

INFORMATION FOR INVESTORS

Constitutional Guarantee For Investments

Armenia is a member of the following organizations: APCTT, BSEC, BSBTDB, CCC, CIS, EEC, EBRD, IFRCRCS, IFC, IMF, ISO, ITU, IPU, FAO, ECE, ESCAP, IAEA, IBRD, ICAO, IDA, IFAD, ILO, IOS, ICDO, ICAO, INTOSAI, IAPNTELSAT, INTERPOL, IOC, ITU, NACC, OIPO, OSCE, RAMSAR, UN, UNCTAD, UNESCO, UNIDO, MIGA, PCCNTBTO, UPU, WEC, WCO, WHO, WIPO, WMO, WOA, World Bank/IDA, WTO (World Tourism Organization), WTO and the Council of Europe. Armenia also has observer status at ADB, NAM, and participates in NATO PFP.

The Partnership and Co-operation Agreement between the European Union and Armenia came into effect in July 1999. The Agreement aims to improve economic cooperation and trade within the region and with the European Union. As Armenia is a member of MIGA it is possible to get MIGA guarantees to insure investment against political risk. On December 10, 2002 Armenia joined the WTO.

Bilateral Investment Protection Agreements

Bilateral Treaties on Investment Promotion and Protection (BITs) have been concluded with 32 countries including: Argentina, Austria, Belarus, Belgium-Luxemburg economic union, Bulgaria, Canada, China, Cyprus, Egypt, France, Georgia, Germany, Greece, India, Iran, Italy, Israel, Kazakhstan, Kyrgyzstan, Lebanon, Qatar, Romania, Russia, Switzerland, Tajikistan, Turkmenistan, Ukraine, United Kingdom, United Arab Emirates, Uruguay, USA and Vietnam. BITs with Brazil, Czech Republic, Japan, Holland, Macedonia, Morocco, Slovenia and Jordan are under negotiation. Armenia is a signatory to the CIS Multilateral Convention on the Protection of Investor Rights.

Free Trade Treaty

Armenia has Free Trade Regimes with Georgia, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, and Ukraine. And Most-Favored-Nation Trade Regimes with Argentina, Bulgaria, Canada, China, Cyprus, EU, Iran, India, Hungary, Lebanon, Poland, Romania, Syria, Switzerland, Vietnam and USA.

Double Taxation Treaties

Double taxation treaties (DTTs) are in force with Belarus, Bulgaria, China, France, Georgia, Iran, Latvia, Lebanon, Lithuania, Romania, Russia, Turkmenistan and Ukraine. Treaties with Belgium, Egypt, Greece, Netherlands, Poland, Syria and Uzbekistan are subject to ratification. The number of DTTs is rapidly increasing.

Trade Liberalization

Today, Armenia has a liberal foreign trade regime with a simple two-band import tariff (at 0% and 10%), no taxes on exports, and no quantitative trade restrictions. Import, export, and domestic production licenses are required only for health, security, and environmental reasons. There are no limits on hard currency imports.

Armenia is a member of WTO from 2002. Since then, it has advanced rapidly in trade liberalization. The accession process is in the final stage.

The new Customs Code (in force since January 1, 2001) streamlines customs procedures and complies with WTO Rules (see www.customs.am).

Under the terms of free trade agreements, tariff exemptions are extended to goods

traded between Armenia and Belarus, Georgia, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan and Ukraine. Excise taxes are charged at various rates on the import or production of some goods, including alcohol, tobacco and petrol.

Why Armenia

The investment and trade policies of Armenia are considered to be the most open in the CIS by international organizations. Foreign companies are encouraged to invest and are entitled by law to the same treatment as local companies, moreover they have certain advantages. Armenia's investment climate is continuously improving with a strong government commitment to attracting FDI, including refining the legislative framework.

The Law on Foreign Investment, adopted in July 1994, regulates foreign investment in Armenia. It provides guarantees to foreign investors and protects investors from changes in the business related laws for 5 years. According to the Law a "Foreign Investor" is any foreign company or citizen, a person without citizenship, an Armenian citizen permanently residing outside of Armenia, or an international organization that invests in Armenia. "Foreign investment" is any form of property, including financial assets and intellectual property, which is invested by a foreign investor directly in the territory of Armenia, in any economic or other venture.

- Political and Economic Stability
- Favorable Investment Legislation
- Investment Guarantees
- Strong Government Commitment to FDI Attraction
- Well Educated, Skilled and Easily Trainable Workforce
- Cost-Efficient Labor Force and Science Based Skills
- No Limitation on Foreign Ownership
- Competitive Energy Cost
- Access to CIS and Middle East Markets
- No Export Duty
- Foreign Exchange Free Conversion
- Free Repatriation of Profit
- No Restrictions on Staff Recruitment
- No Restrictions on Remittances

Foreign investors can make investments in Armenia through the establishment of fully foreign-owned companies (including representations, affiliates, and branches), the purchase of existing companies and securities, or the establishment of joint ventures. The company registration process takes about a week.

There are also incentives for exporters - no export duty and a VAT refund on goods and services exported.

There are no limitations on the volume and type of foreign ownership, the number of foreign employees and access to financial sources. Although foreigners can only lease land, a company registered by a foreigner as an Armenian business entity does have the right to buy land. Foreigners may obtain permission to use land under long-term leases, and concessions for the use of Armenian natural resources with the participation of an Armenian company.

OPPORTUNITIES BY SECTORS

Information Technologies

Armenia is one of the leading information technology nations among the neighboring CIS and Middle East countries. The growth of the present-day IT industry in Armenia can be traced back to the Soviet era during which time Armenia was a key science, R&D, and high-tech manufacturing center of the former USSR. At the peak of its growth in 1987, the science and technology sector in Armenia employed, according to various estimates, around 100,000 specialists. Independence in 1991 opened up new opportunities for the industry and particularly for entrepreneurs and IT professionals. The focus of the industry shifted from major manufacturing operations to the software and services segment, which has witnessed substantial growth during the period from 1998-2008. Today, Armenian IT industry is one of the most dynamic and promising sectors of the economy.

Electronics & precision engineering

Armenia is strong in many sectors. In particular Armenia's tradition of scientific and technological excellence means we have great potential in sectors such as IT, Pharmaceuticals and Chemicals Engineering and Electronics. As it can be concluded from above the Armenian electronics and precision engineering sectors have great potential. In Soviet times it was one of the strongest sectors in Armenia, making up 20 percent of GDP and supplying 25-30% of computer related equipment to the Soviet defence and space industries. Today, highly qualified engineers with experience are one of the most valuable advantages of investing in this sector.

To get in-depth review on this sectors and the country in a whole as a perspective place for investments we'll give You PEST analysis. They will give You full understanding of market growth or decline, business position, potential and direction for operations as well as certain overview of the different macroenvironmental factors that the investor will have to take into consideration.

Mining

The subsurface of Armenia is rich in certain mineral resources, which were investigated during many decades. As a result, more than 480 deposits of mineral resources were discovered. Basic areas of subsurface use are: geological prospecting, output of mineral resources and the use of subsurface, non-connected with exploring and operating of mineral resources.

The following geological-industrial types of mineral formations of Armenian mineral resources present practical interest:

- Magnetit-olivinic formation – powerful vein bodies with sharp drop, formed with serpentinous olivine and magnetite. The ore is naturally alloyed.
Location: Syunik marz
- Minerals formation (B, Al, Se, I, Tr) – presents industrial attraction in concentrations of alkaline intrusions. The rockforming nepheline is a basic material for extraction of aluminium.
Location: Kotayk marz
- The formation of rhenium-wolfram ores – vein-disseminated zones, veins, sockets, and lenses. Mineral composition – molybdenyt, chalcopryrite, gold, pyrite, bornite, halenit, blende, scheelite, from the diffused elements - Rhenium, Cadmium, Bismuth, Gallium, Thallium, Germanium, Indium,

Selenium,
Location: Syunik and Lori marzes

Tellurium.

- The copper-sulphuric-pyrite formation – veins, pins, sockets, vein-disseminated zones. Mineral composition – quartz, pyrite, chalcopyrite, halenit, blende, faded ores, enargite, and gold. It is necessary to point out the frequent existence of gold, cloth to the economic accumulation, in the form of admixtures in pyrite crystals. From the diffused elements - Rhenium, Cadmium, Bismuth, Gallium, Thallium, Germanium, Indium, Selenium, Tellurium, Gold, Silver, Ytterbium, Yttrium.
Location: Syunik and Lori marzes
- Polymetallic formation – Occupies leading positions in RA by its scale and industrial importance. It is introduced with several types of ores: lead-zinc, pyrite-polymetallic and polymetallic itself, in association with halenit, blende (with Cadmium), pyrite, chalcopyrite, faded ores, seldom with molybdenyt, gold and silver, as well as with gold-silver-antimony-sulphur-polymetallic type.
Location: Syunik, Lori, Kotayk and Vayots Dzor marzes
- The gold-silver-bismuth-tellurium formation: mineral composition – quartz, chalcedony, carbonates, pyrite, chalcopyrite, halenit, gold and electrum. The form of ore bodies – veins and vein-type bodies and zones of quartz-carbonate structure, stockworks.
Location: Gegharkunik, Vayots Dzor, Kotayk and Lori marzes

There are plans to implement a program for reviving and developing the mining industry, with the objective of raising the extraction of copper and molybdenum, increasing the degree of processing and exporting semi-finished products instead of raw materials.

Chemicals and Pharmaceuticals

Fine Chemicals

There are multiple opportunities to source - right here in Armenia -both fine and specialty chemical products and the decades-long research development efforts that has led to the creation of these and other brand new performance products. Armenia has a long tradition of educational depth and research excellence that has been a hallmark of Armenian technology for literally hundreds of years.

The fine chemicals sector in Armenia is actually composed of two clusters. The first cluster is so called “Commercial Entities” that represents actual producers of fine chemicals. The second cluster called “Research Institutes,” is composed of those institutes conducting research in developing new fine chemicals and/or in applying fine chemicals to new applications.

Producers of specialty and fine chemicals are ready to provide over 5,000 specialty and fine chemical products. In addition, these producers are custom manufacturers, offering capacity and capability for producing relatively small amounts (up to ton lots) of high purity and high cost products, as well as products with difficult or time-consuming production routes. All this is regularly done for customers on six continents.

There are 93 research centers and institutions in Armenia. Of these, five research institutes can be said to be working primarily with fine chemicals. More specifically, these five research institutes are focused on three fields for most of their pure and applied research and development activities: pharmaceuticals, crop protection and

other agricultural chemicals, and food/ flavor ingredients and medical research products.

Armenian pharma research institutes have new active pharmaceutical ingredients (APIs) developed and patented, waiting for licensing discussions, as well as groundbreaking research in many directions: APIs for treatment of cardiovascular, neuropsychic, and infectious diseases and malignant tumors; clinical results (cellular level) for novel cardioactive hormones, and new metal-containing proteins and enzymes, for treating neurodegenerative diseases ranging from Alzheimer's to Parkinson's; etc.

Armenian agrochemicals institutes have new crop protection products patented and field-tested, showing high cost-effectiveness, low toxicity, and complete environmental acceptability in all applications: a full range of new technology commercial herbicides, pesticides, & fungicides; and new synthetic pheromones with biotrap for easy, safe, ecological, and cost-efficient use.

Armenia's tradition in the fine chemical sector together with Armenia's well-educated and experienced labour force with very competitive wage rates perfectly matches the needs of chemical component production, which is labour and scientific intensive. This makes the country a profitable location for chemical production and R&D.

Jewelry and Diamonds

Jewelry and diamond processing are considered a very attractive field for investment in Armenia based on the existence of skillful diamond cutters with competitive wage rates, modern equipment and tax privileges (no taxes on the import of raw materials and on the export of finished products) in Armenia. Large proportions of exports are polished diamonds, imported into Armenia in their rough state for finishing, thus taking advantage of Armenia's skilled jewelers with competitive labor costs.

Today, 27 companies with 5000 employees (2500 in diamond processing) are operating in this sector, excluding individual jewelers. The largest companies are Yerevan Jewelry Plant (2000 employees), Sapphire Plant (520 employees), Lori Company (420 employees), Shoghakn Plant (408 employees) and Diamond Company of Armenia (DCA, 350 employees). In 1998, following a gathering of Armenian jewelers from all over the world, the Armenian Jewelers' International Association (AJIA) was founded. AJIA is one of the country's first international trade and development associations. The AJIA's aim is to bring Armenian jewelers together to develop the country's jewelry industry. It has regional representatives on the west and east coasts of the USA, in Europe, the Middle East, and Armenia.

Foreign Trade of RA 2009 according to statistical Handbook

Product Group Name	Export		Import	
Diamonds, not mounted or set	79,240.6 karats	US \$59,754.900	193,997.1 karats	US \$65,455,400

The volume of product productions for January-June 2010

Product Group	Amount
Diamond	2,632,780,000 AMD(7,300,000 \$US)

Mounted precious or semi precious stones, not diamonds	106,984,000AMD (300,000 US\$)
Jewelry ornaments	1,887,502,000 AMD (5,225,000 US\$)
Precious stones and metals	4,627,266,000 AMD (12,850.000 US\$)

Textiles & Clothing

Armenia offers great opportunities to investors in light industry (carpet, footwear, textiles and clothing) due to cost effective labor, long-established traditions and free access to the CIS market. The absence of tariffs and other related regulations is another strong argument in favor of investing in this sector of Armenian economy.

The main countries of export for light industry production are the USA, Russia, European Union and Canada. One of the fast-developing sectors of light industry is carpet production. Armenian carpets are well known among those who appreciate beauty and comfort. Currently, carpets are exported to the US and Western European markets.

Footwear production has traditionally been well developed in Armenia satisfying the needs of the domestic market and also exporting large volumes. Currently, Armenian companies are cooperating with European partners to enter Western markets. Nevertheless, the main market still remains the CIS. Presently, the Armenian textile industry consists of three major sectors: clothing (15%), knitting (20%) and textile processing (65%).

The knitting sector is one of the most successful in Armenia. Most of the companies operating in this sector export their production to Canada, USA, Europe, and CIS.

The clothing sector also has great potential for rapid development. Companies operating in this field export up to 100% of their production. Knitted and clothing products, made in Armenia, are successfully establishing themselves in niche markets throughout the world. A newly established Company producing unique ladies' handbags and leather accessories has successfully expanded in export markets and is developing brand recognition.

Food Processing & Drinks

Armenia has a fast growing food processing sector with great export potential, based on domestic ecologically clean agro-products and excellent climatic conditions. Today, the Agriculture sector is the largest employer in the country and accounts for approximately a 15-20% of GDP.

Fruits and vegetables grown in Armenia are distinguished by taste and absence of chemical fertilizers. Grain crops, vegetables and fruits including grapes, figs, pomegranates, apricots, peaches, potatoes, sugar beets, tobacco, cotton, specific oils (such as geranium), peppermint, and special teas are cultivated in Armenia. The proof of the quality of Armenian foodstuff is shown by the growth of exports.

Since 1995 food processing has been one of the leading industrial sectors. Food processing enterprises mainly specialize in fruit and vegetable canning (fruit juices, jams, tomato paste, marinade, child nutrition etc); beverages (wines, beer, champagne, mineral water, etc.); meat and meat products (smoked meat, sausages etc.); milk and other dairy products (different types of cheese, sour-cream, matsun (yogurt), curd, ice-cream, etc.); flour and bread; tobacco and cigarettes. Large

growth has been recorded in fishing, sausages, beverages, and nonalcoholic drinks.

Fast growth in the agricultural sector has led to import substitution by domestic production during the last number of years. Investing in food processing will give foreign investors the opportunity to enter the CIS market, and to enjoy the “high quality - low cost - high profit triangle”.

Tourism

Armenia is one of the most ancient countries in the world existing since the times of Babylon, Assyria and Egypt and once counted among the great powers. Greek Historians first referred to the land of Armenia about 3000 years ago. Armenia was the first country to adopt Christianity as the state religion in 301 AD. Armenia is an emerging market for most of the trends in tourism industry, especially spa resorts, agro tourism, organic hotels, MICE tourism etc.

The key benefits of Armenia as a tourism sector investment location are: Excellent Investment and Business Climate, New and Developing Niches in Tourism Sector, Outstanding Sanative Factors of Wide Range of Minerals Waters, Diversified Ecosystem, Unpolluted and Beautiful Nature, Growth of the Number of Incoming Tourists.

One of the key facts to indicate tourism sector development potential is an annual number of incoming tourists. During the last decade the number of incoming tourists in Armenia was increasing by 20% in average. In 2009 it constituted 575,281 tourists, which is approximately 15-20% of the country's population. Armenia is one of the most diversified ecosystems in the world: Five of the seven primary topographies exist in Armenia of some 30,000 square kilometers. Tourists can experience a remarkable range of flora and fauna. With snow capped mountains only a few hours drive from subtropical valleys, in the changes in altitude and local climates, tourists can experience seven springs in one visit.

The mountainous nature of Armenia results in a series of highly diverse landscapes, with variations in geological substrate, terrain, climate, soils, and water resources. These landscapes support a great variety of habitats, which support distinctive flora and fauna, and different human use. Seven distinct landscape zones are described in Armenia: deserts, semi-deserts, dry steppes, steppes, woodlands, sub-alpine and alpine lands.

Armenia is famous for its wide range of mineral water springs all over the country. 700 of them are studied to the present moment. They differ in their gas/chemical composition and temperature varies from 4°C at Gridzor to 83°C at Sevaberd. The most famous are mineral water springs are Jermuk, Bjni, Arzni, Dilijan, Sevan and Hrazdan where spa resorts and rest houses are situated. The bottled waters are also exported. Tourism sector has large opportunities of development and considered as one of the priority sectors by the Government of Armenia.

BUSINESS OPERATING COSTS

Electricity

Tariffs

	Groups of final consumers	Unit	Tariff rate (VAT inclusive)	Effective date
1	consumers using 35 kV and above connection (2009-№70N resolution)	AMD/kWh	21	April 1, 2009
1.1	night-time rate	AMD/kWh	17	
2	consumers using 6(10) kV direct connection (2009-№70N resolution)	AMD/kWh	25	
2.1	night-time rate	AMD/kWh	17	
3	consumers using 6(10) kV non-direct connection (2009-№70N resolution)	AMD/kWh	30	
3.1	night-time rate	AMD/kWh	17	
4	consumers using 0.38 kV networks (2009-№70N resolution)	AMD/kWh	30	
4.1	night-time rate (2009-№70N resolution)	AMD/kWh	20	
5	residential customers (2009-№70N resolution)	AMD/kWh	30	
5.1	night-time rate (2009-№70N resolution)	AMD/kWh	20	

Water

POTABLE WATER SUPPLY, DISCHARGE, AND WASTEWATER TREATMENT

RETAIL TARIFFS

(Consumer Services Provided by Water Supply Companies)

		Unit	Tariff		Effective date
			VAT exclusive	VAT inclusive	
1	Yerevan Water CJSC (2010-№258N), including	AMD/cu m	150,883	181,0	July 8, 2010
1.1	tariff for potable water supply	AMD/cu m	128,208	153,85	
1.2	tariff for drainage service	AMD/cu m	10,558	12,67	

1.3	tariff for wastewater treatment	AMD/cu m	12,067	14,48	
2	ArmWaterSewerage CJSC, including (2009-№71N)	AMD/cu m	149,82	179,78	April 1, 2009
2.1	tariff for potable water supply	AMD/cu m	128,72	154,47	
2.2	tariff for discharge service	AMD/cu m	21,1	25,31	
3	"Nor Akunk" CJSC, including (2010-№58N)	AMD/cu m	168,86	202,63	April 1, 2010
3.1	tariff for potable water supply	AMD/cu m	153,35	184,02	
3.2	tariff for discharge service	AMD/cu m	15,51	18,61	
4	"Shirak Water-Sewerage" CJSC, including (2010-№56N)	AMD/cu m	143,51	172,21	April 1, 2010
4.1	tariff for potable water supply	AMD/cu m	121,92	146,30	
4.2	tariff for discharge service	AMD/cu m	21,59	25,91	
5	"Lori Water-Sewerage" CJSC, including (2010-№57N)	AMD/cu m	150,81	180,98	April 1, 2010
5.1	tariff for potable water supply	AMD/cu m	122,18	146,62	
5.2	tariff for discharge service	AMD/cu m	28,63	34,36	
6	Tariff for drainage of undergroundwater from "Yerevan Subway after Karen Demirchyan" CJSC (2010-№258 N)	AMD/cu m	6,402	7,682	July 8, 2010

WHOLESALE TARIFFS

(For Services Provided by Water Supply Companies to Others Persons or Communities Authorized to Use Water System)

		Unit	Tariff		Effective date
			VAT exclusive	VAT inclusive	
7	Yerevan Water CJSC (2010-№258N)				July 8, 2010
7.1	wholesale tariff for potable water supply	AMD/cu m	10,218	12,262	
7.2	wholesale tariff for drainage and	AMD/cu	21,544	25,853	

	wastewater treatment	m			
8	Wholesale tariffs for potable water supply by ArmWaterSewerage CJSC (2009-Nº71N)	AMD/cu m	42,91	51,49	April 1, 2009

IRRIGATION WATER SUPPLY

		Unit	Tariff		Effective date
			VAT exclusive	VAT inclusive	
1	To water user companies, water user company associations and other users within the service area of "Sevan-Hrazdan Intake" CJSC (2007-Nº61A, 2008 Nº575A)				April 1, 2007
1.1	tariff for gravity-fed irrigation water supply	AMD/cu m	0,85	1,01	
1.2	tariff for pumped irrigation water supply	AMD/cu m	9,60	11,52	
2	To water user companies, water user company associations and other users within the service area of "Akhuryan-Araks Intake" CJSC (2007-Nº61A)				
2.1	tariff for gravity-fed irrigation water supply	AMD/cu m	0,59	0,71	
2.2	tariff for pumped irrigation water supply	AMD/cu m	4,11	4,94	
3	To water user companies, water user company associations and other users within the service area of "Debet-Aghstev Intake" CJSC (2007-Nº61A)				
3.1	tariff for gravity-fed irrigation water supply	AMD/cu m	1,74	2,08	
3.2	tariff for pumped irrigation water supply	AMD/cu m	30,39	36,47	

Telecommunication

There are three telephone companies in Armenia: Beeline, which holds all fixed-line and 30% of cellular networks, and VivaCell-MTS, which holds 70% of cellular networks, and Orange. Beeline has around 550,000 mobile subscribers, and VivaCell-MTS has around 1,750,000, and Orange has around 250,000.

ArmenTel provides mobile telephony services in GSM 900/1800 and 3G (UMTS) standards, fixed telephony, and access to high-speed Internet through modern technologies: CDMA and ADSL in all regions of Armenia. In 2008 the first 3G network was launched in Armenia, which significantly increased data transfer speed and improved the quality of telecommunications. The strategy of corporate social responsibility of CJSC ArmenTel is implemented under the title "For the bright future" and includes support of educational programs, contests and summer schools, opening of computerized classrooms in different regions of Armenia as well as introduction of new technologies. The company supports the improvement of educational quality throughout the country and stable development of all regions.

The keystone of the social strategy is cultural succession, delivery of cultural heritage of Armenian nation across generations. Generally as a strategic operator, the activities of the Company are aimed at harmonious development of the whole country. The Company encourages and assists in the development and professional growth of its employees. The first subdivision of VimpelCom corporate university in CIS countries was established in Armenia. The advantage of the corporate university is that it provides an opportunity to implement and realize the strategy of Company's development, to accumulate knowledge and exchange experience. CJSC ArmenTel (Beeline trade mark) is included in the group of VimpelCom Ltd, which consists of telecommunications operators providing voice and data services through a range of wireless, fixed and broadband technologies. The VimpelCom Ltd. group is headquartered in Amsterdam and has operations in Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Georgia, Armenia, Kyrgyzstan, Vietnam and Cambodia, covering territory with a total population of about 345 million. VimpelCom Ltd. operating companies provide services under the "Beeline", "Kyivstar" and "Djuice" brands. VimpelCom Ltd.'s ADSs are listed on the New York Stock Exchange under the symbol "VIP". The group of VimpelCom Ltd. companies offers integrated mobile and fixed communication services, long distance and international communication, data transmission, and telematic services through a range of fixed and wireless solutions, including FTTB internet access, WiFi, and 3G technologies. VimpelCom's customer base includes private consumers, large-, medium- and small-scale enterprises, transnational corporations and telecom operators.

Since the very beginning the VivaCell brand shined in Armenia with a clearly defined scope: to bring the world to Armenia and Armenia to the world. That was the commitment and the Company strives to achieve this every single day with state of the art services, features and products - all of which are offered by a newly co-branded VivaCell-MTS to the Armenian society.

VivaCell-MTS spearheaded the development of the telecommunication sector in Armenia, and offered innovative mobile voice and data products and services, and tailored solutions for different market segments. Furthermore, excellent network coverage has always been the competitive advantage of VivaCell-MTS which has managed to roll-out and build a radio network in the entire country within a short period of time. Simultaneously, our company managed to build an extensive network of service centers across Armenia with the objective to come as close as possible to its subscribers. Our network provides a capacity to serve over 2.5 million subscribers. On April 17, 2009, VivaCell-MTS announced the commercial launch of its state of the art 3G network. In the 3G network, the subscribers will be able to use all services currently available in VivaCell-MTS 2.5G network, as well as benefit from such innovative services as "Videocall" and high-speed mobile internet. In Armenia converged 2G/3.5G network was built using existing sites for mobile masts without termination or significant reconfiguration of GSM, a 2nd generation network. Orange Armenia, 100% subsidiary of France Telecom, launched its mobile voice and internet services on November 5, 2009 on the whole territory of the Republic of Armenia.

During 2009, 140 million dollars have been invested in Armenia, some 50 million dollars will be invested till the end of 2010, and now the company provides a full range of voice and data services in 500 cities and villages of Armenia. Orange has the widest 3G+ network in Armenia which covers more than 93% of the population. Orange is an innovative and friendly brand in Armenia and within the short period of operation has led a range of innovations in the country, such as HD voice, which made Armenia the second country in the world having this technology, internet at up to 14.4Mbps download speed, e-shop etc, which aim at making the world innovations accessible to the largest part of the Armenian population.

FOREIGN DIRECT INVESTMENT STATISTICS

Foreign Direct Investment By Kind of Activities

2009 (January - December)

Sector	FDI (thous. USD)	Weighing
Communication	253402.5	34.6
Power Supply, Gas	151320.8	20.6
Mining Industry	20901.4	2.85
Agriculture, hunting	6700	0.91
Chemical Industry	4574.7	0.62
Air Transport Activities	31184.3	4.2
Food and Beverage Production	29435.7	4.02
Real Estate deals	34628	4.72
Hotels' and Restaurants' Services	5033.7	0.68
Research	4470.1	0.61
Wholesale Trade	4517	0.61
Accounting	4575.4	0.62
Water Collection, Cleaning and Distribution	1923.2	0.26
Transport	14880	20.32
Other	30651.7	4.1
TOTAL	732118.5	100

Foreign Direct Investment By Countries

2009 (January-December)

Country	FDI (thous. USD)	Weighing
Russia	384831.2	52.5
France	197421.4	26.9
Argentina	48258.2	6.59
Italy	33480.3	4.5
Lebanon	13548.8	1.85
USA	12982.9	1.77
Germany	19358	2.64
Cyprus	6939.7	0.94
Netherlands	4569.2	0.62
Luxemburg	2487	0.33
Belgium	1213.1	0.16

Other	7028.7	0.96
TOTAL	732118.5	100

Foreign Direct Investments in Armenia
since 2000 till 2009(January-December)

Year	FDI level, mln. US\$ (per year)	%
2000	124.7	3.2
2001	75.9	1.9
2002	141.0	3.6
2003	153.5	3.9
2004	226.7	5.7
2005	244.4	6.2
2006	250.7	6.3
2007	582.3	14.7
2008	1000.9	25.6
2009	732.1	18.5
TOTAL	3951.6	100

Foreign Trade of the Republic of Armenia
(USD mln.) from 1997-2009 (January-December)

Year	Export	%	Import	%	Trade Turnover	%
1997	330.0	3.8	952.0	4.0	1282.0	3.9
1998	360.0	4.2	1000.0	4.2	1360.0	4.1
1999	383.0	4.4	919.0	3.8	1302.0	4.0
2000	443.0	5.1	965.0	4.0	1408.0	4.3
2001	342.0	4.0	874.3	3.6	1216.3	3.7
2002	507.0	5.9	991.1	4.1	1498.1	4.5
2003	678.1	7.9	1269.4	5.3	1947.5	5.9
2004	715.0	8.3	1351.0	5.6	2066.0	6.3
2005	950.3	11.0	1767.9	7.4	2718.2	8.3
2006	985.1	11.4	2194.6	9.1	3176.7	9.8
2007	1157.3	13.4	3267.8	13.6	4420.1	13.5
2008	1057.2	12.3	4426.1	18.4	5483.3	16.8
2009	710.2	8.2	3321.1	13.9	4031.3	12.3
TOTAL	8613.2	100	23963.3	100	327765	100

FOREIGN INVESTORS 2000-2009

Country	Armenian Company	Sector	Year
Argentina	Zvartnots -Armenia International Airports, CJSC	Airways	2001
Australia	Agrinco International Company	Agriculture	2005
Austria	Vienna	Diversified business	2005
Belarus	Belaz Caucasus Trans Service	Wholesale trade	2002
Belgium	Jermuk	None-alcohol beverages production, mineral water	2003
Bulgaria	Teletec-M	Restaurant Business	2008-09
Canada	Grand Candy JV	Sweets production	2000
Canada	"Deno Gold Mining Company", CJSC	Mining	2004
Canada	"Europro Communications" Translation Agency, LLC	Web Design, Copywriting, Translation	2005
Canada	Parev Tun	Land Development	2008
Cuba	Yumi	Mineral water bottling and juice production	2001
Cyprus	Intracom Armenia	Sale and maintenance of "Skoda" automobiles	2005
Czech Republic	Valti Motors	Hotel and leisure services on the shore of the Lake	2005
Czech Republic	Bohemian Resort	Switzerland	2006
France	Sweet Land JV	Manufacturing. Sweets, Caramel, Confectionary	2003
France	Freny University	Education	2003
France	Gab-Hemag	Carpets	2003
France	Avangad Motors	Import, maintenance service of cars, diagnosis	2003
France	Yerevan Water	Water Supply	2005
France	Kapan-Energy Co	Power Engineering	2007-08
France	Apaga Technologies	Information technology	2007-09
India	Karma Co	Restaurant business, Textile	2006-08
Iran	Alishan	Canned Vegetables, juices	2001

Iran	"Arpimed" Pharmaceutical Enterprise JV, CJSC	Manufacturing of medicines, medicinal cosmetics	2003
Iran	"Regineh" hotel complex	Hotel services, bar, restaurant, swimming pool	2003
Iran	Didas International	Construction	2005
Iran	Cavendish University	University	2006
Ireland	Synopsis Armenia	EDA and intellectual property development	2004
Israel	Shoghakn	Jewelry production	2001
Israel	Twilight Zone Work Shop	Silver and Obsidian articles production	2004
Israel	H. Panosyan Co	Hotel Business	2008
Italy	Itar	Textile Production	2001
Italy	"Renco Armestate" LLC	Engineering construction services	2001
Italy	"Glass World Company" Glass container manufacturing enterprise, CJSC	Glass containers manufacturing, full color label printing on glassware	2003
Georgia	"Mava Term" Co.Ltd	"Ferrol", "Valliant", "Austrohit" heating systems	2002
Germany	"Heifer Project International", Branch office in Armenia	Social and economic development of rural communities	2001
Germany	"Heidelberger Druckmaschinen Osteuropa Vertriebs GMBH", Representation in Armenia	Printing equipment	2004
Germany	Wilo company, UPVC	Pipes Installation	2005
Germany	German Invest Group	Legislative activity	2005
Germany	"Procredit Bank", CJSC	Banking	2007
Germany	Zeppelin	Special Construction Equipment	2007-09
Great Britain	Glass World Company	Glass items production	2004
Great Britain	Hoktemberyan Ferroplast Factory	Ferroplast manufacturing	2005
Great Britain	Aquatek	Water park, fitness, spa center, hotel, restaurant	2006
Great Britain	"Caspian Chemical", LLC	Sale of chemical products and industrial raw materials	2006
Greece	"MASIS TOBACCO", LLC	Manufacturing, sale and export of tobacco products	2000

Greece	Intracom Armenia	Telecommunication and IT solutions provider	2005
Latvia	"NORVIK" Universal Credit Organization, CJSC	Providing various types of loans	2006
Lebanon	Vivacell	Telecommunication, Mobile communication operator	2004
Lebanon	CSP Caucasus	Consulting	2007-08
Netherlands	"Sun Energy", Co.Ltd	Manufacturing of solar water heating systems; Installation Services	2001
Norway	"NORVIK" Universal Credit Organization, CJSC	Providing various types of loans	2006
Norway	Armenian Datacom Company	Telecommunications	2006
Norway	Lusakert Biogas Plant	Methane Capture and Combustion From Poultry Manure Treatment	2006
Russia	HayRusGasard	Gas Distribution	2000
Russia	Grand Candy	Candy production	2000
Russia	Hagenas	Pharmaceuticals	2000
Russia	Armenian Railway Roads	Railways	2000
Russia	Prompt	Crinkled paper production	2001
Russia	Electric Network of Armenia	Power supply	2002
Russia	"Bishin", LLC	Construction, real estate on the built-up lands or under construction	2002
Russia	Tashir Invest Group	Business development	2002
Russia	Kaghtsrashen Wine Factory, Armenian-Russian JV	Wine, cognac and grape alcohol manufacturing	2003
Russia	Valetta	Diversified business	2003
Russia	"Hrazdan Power Company (Hraztes)", OJSC	Electricity and thermal energy production	2004
Russia	Moscow House	Hotel services, business center	2006
Russia	"Euroset"	Telecommunication facilities chain store	2006
Russia	Troyka	Banking	2006
Russia	"Rostiks KFC" Fast Food Restaurant	Chicken fast food restaurant	2007
Russia	Nogram	Real Estate Development	2007-09

Russia	Vanadzor-Khimprom	Fertilizers production	2008-09
Russia	ArmRuscogeneration	Heating & hot water supply	2007-09
Russia	Geopromining	Mining	2007-09
Singapore	Ararat Gold Recovery Plant	Mining activity	2002
Spain	Grand Mans	Land Development, Trading	2008
Spain	Valencia, JV	Sport Activity	2000
Spain	Azati HEC	Power supply	2006
Syria	FMH. Co. Ltd	Construction	2008
Switzerland	Caritas, JV	Production of wood products	2000
Switzerland	"Franck Muller Yerevan Watch Distribution" CJSC	Jewelry and watch trade	2002
Switzerland	Azad Fine Chemicals LLC	Pharmaceutical & chemical products	2004
UK	Bulvinos Chemicals	Production of soap, detergents, perfume, etc.	2000
UK	"British American Tobacco (UK & Export)" LTD., Armenia Representative Office	Representations of Foreign Commercial Organizations	2000
UK	"London-Yerevan Co" Insurance	Insurance, Reinsurance	2000
UK	Nevada	Entertainment	2001
UK	"Azad Fine Chemicals" LLC	Marketing of chemical-pharmaceutical products	2004
UK	"British Armenian Educational Services and Tourism" ("BAEST"), Yerevan Branch	Training and refresher courses abroad, tourism	2005
UK	"Benjamin Moore" Painting materials shop	Full range of paint and vanish products	2006
UK	"GT-AR GROUP" CJSC	Lubricating oils, lubricants, automotive oils and chemicals. Car service	2006
USA	NOKI Armenian-American German JV	Production of Pharmaceutical Components	2000
USA	Hovnanyan International	Construction, Sale and renting of private residences in Vahakni residential community	2000
USA	Netsys JV	Internet Service provider	2000
USA	Solaren	Solar and Wind Energy,	2000

		Biogas	
USA	Multi Rest House	Hotel complex	2000
USA	Arevka	Flower trade	2000
USA	Tufenkian Hospitality	Tourism in Armenia. Hotel services	2001
USA	Art Bridge	Specialized Shops	2001
USA	"NAIRI" Medical Services, CJSC	Outpatient and inpatient care	2002
USA	Credence Systems Armenia	Database Development	2002
USA	"AAFPC" Armenian-American JV, Co.Ltd	"Melo Grano" Pasta Production	2003
USA	Two Lips	Shoes production	2004
USA	"Washington Capital" Universal Lending Organization, CJSC	Mortgage, landing, financial advice	2005
USA	"Nairit Plant", CJSC	Manufacturing of polychloroprene, carbinol syrup, caustic soda, liquid chlorine, monocarboxylic acids	2005
USA	"World Medicine" Pharmaceutical company, Armenian Representation	Providing information on medicines in Armenia and Nagorno Karabagh	2006
USA	"Citadel" Business Center of Branch of "Leda Campus" LLC in Armenia	Business center. Office premises for rent	2006
USA	"MICROSOFT RA", Representative office in Armenia	Representative office of "Microsoft" company	2006
USA	Lionheart Company	Financial and Legal Consulting	2006
USA	"Cascade Credit" Universal Credit Organization, CJSC	Financial Services	2006
USA	"Melinet" IT Solution Provider, LLC	Information technology solution provider	2007
USA	Avnik Co	Construction	2008-2009
Virgin Islands	Inorient	Obligatory social insurance	2004
Virgin Islands	Karart	Natural Stone processing and quarrying	2004

Types of Companies

Armenian legislation provides the same legal guarantees and protections to foreign and local businesses. Foreign investors have the right to create any form of enterprise.

The Civil Code of the RA defines the following most common types of enterprises:

- Joint-Stock Company
- Limited Liability Company
- Business partnership (general or limited).

Joint Stock Company (JSC)

This form is similar to a corporation in Europe and USA. A JSC is a legal entity whose charter capital is divided into a defined number of shares. The founders determine the quantity and value of the shares of stock. The liability of the founders is limited to the nominal value of the shares in their possession. The Joint Stock Company law defines two types of JSCs - open, when the stocks are sold to the public without the consent of the other stockholders, and closed, when the stocks are distributed only among its founders or other previously determined group of persons or entities. The minimum capital requirement for an open JSC is 1,000 times the minimum monthly wage (the base of calculations is 1000 AMD). For closed JSCs, this is reduced to 100 times the minimum monthly wage. In certain industries, e.g. banking, higher minimum investment requirements may apply. The founders of a JSC are obliged before registration of the company to fully pay up the charter capital. Upon the founding of a JSC all its shares must be distributed among the founders.

Limited Liability Company (LLC)

This form of organization is basically the same as a closed stock company with the only difference being that the capital of LLC is divided into ownership shares. The LLC is a legal entity founded by one or several persons. The liability of its founders is limited to the initial investment. The founders of a LLC are obligated before registration of the company to pay up 50% of the charter capital but no less than minimum capital stipulated by law. The profits are divided among founders according to the investment share ratio unless another ratio is stipulated in the charter. The LLC and founders are taxed separately. business as owners.

Business partnerships

They may be created in the form of a general or limited partnership. A general partnership is a form of legal entity that represents an association of two or more individuals (general partners) who act as owners of the partnership. The partners jointly bear liability with all their property for the obligations of the partnership. A limited partnership is a form of legal entity that represents an association of two or more individuals who act as owners or contributor participants of the partnership. It is different from a general partnership with respect to the liability obligations of its partners. A limited partnership has two types of partners-general and limited. General partners are liable for the obligations of the partnership with all their property. Limited partners do not participate in the conduct of the daily operations of the company, and are only liable to the extent of their contributions to the charter capital or working capital of the company. An individual may be a general partner in only one partnership.

Daughter enterprises

A business company is considered to be a daughter enterprise if another (or principal) business company or partnership, by virtue of dominant participation in the subsidiary's charter capital or in accordance with a contract concluded between them, has the power of determining decisions taken by such a company. A subsidiary is not liable for the debts of the parent company.

Dependent companies

A business company is a dependent company if another (the dominant or participant) partnership or company has more than 20% of the charter capital of a LLC or more than 20% of the voting shares of a JSC.

Representative Offices and Branches

Foreign companies may operate in Armenia without establishing a new entity, i.e. by registering in Armenia a representative office or a branch of a foreign legal entity. Representative offices and branches are not legal entities, and they act on the basis of statutes approved by their foreign legal entity.

Steps for establishing a Business

How to begin the process of registration for Sole Proprietors?

To begin the process of registration you will need to pay the State duty of 3,000 dram at any bank or bank branch (some post offices have bank branches).

Direct the payment to the account number for registering a sole proprietorship 900005160750.

Do this before going to the State Registrar's office in order to save a step in the process.

What do I need for the State Registrar?

Complete and submit the registration application at the State Registrar's office.

You will need:

- a) a photocopy of both the photo page and the registration page of your passport
- b) One 3cm X 4cm photo
- c) Receipt for payment of State duty (of 3,000 dram) from the bank (from Step 1).

(Make a copy of this receipt for your records before submitting it).

How long will it take for the State Registrar to accept or reject my application?

The State Registrar will accept or reject your application within two business days.

Where do I get my registration certificate?

If accepted, collect your registration certificate from the State Registrar's office.

How to register with the Tax Service?

Before registering with the Tax Service, you must determine whether to become a simplified or regular tax payer.

Complete and submit tax registration forms at the local tax office. You will need to submit a copy of your company registration certificate. Sole proprietors will need some form of identification such as a passport.

If you have registered a legal entity, you will also need to submit a copy of your charter.

TIP

You may request to become simplified taxpayer at this time.

Where do I get my Taxpayer Identification Number (TIN) from?

Return to the tax office to collect your Taxpayer Identification Number (TIN) - an eight digit number used for taxpayer identification and filing purposes. It should be available within one or two days of submitting the tax registration forms.

Where do I submit my social security registration?

Complete and submit social security registration at your local Social Security Fund office. You must do this within thirty days of registering with the State Registrar or you will face fines. Be sure to take a copy of your registration certificate, a copy of your charter and your TIN.

How should I obtain Seal?

If you need a seal to conduct your business, you must first obtain permission from the police, at 5 Yervand Kochar street, Yerevan. The following documents must be submitted:

- a) Completed application form
- b) Copy of Certificate of State Registration
- c) Copy of charter
- d) Tax Identification number (TIN)
- e) Receipt for paying the State duty for requesting permission to order seal (6,000 dram), which can be paid at any bank or bank branch (direct your payment to account number 900005016473).

Permission is typically issued within one day.

Where to order Seal from?

Once you have obtained permission from the police, you may order your seal. This can only be done at "Seal" JSC, also located at 5 Yervand Kochar street, Yerevan. Producing your seal may take several days and depending on the design and delivery time will cost between 10,000-20,000 dram.

Do I need a license?

Simple License

To apply for a simple license, submit a written request to the Ministry of Finance and Economy at 1 Melik Adamyán street, Yerevan 0010. Include the following information: your name, address, geographical area of activity, copy of registration certificate and type of planned activity subject to licensing.

Compound License

Submit a written request for a license to the agency that oversees your economic activity (see table in Annex H). The following information must be included: company name, address, geographical area of activity, copy of registration certificate, type of planned activity subject to licensing, and documents confirming professional capability of people engaged in the activity subject to licensing.

Simple license

If the application is not rejected within three days after submission, you can assume your license has been approved and you may begin your business activity.

Compound license

If the application is not rejected within thirty days after submission you can assume your license has been approved and you may begin your business activity.

Who needs to register with Customs Committee?

Not all companies are required to register with Customs; only those companies that plan on exporting and/or importing are required to register with customs. To register with your local customs office, be sure to bring with you the necessary documents indicated in Section 7, registering with the Customs Committee, of this guide.

Employing staff - contracts and conditions

Labor relationships are regulated by Labor Code of the Republic of Armenia as well as by Law on Foreigners.

Employer-Employee relationships are based on agreement, allowed working time- 40 hours per week, minimum paid vacation 20 working days, according to the Law minimum salary is 30.000 AMD, approx. 85 USD, and the average salary in the market is 70.000- 80.000 AMD, approx. 200-230 USD.

Social payment for each employee shall be paid by the employer- minimum 7000 AMD and the employer /not foreigners/ pays 3% of the salary/wage as social payment.

Foreigners can work for a local company without any limitation, they need to apply for residence card or to have work permission when the procedure will be stipulated by law. The Government regulations for foreigners' work permission are not finalized still and not in force.