenia with foreign states is regulated by the internal law of those countries and might be changed in accordance with them.

Visa fees in Armenia

Visa type	Fee in AMD	Fee in USD
Visitor visa (up to 21 days of stay)	3 000	6
Visitor visa (up to 120 days of stay)	15 000	31
Multiple entry visitor visa (up to 60 days of stay,6 months validity)	20 000	42
Multiple entry visitor visa (up to 120 days of stay,1 year validity)	40 000	84
Single entrytransit visa	10 000	21
Multiple entry transit visa (1 year validity)	18 000	38

Business registration

One-stop shopping for business entry is in operation in Armenia, so companies and individual entrepreneurs can obtain a name reservation, business registration and tax identification number (TIN) ***simultaneously at a single location***. A TIN is issued by the State Register upon registration. The ***maximum period*** for service delivery ***is two business days***. Those who have an electronic signature can register online at www.e-register.am.

Generally, there are ***no notarization or legalization requirements***, except for foreign official documents. There is no need to provide either financial or business plans. ***A seal is not required*** by law but entrepreneurs tend to obtain a company seal, which may be requested during the company's operations. The fee for the issue of a seal varies depending on issuance time: AMD 15,500 (or about USD 30) for a seal in one day, or AMD 2,800 (or about USD 6) for a seal in 30 days.

Although there is ***no minimum requirement for share capital***, it is however advisable to deposit approximately AMD 50,000 (around USD 100). Any person of any nationality or residence can be a director or shareholder in an Armenian company. ***Companies are not required*** to hold meetings in Armenia, open accounts with local banks, or hire local directors, officers, employees, agents, accountants, or secretaries.

Source: KPMG analysis, Ministry of Economic Development and Investments of Republic of Armenia

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Regulatory and public sector environment recent reforms

Regulatory development:

- ***Establishment of the Center for Development of Legislation and Legal Studies***
  - The main goal of the Center is to ***elaborate the most important legislation***
  - The Center ***provides assistance to the Ministry of Justice*** to enhance its institutional capacity and expertise
  - The Center organizes ***regular public discussions*** and stakeholder outreach
- A draft ***Strategic Program for Legal and Judicial Reforms*** in Armenia for 2018-2021 has been prepared by Ministry of Justice

Anti-corruption policy:

- ***An Anticorruption Strategy*** and ***Action Plan for 2015-2018*** were approved by the government in September 2015
- Legislative amendments were passed aimed at ***reducing cash turnover and shrinking the shadow economy***
- The process of the ***declaration of property and income by high-ranking officials*** is being improved by relevant draft laws, which have already passed first reading in the Armenian parliament
- ***Supplements to the Armenian Criminal Code*** to define the offence of influence peddling were developed and ***approved by government*** in February 2017

Optimization of public services:

- Implementation of the ***One Stop Shop principle*** makes it possible to ***register a business in 10-20 minutes*** using the State Register of Legal Entities
- Creation of an ***electronic platform for public discussion of legal acts*** ("e-draft")
- Creation of a ***unified electronic platform*** for registering births and deaths, combined with the e-government system of the ***Civil Status Acts Registry***
- Establishment of ***single public service offices*** have reduced the time required to issue documents to 2-5 business days
- ***Outsourcing*** of some public services ***to private operators***

Human rights:

- The ***National Strategy for the Protection of Human Rights*** was adopted on 29 October 2012
- The ***Action Plan on Human Rights Protection*** for 2014-2016 was approved on 27 February 2014 and successfully realized
- Within the next six months the Armenian government intends to adopt a new ***Action Plan for Human Rights Protection for 2017-2019***
- A government representation to the European Court of Human Rights (website www.echr.am) was launched on 30 September 2015

Source: Ministry of Economic Development and Investments of Republic of Armenia

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Appendix

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Abbreviations and Glossary of terms

AMD	Armenian dram
ANEL	Armenian National Engineering Laboratories
ATM	Automated Teller Machine
AUA	American University of Armenia
BC	Before Christ
bln, bn	Billion
CAGR	Compound Annual Growth Rate
CBA	Central Bank of Armenia
CDA	Central Depository of Armenia
CIF	Climate Investment Fund
CIS	Commonwealth of Independent States
CJSC	Closed Joint Stock Company
CPI	Consumer Price Index
DFA	Development Foundation of Armenia
EAEU	Eurasian Economic Union
EIF	Enterprise Incubator Foundation
EIU	Economist Intelligence Unit
EREA	European Regional Educational Academy
EU	European Union
EUR	Euro
FATCA	Foreign Account Tax Compliance Act
FDI	Foreign Direct Investment
FEZ	Free Economic Zone
GDP	Gross Domestic Product
GHI	Global Horizontal Irradiation
GSP	Generalised Scheme of Preferences
GTC	Gyumri Technology Center
HPP	Hydropower Plant
ICT	Information and Communications Technology
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IRR	Internal Rate of Return
ISTC	IBM Innovative Solutions and Technologies Center in Armenia
IT	Information Technology
km	Kilometre
kW	Kilowatt
kWh	Kilowatt-hour
MIC	Microsoft Innovation Center Armenia
mln, mn	Million
MW	Megawatt
NAS RA	National Academy of Sciences of the Republic of Armenia
NPUA	National Polytechnic University of Armenia
NSS, NSSRA	National Statistical Service of RA
NUACA	National University of Architecture and Construction of Armenia
OJSC	Open Joint-Stock Company
OTC	Over-The-Counter
PhD	Doctor of Philosophy
PPP	Public Private Partnership
PSRC	The Public Services Regulatory Commission
R&D	Research and development
RA	Republic of Armenia
RAU	Russian-Armenian (Slavonic) University
SHPP	Small Hydropower Plant
SPS	Sanitary and Phytosanitary
SREP	Scaling up Renewable Energy Program
TIN	Tax Identification Number
UAE	United Arab Emirates
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
USA	United States of America
USD	United States Dollar
UWC, UWCD	United World Colleges Dilijan
VAT	Value-Added Tax
VTC	Vanadzor Technology Center
WB	World Bank
YSU	Yerevan State University

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Abbreviations and Glossary of terms

CAGR	The average growth rate over a period of several years. It is a geometric average of annual growth rates.
CPI	CPI is an index number of a series of prices paid by consumers for the basket of goods and services they typically buy/consume and is intended to provide as accurate a representation as possible of changes in cost to households for a range of typical goods and services bought.
FDI	Direct investment into production or business in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country
GDP	The market value of all final goods and services produced within a country in a given period (a year)
Global Horizontal Irradiation	Sum of direct and diffuse radiation received on a horizontal plane
Generalized Scheme of Preferences	Scheme of preferences that allows developing countries to pay less or no duties on their exports
IRR	The discount rate that makes the net present value of all cash flows from a particular project equal to zero.
Payback Period	The length of time required to recover the cost of an investment
Real GDP	GDP adjusted to take into account for inflation.

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Education, science and R&D

Primary and secondary education

Primary and secondary education in Armenia is one of the most developed among the post-Soviet states. The educational system offers a 12-year educational program which includes primary school, middle school, and high school.

There are several private schools with international programs providing high quality primary and secondary education, with opportunities to be admitted to top universities in the US and Europe. Most of them offer an International Baccalaureate Diploma, which is an academic program recognized by universities worldwide, with the curriculum taught in English.

Major schools include:

Dilijan UWC

Established in
2014

Project:
UWC Dilijan is part of the United World Colleges movement, which was founded in 1962. Currently, the UWC network comprises of 17 colleges around the world, coordinated by the International Board.

Number of students:
In the 2016-17 academic year UWCD welcomed 198 students from 72 countries.

Diploma type:
International Baccalaureate

Ayb school

Established in
2011

Project:
Part of the big educational project - Ayb Learning Hub, which will be a unique campus with infrastructure including a school, a science & art center, a church and community center, kindergarten, sports complex, dormitories, green areas, etc. Ayb also operates in Dilijan.

Number of students:
360

Diploma type:
Currently Ayb offers a full secondary school program with a three-level system. Ayb offers Araratian Baccalaureate diplomas, which is a unique educational program developed by the Ayb Educational foundation

Anania Shirakatsi Armenian National Lyceum

Established in
1990

Project:
Lyceum is a member of the IBO (International Baccalaureate Organization) and Round Square. The Lyceum offers studies in primary, middle and high schools, as well as pre-school kindergarten education.

Number of students:
n/a

Diploma type:
International Baccalaureate

Quantum College

Established in
1989

Project:
The college offers a full school program including primary, middle and high school. The Quantum is primarily oriented to mathematics and physics. The Quantum was the first school in Armenia which implemented the International Baccalaureate back in 2011. The first IB students graduated in 2013.

Number of students:
n/a

Diploma type:
International Baccalaureate

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Higher education

National Polytechnic University of Armenia (NPUA)

Established in
1933

Number of students:
around 10,000

Specializations:
The University offers several degree programs in engineering, science, and technology (with different specializations, including computer hardware and software development, electronics and microchip design, automated management systems, and others), and is considered the major institution preparing technical specialists in Armenia. NPUA also conducts scientific research in areas that include computational systems, network design and installation, artificial intelligence, the study and development of dynamic systems, analysis and synthesis of management systems, microelectronics, microchip techniques, and more.

Diploma type:
Bachelor, masters, post-graduate

Yerevan State University (YSU)

Established in
1919

Number of students:
around 20,000

Specializations:
YSU offers multi-profile specializations and degrees in the field of biology, economics, history, linguistics, law, mathematics, physics, and other sciences.

Diploma type:
Bachelor, masters, post-graduate

National University of Architecture and Construction of Armenia (NUACA)

Established in
1921

Number of students:
around 3,500 (of which 300 from foreign countries around the world)

Specializations:
NUACA offers different specializations preparing architects and construction engineers

Diploma type:
Bachelor, masters, post-graduate

American University of Armenia (AUA)

Established in
1991

Specializations:
AUA's graduate program offers master's degrees in eight fields of study: Business Administration, Industrial Engineering and Systems Management, Computer and Information Science, Political Science and International Affairs, Economics, Public Health, Law, and Teaching English as a Foreign Language. AUA also offers a dual Master of Business Administration (MBA)/Master of Public Health (MPH) program. AUA's undergraduate program offers a bachelor's degrees in English and Communications, Computational Sciences, and Business.

Diploma type:
Bachelor, masters

European Regional Educational Academy (EREA)

Established in
2001

Number of students:
around 250

Specializations:
EREA specializes in programming and IT business management. EREA offers programs in three foreign languages: English, German, and French.

Diploma type:
Bachelor, masters

Armenian-Russian (Slavonic) University (RAU)

Established in
1997

Specializations:
RAU offers a diverse range of undergraduate, graduate and postgraduate programs. In RUA there are 31 Departments working within five Institutes: Institute of Mathematics and High Technology, Institute of Economics and Business, Institute of Law and Politics, Institute of Humanities, Institute of Media, Advertising and Filmmaking.

Diploma type:
Bachelor, masters, post-graduate

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Today, a large proportion of students prefer the IT industry, as it is becoming one of the most desired spheres. However, universities alone are unable to provide students with enough experience to obtain a job in this industry. To help resolve this, many companies are organizing special training, courses, and internship programs for students. These include the following:

Armenian-Indian Center for Excellence in ICT: Armenian-Indian Center for Excellence in Information and Communication Technologies is a joint project of the Governments of Armenia and India, which is implemented by Enterprise Incubator Foundation (from the Armenian side) and C-DAC center (from the Indian side). It offers IT-related training, management courses, exchange programs, and more.

Microsoft Innovation Center Armenia (MIC): MIC Armenia provides world-class courses and support, focusing on skills development and innovative thinking that is in demand in local and international markets. MIC Armenia delivers training courses on programming fundamentals for beginners, web programming, and object-oriented programming.

IBM Innovative Solutions and Technologies Center in Armenia (ISTC): IBM ISTC is the result of a joint effort between IBM, the Government of Armenia, USAID, and EIF. ISTC offers training and workshops in such areas as cloud computing, cyber security, cognitive computing, big data analytics and artificial intelligence based on IBM products.

Armenian National Engineering Laboratories (ANEL): ANEL cooperates with industry and research institutions throughout the country in the areas of engineering, electronics, precision engineering and high-tech. In particular, the Research Laboratories offer services to Armenia's industry and research institutes to quickly and inexpensively meet their technical and scientific challenges. Educational Laboratories complement these efforts by providing facilities for training future personnel for research institutions, Armenian industry, and engineering groups.

Gyumri Technology Center (GTC): GTC offers the following courses: Basic Programming in Web, Mobile and Software: Algorithms and Data Structures, Database Programming, Interface Design, and so on.

Vanadzor Technology Center (VTC): The Center's goals include development of technical and business skills, promotion of technological entrepreneurship, commercialization of innovative research undertakings, creation of new technology companies, attracting of foreign investment, and others.

Regional mobile application laboratory for ECA (mLab ECA): mLab provides major opportunities for mobile application industry development in Eastern Europe, South Caucasus, and Central Asia. mLab offers training programs related to mobile software development.

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Cooperation with the Private Sector

Currently cooperation between the IT industry and universities is growing. The most striking examples of this include the following:

- Interdepartmental Chair of Microelectronic Circuits and Systems, established by LEDA Systems (acquired in 2004 by Synopsys Inc.) and NPUA, and now part of the Synopsys University Program, supplies more than 60 high-quality VLSI and EDA specialists each year (Synopsys has expanded this initiative by opening interdepartmental chairs at YSU and RAU)
- Gyumri IT Center (GITC), the first IT training center in the city of Gyumri, established by the Fund For Armenian Relief (FAR) and EIF in 2006
- Academic Initiative launched in 2013 jointly with IBM and IBM Innovative Solutions and Technologies Centre, established in 2015 (physical building will be ready in 2016 at YSU)
- Samsung Learning Center, formed at YSU in 2014 through joint efforts by Samsung and YSU

There are many examples of companies hiring graduates of these tailored training programs. At this point, industry and university cooperation goes no further than educational programs and training courses that focus mainly on the development of high-quality professionals for specific companies and for the industry in general.

Science

The major institutions are (see Appendix 1 for details):

National Academy of Sciences of the Republic of Armenia (NAS RA)

Established in
1943

Key facts:
NAS RA is a highest state scientific self-governing organization which unites NAS Members and the scientific staff of affiliated scientific and research institutions. The Academy promotes and carries out fundamental and applied research in different scientific fields, and also coordinates research carried out throughout Armenia.

Divisions:
As a state scientific organization, NAS RA includes more than 34 scientific and research institutes and other organizations. The Presidium of NAS RA has five scientific divisions that concentrate on particular areas of science: Division of Mathematical and Technical Sciences, Division of Physics and Astrophysics, Division of Natural Sciences, Division of Chemistry and Earth Sciences, Division of Armenology and Social Sciences.

Alikhanian National Science Laboratory Foundation (Yerevan Physics Institute - YerPhi)

Established in
1943

Key facts:
YerPhi. One of the priority directions of YerPhi is radioisotope research and production. The process of establishing a modern medical center with radioisotope production was initiated in 2013. This Center will be involved in diagnostics and further research of oncological diseases, and provide medical services on oncology. The center will be operating in cooperation with the National Science Laboratory

Divisions:
Applied R & D Division, Theoretical Physics Division, Isotopes Research and Production Department, Experimental Division, Cosmic Ray Division and Center for Cosmology and Astrophysics.

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Key Market Participants in IT Sector

International IT Companies Operating in Armenia	
Synopsys Inc.	— Established its presence in Armenia in 2004 — One of the largest IT employers in Armenia — More than 750 employees — One of the largest Synopsys sites outside the United States — In Armenia provides R&D and product support in EDA, design for manufacturing (DFM) and the development of semiconductor intellectual property (IP)
National Instruments	— Established its presence in Armenia in 2005 — About 100 employees — Produces automated test equipment and virtual instrumentation software
VMware	— Established an R&D site in Armenia in 2010 — VMware Armenia office is developing vROps and Log Insight products that are very popular worldwide
Cisco Systems Development	— Established its presence in Armenia in 2009 through its subsidiary Memoir Systems Inc — Develops memory intellectual property that increases the performance and reduces the area of standard memory in Application-Specific Integrated Circuit (ASIC) chips.
Oracle	— The world's largest software developer for corporate clients and a major provider of server hardware — Established a center of excellence in Armenia in 2014
Mentor Graphics	— Established its presence in Armenia in 2008 — A world leader in electronic hardware and software design solutions
Microsoft Corporation	— Established its presence in Armenia in 2006 — Collaborates with the Armenian Government in Education, Healthcare, E-government, Intellectual Property Rights Protection, etc. — Supports local the IT industry via sharing modern technology and skills, provides support to local private and public organizations in development of IT infrastructure in Armenia, — Provides new innovative business solutions, training and certification
IBM	— Established an Innovative Solutions And Technologies Center in Armenia in 2016 — Provides state-of-the-art facilities and the latest technological solutions by IBM, including hardware and software necessary for conducting training, research, and business development activities in various directions — A joint project by the Government of Armenia, the Enterprise Incubator Foundation, IBM, United States Agency for International Development (USAID) and Yerevan State University
Monitis (GFI)	— Founded in 2006 and maintains offices in Armenia, USA, and Germany — A TeamViewer company, is a leading all-in-one cloud based IT monitoring and analytics platform. — Over 200,000 users worldwide have chosen Monitis to monitor their IT infrastructure

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Successful "Made in Armenia" IT Products and Services	
PicsArt	— A mobile photo editing application developed in 2011 — About 200 employees — Included in Forbes Magazine's 2015 Top Five Hottest Startups list — Google Play recognized the application as one of 2015's best apps — With 350 million installs and 85 million monthly users, it spans the globe and is available in over 30 languages. — The estimated valuation of the startup is USD 250 million
Joomag	— An Armenian startup currently based in Yerevan, Silicon Valley, Munich and Moscow — A pioneer in offering rich interactivity in digital publishing and a leader in the digital publishing services field — Provides integrated solutions for publishing, distributing, tracking and monetizing publications online to more than 300,000 worldwide publishers, creating digital interactive magazines, newsletters, blogs, catalogues, brochures, and e-books
Shadowmatic	— An iOS app developed by the Yerevan-based Triada Studio — Received the prestigious Apple Design Award at the Apple Worldwide Developers Conference 2015 — Listed among "App Store's Best of 2015"
SoloLearn	— A global coding community of mobile code learners which provides an entertaining environment for young people to improve their coder ranking through diverse activities — Among the top 10 hottest Bay Area startups of 2015, with funding of under USD 10 million — Has more than nine million online learners worldwide.
Teamable	— An engine, which offers enterprise employee referral tools that enable businesses to refer their employees for jobs. — Chosen by more than 100 top companies including Twitter, Lyft, Uber and Stripe.
Codefights	— An Armenian startup launched in 2014 — Uses a coding battles platform to help its users improve their skills as well as find new job opportunities — Helps top tech companies like Uber, Dropbox, and Asana to assess and discover great engineering talent
LinguaCode	— A social coding platform developed in 2016 — Designed for children to learn programming and share coding projects in their native language.
GG Taxi	— A preeminent transportation ordering app in Armenia — With just two smartphone taps, users can order a car anytime in Yerevan city. — The company is currently working to expand its coverage to nearby Tbilisi, Georgia.
SALTR	— A platform that enables developers to customize games in real-time without having to rebuild the app — The solution supports all major mobile and gaming platforms: iOS/Android, Unity, HTML5, and more
Zangi	— Video calls, audio calls and other services application available on iOs and Android — Can substitute for Skype and Viber, — Used by a large number of Armenians
Truthly	— An application launched in 2015 — Allows people and organizations to get personal or professional feedback from their friends and clients anonymously and use that feedback for self-improvement — The product is destined for the international market and is popular in Armenia also

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Ease of doing business

List of countries that have bilateral treaties on reciprocal investment promotionand protection with the Republic of Armenia

Europe

AUSTRIA

BELGIUM[(a)]

BULGARIA

CYPRUS

FINLAND

FRANCE

GERMANY

GREECE

ITALY

NETHERLANDS

ROMANIA

SWEDEN

SWITZERLAND

UK

Post-Soviet states

BELARUS

GEORGIA

KAZAKHSTAN

KYRGYZSTAN

LATVIA

LITHUANIA

RUSSIA

TAJIKISTAN

TURKMENISTAN

UKRAINE

Middle East and Africa

EGYPT

IRAN

IRAQ

ISRAEL

JORDAN

KUWAIT

LEBANON

QATAR

SYRIA

UAE

North and South America

ARGENTINA

CANADA

URUGUAY

USA

Asia and Pacific

CHINA

INDIA

VIETNAM

Note: (a) With Luxembourg

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List of countries which have double tax treaties with Republic of Armenia

Europe

AUSTRIA

BELGIUM[(a)]

BULGARIA

CROATIA

CZECH REPUBLIC

CYPRUS

ESTONIA

FINLAND

FRANCE

GERMANY

GREECE

HUNGARY

IRELAND

ITALY

NETHERLANDS

POLAND

ROMANIA

SERBIA

SLOVAKIA

SLOVENIA

SPAIN

SWITZERLAND

UK

Post-Soviet states

BELARUS

GEORGIA

KAZAKHSTAN

LATVIA

LITHUANIA

MOLDOVA

RUSSIA

TAJIKISTAN

TURKMENISTAN

UKRAINE

North and South America

CANADA

Middle East and Africa

IRAN

KUWAIT

LEBANON

QATAR

SYRIA

UAE

Asia and Pacific

CHINA

INDIA

INDONESIA

THAILAND

Note: (a) With Luxembourg

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Regulatory Framework

List of countries which have visa-free regime for entering the Republic of Armenia

Europe

ANDORRA

AUSTRIA

BELGIUM

BULGARIA

CROATIA

CZECH REPUBLIC

CYPRUS

DENMARK

ESTONIA

FINLAND

FRANCE

GERMANY

GREECE

HUNGARY

ICELAND

IRELAND

ITALY

LICHTENSTEIN

LUXEMBOURG

MALTA

MONACO

MONTENEGRO

NETHERLANDS

NORWAY

POLAND

PORTUGAL

ROMANIA

SAN MARINO

SERBIA

SLOVAKIA

SLOVENIA

SPAIN

SWEDEN

SWITZERLAND

UK

VATICAN CITY

Post-Soviet states

BELARUS

GEORGIA

KAZAKHSTAN

LATVIA

LITHUANIA

RUSSIA

TURKMENISTAN[a]

UKRAINE

Middle East and Africa

EGYPT[a]

IRAN

KUWAIT[a]

LEBANON[a]

SYRIA[a]

UAE

North and South America

ARGENTINA

BRAZIL

MEXICO [a]

URUGUAY

USA

Asia and Pacific

CHINA[a]

INDIA[a]

KOREA[a]

MACAO

PHILIPPINES[a]

SINGAPORE[a]

VIETNAM [a]

Note: (a) Diplomatic, Official, Service or Special passports

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Contacts

Tigran Gasparyan

Managing Partner
KPMG Armenia

T: +374 10 566 762 ext 121
E: tgasparyan@kpmg.com

Victor Akulian

Partner
KPMG Russia and the CIS

T: +7 (495) 937 4444 ext 12331
E: vrakulian@kpmg.ru

Alexey Nazarov

Partner,
Global Strategy Group
Head of Strategy and Operations
KPMG Russia and the CIS

T: +7 (495) 937 44 77 ext 15101
E: anazarov@kpmg.ru

Zaruhi Furunjyan

Senior Manager
Head of Advisory
KPMG Armenia

T: +374 10 566 762 ext 175
E: zfurunjyan@kpmg.com

Anastasia Makeeva

Manager,
Global Strategy Group
Strategy and Operations
KPMG Russia and the CIS

T: +7 (495) 937 44 77 ext 16465
E: amakeeva@kpmg.ru

Our offices

KPMG in Russia

Head Office, Russia and the CIS
Moscow
T: +7 495 937 4477

KPMG in Armenia

Yerevan
T: +374 10 566 762

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