







A GLOBAL IT HOTSPOT

INDUSTRY OVERVIEW

INNOVATIVE TECHNOLOGIES INDUSTRY IN ARMENIA

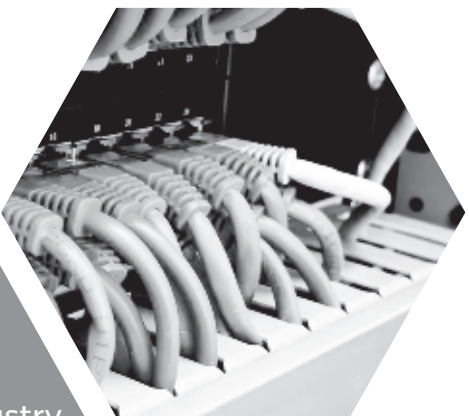
KEY FACTS



IT and high-tech industry
leader in the region

More than 150 new
startups emerged in 2017

Domestic market
grew 5 times
in 2017 compared
with 2010



64.8% of the ICT sector
is exported to USA,
Canada and Europe

Export increased
6 times in 2017 compared
with 2010

SECTOR OVERVIEW

LABOR FORCE | More than
15.000
professionals



- Main products and services: embedded software development, semiconductor design, customized software, outsourcing, financial software, multimedia, web design, information systems, system integration
- There were 650 companies in the Armenian Information & Communications Technology (ICT) sector in 2017. 21.6% of the companies specialized in customized software and outsourcing, while 13.7% in web design and development

Number of companies by area of specialization, % of total Innovative Technologies industry

	Industry total %	Local companies %	Foreign branches %
Customized software and outsourcing	21.6	17.8	3.8
Web design and development	13.7	11.8	1.9
IT services and consulting	10.7	8.7	1.9
Mobile application development	9.8	7.7	2.2
System design and automatization	9	7.7	1.4
Internet service providers	8	2	6
Databases and MIS	7.7	6	1.6
Internet applications and e-commerce	7.4	7.1	0.3
Accounting, banking, and financial software	5.2	3.8	1.4
Computer graphics, multimedia, and games	3.3	3	0.3
Networking systems and communications	3.3	3	0.3
Chip design, testing, and related sectors	2.5	1.4	1.1
Other	6	5.5	0.5

Source: Enterprise Incubator Foundation 2017

EXPORT

Constant export growth in Innovative Technologies sector

EXPORT VOLUME

\$338.6 MLN

IN 2017



ICT INDUSTRY SHARE IN EXPORT

8%
IN 2010

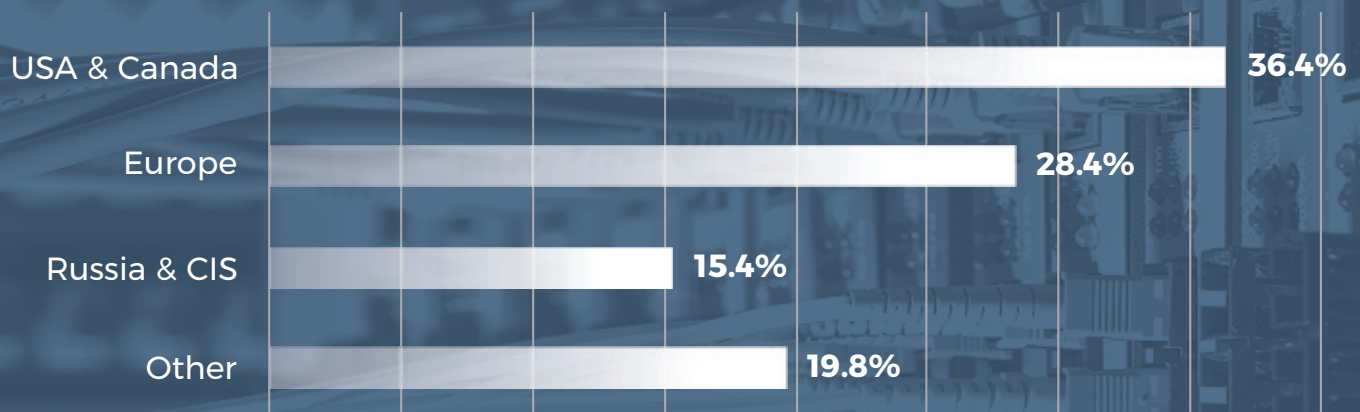
16%
IN 2017

- ICT export's share in the total export of Software and Services segment (excluding internet service providers) was 55% in 2017

Main export destinations are USA and Canada

- ICT export to Europe and CIS countries increased by 6 and 4 times respectively in 2017 compared with 2014

EXPORT DESTINATIONS OF ARMENIA'S ICT SECTOR IN 2017



Source: Enterprise Incubator Foundation 2017

DOMESTIC MARKET

- Domestic market was worth about \$426.5 million in 2017
- The average annual growth of ICT industry was 20.6% between 2014 and 2017
- There were 650 companies, of which over 200 foreign ones in 2017

Competitive labor force

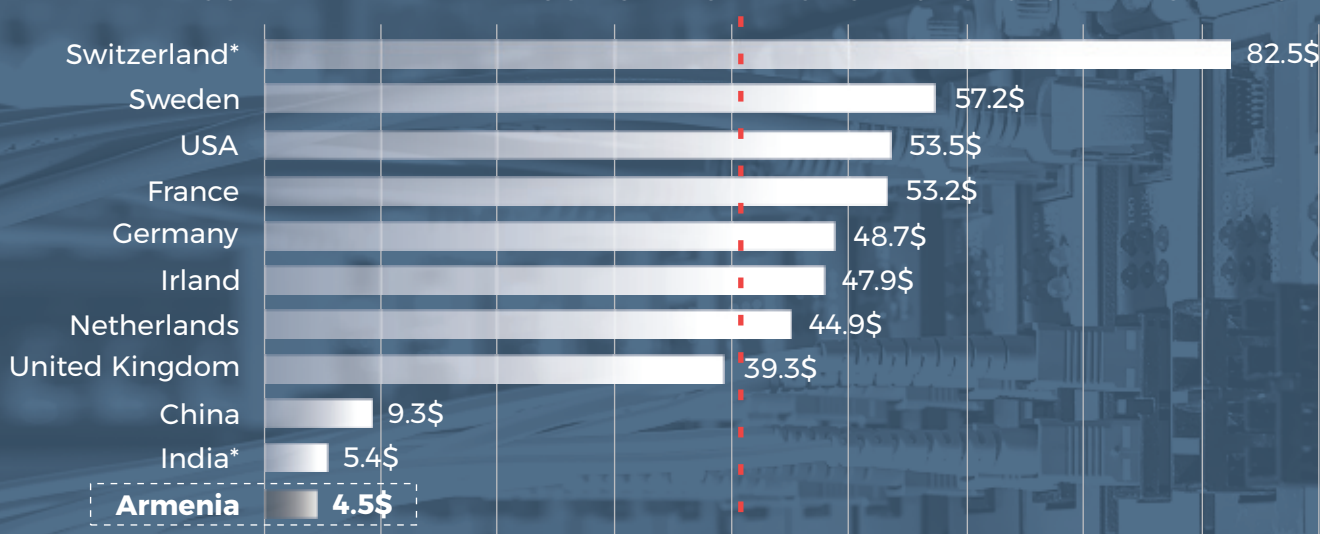
- The Innovative Technologies sector employs more than 15.000 professionals. The majority of technical specialists are engaged in the Software and Services segment, while the rest works in Telecommunications

Average monthly salary in IT sector

Junior technical specialist	300-400 USD
Software developer	630 USD
Senior specialist	3500 USD
Average monthly salary in IT	1025 USD

Source: Enterprise Incubator Foundation 2017

AVERAGE HOURLY LABOR COST IN THE ICT SECTOR IN 2016 ARMENIA COMPARED WITH THOSE OF WORLD'S TOP ICT SECTOR EXPORTERS



Source: International Labor Organization & National Bureaus of Statistics

* Latest available data

The cornerstone of the Armenian Innovative Technologies industry's success is its talented, well-educated and professional workforce

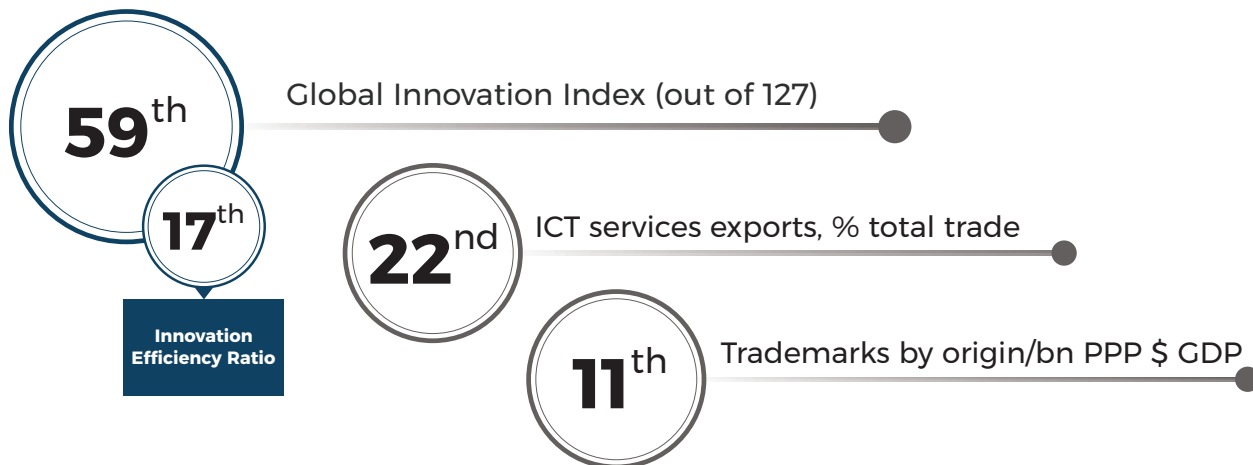
- 45% of the Armenian ICT workforce hold graduate degrees
- 8 universities in Armenia offer IT specializations: National Polytechnic University of Armenia, Yerevan State University, American University of Armenia, European Regional Academy, Armenian-Russian (Slavonic) University, National University of Architecture and Construction of Armenia, French Higher Institute of Engineering in Armenia, French University in Armenia
- There are IT professional training programs implemented by Microsoft Innovation Center (MIC), Armenian-Indian Center for Excellence in ICT and Regional Mobile Application Laboratory (mLab)
- Armenian National Engineering Laboratories (ANEL) fosters engineering, electronics, precise engineering and high-tech
- Armath Engineering Laboratories works to establish a program of engineering club-laboratories within the public school system of Armenia
- TUMO Center for Creative Technologies inspires and educates Armenian teenagers on all aspects of tech and design free of charge

That stems from an institutional system that encourages innovation and startup establishment!

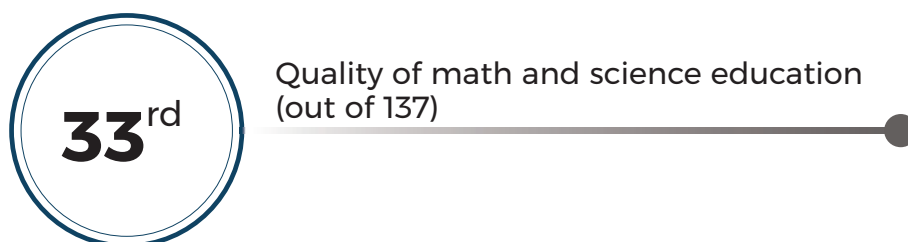
- 2 IT technoparks: Gyumri Technology Center (GTC) and Vanadzor Technology Center (VTC)
- Incubator: Enterprise Incubator Foundation (EIF) as one of the largest technology business incubators
- Foundation for Armenian Science and Technology (FAST), aiming to build an ecosystem that drives technological innovation and scientific advancement in Armenia and beyond
- TUMO Center for Creative Technologies received an award for "Fulfilling the Promise of the Digital Age" from Chairman of the Commission Yvonne Chiu at the World Congress on IT (WCIT) in Hyderabad, India in 2018
- TUMO Paris center will open its doors on the 25th of September in 2018. Paris is the first international location of the TUMO Center for Creative Technologies. It will provide free education to around 1500 Parisian teenagers. They will be able to study filmmaking, computer programming, animation, graphic design, game development, 3D modeling, drawing and music
- Armath Engineering Laboratories won the "Sustainable Growth" nomination at WITSA Global Excellence Award and "The best provider of IT education" award in GITI-2016 regional event in Tbilisi
- In 2018, UITE (Union of Information Technology Enterprises) and Lexicon PR Management Service of India signed a memorandum of cooperation, according to which the initial project of the Armenian "Armath" engineering laboratories will be implemented in Indian schools

COMPETITIVE ADVANTAGE IN INTERNATIONAL RANKINGS

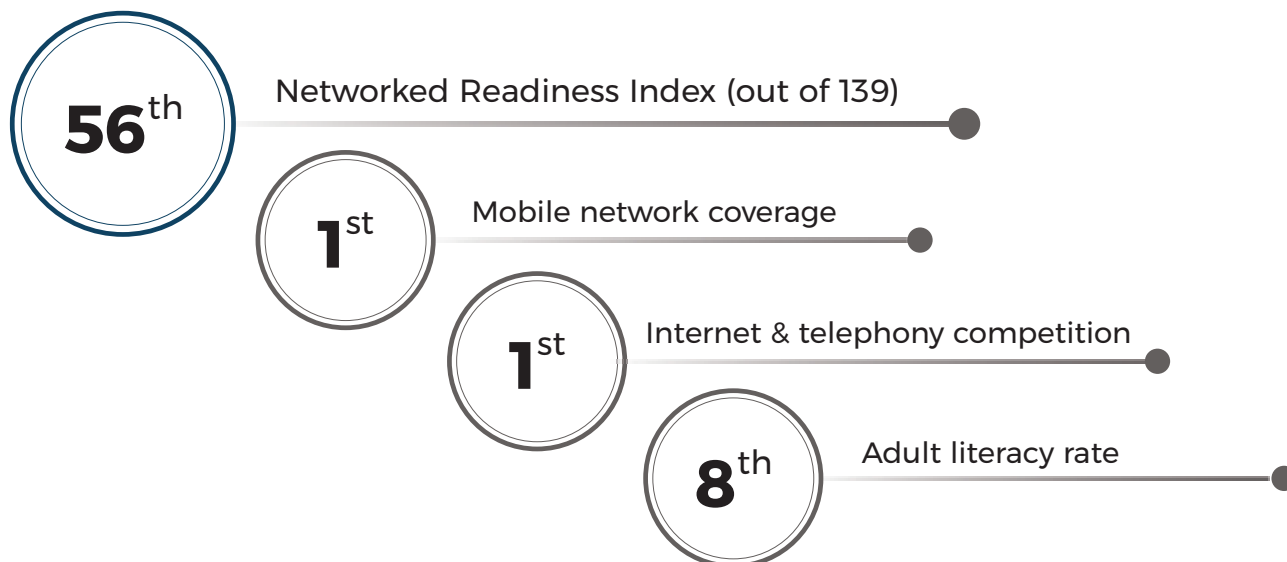
- The Global Innovation Index 2017 has ranked Armenia as an innovation achiever: a category comprising 17 economies, which outperform in innovation relative to their level of development



- Global Competitiveness Index 2017-2018 has placed Armenia in the group of efficiency-driven countries



- Based on the Global Information technology report 2016 among low to average income countries Armenia has significantly higher scores. One of the most significant advantages is the high level of the competitiveness in telephone and the Internet industry, as well as the mobile phone coverage



Innovative Technologies Ecosystem

- The creation of new free economic zone (FEZ) for a modern high-tech center, Armenia's "Silicon Valley" in 2018, which will create 250-300 new high-paying jobs and attract at least 120 million USD investments

There are 3 Free Economic Zones (FEZ) in Armenia: Alliance (specialized in ICT, engineering and pharmaceuticals), Meghri (on the Armenian-Iranian border with no sector limitations), and Meridian (specialized in jewelry making). Residents of FEZ are exempt from all taxes except payroll taxes. There are also on site "one stop" services and custom registrations.

- Access to finance: venture capital funds, support of donor organizations (USAID, EBRD, EU), loan guarantees provision for small and medium size companies
- The government will support 427 companies in the IT sector until 2020-2022, freeing them from corporate tax and collecting only 10% income tax

BUSINESS ENVIRONMENT

DOING BUSINESS 2018



OUT OF 190 COUNTRIES

Source: World Bank, Doing Business Database

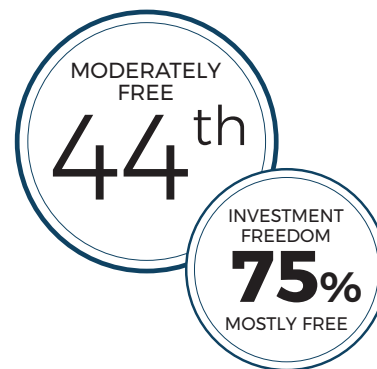
Takes 4 days to open a company, 7 days to register property

Efficient e-governance services in place

100% foreign ownership permitted

No restrictions on investment sectors

ECONOMIC FREEDOM INDEX 2018



OUT OF 180 COUNTRIES

Source: Heritage Foundation Database

Five-year investment protection from changes in legislation

Free exchange of foreign currencies and repatriation of profit

Well-regulated banking system

Foreign companies registered in Armenia have the right to buy land

THEY CHOSE ARMENIA, TOO!

The World Congress on Information Technology (WCIT) 2019 will be held in Armenia

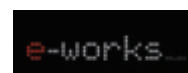
Over 200 foreign companies, from small development centers to R&D, design, coding, and testing centers, operate in Armenia. This is where companies prefer to relocate their business-related functions, such as marketing and customer support.



The PicsArt mobile photo editing application, developed by Armenian experts in 2011, was included in Forbes Magazine's 2015 Hottest Startup list, ranking 5th in the standings.



Founded in 2009, Joomag is an all-in-one platform offering a suite of integrated solutions for interactive content creation and distribution for all marketing, digital publishing, corporate communications and sales engagement needs.



6 IT companies founded by Armenians attracted \$1 million or more in investments in 2017

Company name	Investments
Reddit	USD 200 million
ServiceTitan	USD 80 million
Epic!	USD 8 million
Teamable	USD 5 million
Menu Group	USD 3 million
Collectly	USD 1,9 million
Total	USD 297.9 million

Source: Mediamax Media Company's Itel.am project



DO NOT FORGET TO VISIT
www.selectarmenia.com

OR E-MAIL US
investment@selectarmenia.com



**5 Mher Mkrtchyan Street,
Yerevan 0010, Republic of Armenia
Phone: +374 11 597 725**