




JEWELRY


INDUSTRY OVERVIEW

JEWELRY INDUSTRY IN ARMENIA

KEY FACTS



Precious metal jewelry exports increased by 106.2% in 2017



The production of jewelry industry (jewelry, precious metals and precious stones) grew by 35.7% in 2017

Access to a consumer market with 1.5 billion people with 0% or reduced customs duties

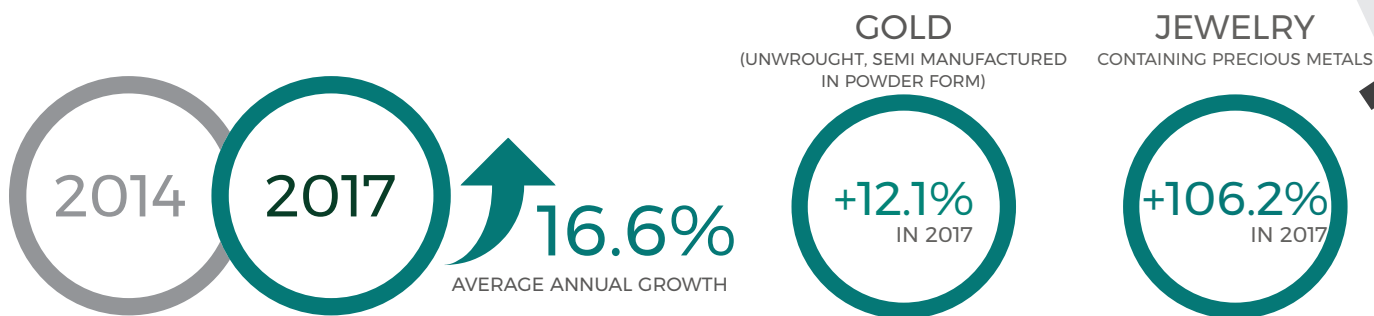
Competitive labor cost: the average monthly salary in the processing industry is \$327



2nd largest exporter of diamonds in the CIS region

Main products: diamonds, gold and precious metal jewelry

EXPORT

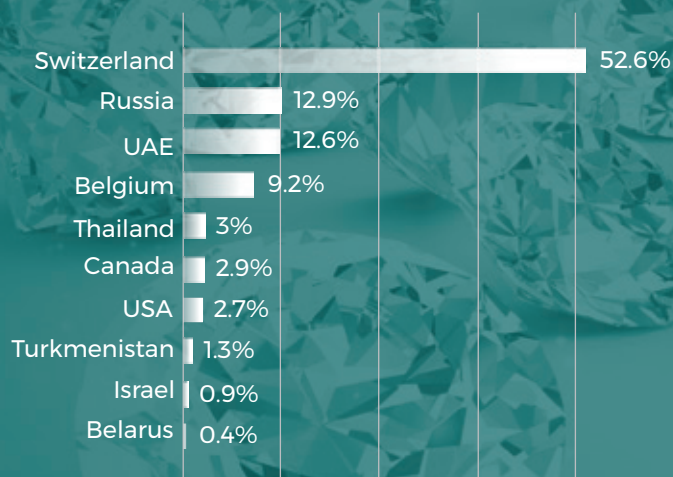


- Constitutes 13% of Armenian total export
- In 2017, the share of gold, diamonds and jewelry containing precious metals was 50.5%, 33%, and 12.4%, respectively in total jewelry exports
- Export of jewelry, precious metals and precious stones was worth about \$291 million in 2017
- 52.6% of Armenian jewelry, precious metals and precious stones were exported to Switzerland in 2017

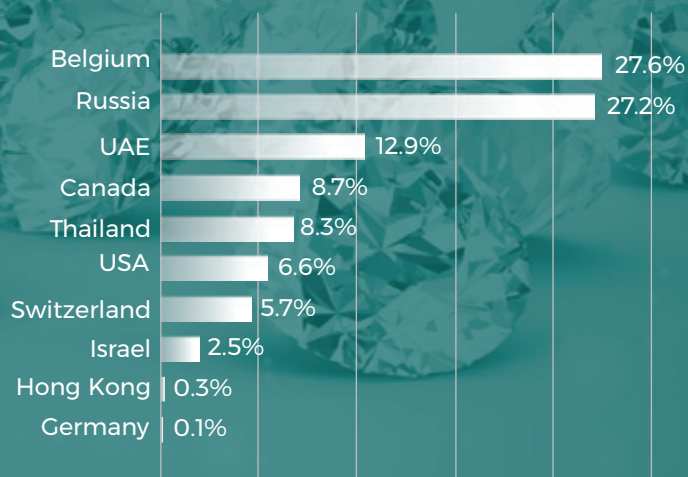
99.7% of gold (unwrought, semi-manufactured, in powder form) was exported to Switzerland in 2017

Main export destinations in 2017

ARMENIAN JEWELRY INDUSTRY EXPORT DESTINATIONS



ARMENIAN DIAMONDS EXPORT DESTINATIONS



Source: Customs Service of RA

MANUFACTURING

JEWELRY, PRECIOUS METALS AND PRECIOUS STONES



- Production volume of jewelry, precious metals and precious stones was worth about \$102.8 million in 2017
- There are 48 companies in jewelry, precious metals and precious stones manufacturing sector, of which 28 in jewelry production and 10 in diamond production sectors
- The jewelry industry employs more than 15000 skilled workers and the diamond processing industry employs more than 3000 workers in Armenia

Low labor costs!

HOURLY COMPENSATION COST (USD/HOUR) IN MANUFACTURING IN 2016, ARMENIA COMPARED WITH THOSE OF TOP JEWELRY AND PRECIOUS METALS, PRECIOUS STONES EXPORTERS



Source: The Conference Board & National Bureau of Statistics
*Latest available data

MARKET STRENGTHS

There is already an highly skilled and talented labor force

- Jewelry is taught with different formats at state and private universities in Armenia
 - Professional school for jewelers at Yerevan Jewelry Plant. The school offers professional training for jeweler assembler, jeweler stone setter, handmade chains, flat engraving, relief engraving, filigree technique, metallography specialties and additional services in this field
 - Armenian Jewelers Association's Jewelry School in Yerevan and in Stepanakert
 - Yerevan State Vocational School of Decorative Applied Art
 - Yerevan State Academy of Art (the department of decorative crafts)
 - National Academy of Fine Art
 - Gyumri Craftsman State School

Designers union of Armenia

The society of designers of Armenia, member of "Union of Designers" international association, was founded in 1989. It is one of the 8 existing artistic unions in Republic of Armenia and has been a regular participant and supporter of "Goldsmithery" International Exhibition since 1999. The Union's current 420 members represent most significant fields of contemporary design (industrial, graphic, environment, advertising, fashion, furniture, applied, etc.).

The Union carries out advisory, methodic, project-oriented and material-based activities in all of the above-mentioned fields. It also organizes design exhibitions, competitions and academic meetings. Members of Union boast multiple significant projects: RA Government initiatives such as the National Currency (Dram), stamps, Coat of Arms, state awards, as well as many works for the country's leading firms in the field of graphic, advertising and environmental design.

Advantages of jewelry industry in Armenia

Jewelry making in Armenia has a rich and prominent history

Armenian jewelry enjoys a long-established positive image

There is plenty of diaspora potential to leverage

Armenian government strongly supports the industry

Kimberley-Process-certified since 2002

World Jewelry Confederation (CIBJO) held the 2016 annual congress in Yerevan, Armenia, October 26-28, 2016

Wide ranges of incentives

NO LICENSING OR SPECIAL PERMIT IS
NEEDED TO ESTABLISH JEWELRY
COMPANIES IN ARMENIA

0%
EXPORT
DUTY

0%
VAT ON
IMPORT

- In Armenia the import and sale of gold and valuable stones are discharged from VAT. The sale of unfinished gold jewelry is also discharged from VAT. VAT is charged only from the sale of final products

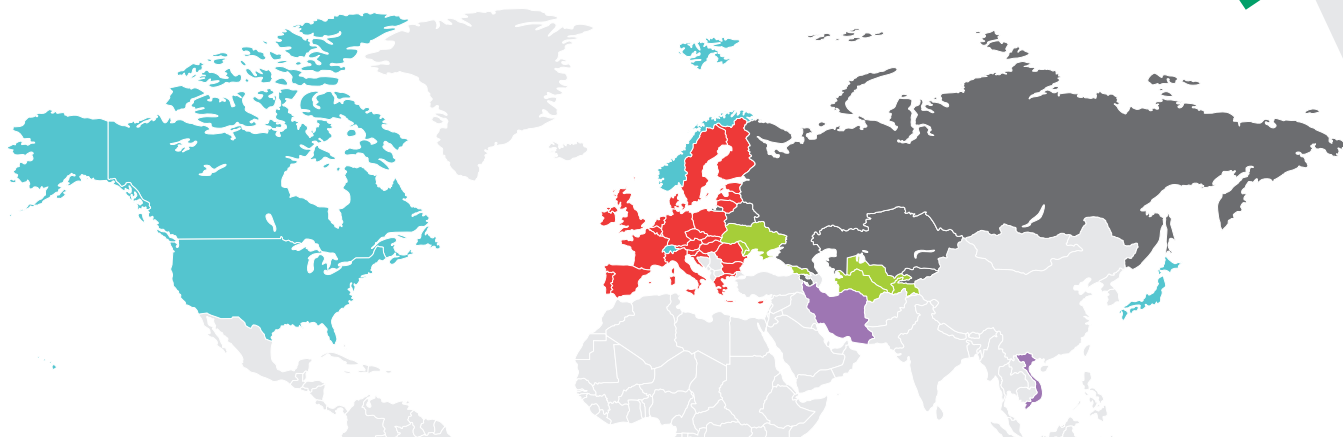
The EAEU member states will sign agreement which will provide mutual recognition of hallmarks on jewelry in the Member States of the Union within the framework of mutual trade in jewelry on the territory of the EAEU. After the conclusion and entry into force of an international treaty within the Union, there will be no need to duplicate the procedures for putting hallmarks

- Iran will not apply unreasonable non-tariff measures restricting trade with regard to jewelry products within the free trade agreement between EAEU and Iran






ASSOCIATIONS

- Armenian Jewelers Association (AJA), founded in 1998, serves the interests of all Armenians involved in the jewelry industry. AJA has regional representatives in the United States, Armenia, Russia, the Middle East, Europe, South America and Australia
- The Jewelers and Diamond Manufacturers Association of Armenia was established in 1998 by main players of the jewelry industry and diamond manufacturers of Armenia. The main goal of the Association is the promotion and lobbying of the interests of its members in marketing, legislation, organizing exhibitions and etc. Today the association has more than 50 active members
- Association of Jewelers of the Eurasian Economic Union represents the interests of jewelry manufacturers on the territory of the EAEU. The aim of the Association is to create and maintain favorable, fair and competitive conditions for doing business in the jewelry sector within the single market of the EAEU

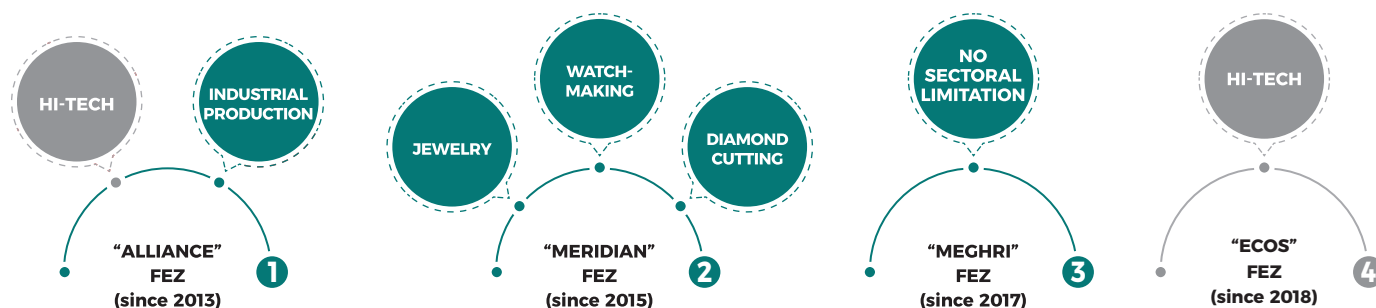
TRADE OPPORTUNITIES



ACCESS TO A CONSUMER MARKET WITH **1.5 BILLION** PEOPLE WITH 0% OR REDUCED CUSTOMS DUTIES

	EAEU (Russia, Kazakhstan, Belarus, Kyrgyzstan) - 0% tariff rates, 183.4 million		GSP + (EU & UK) - 0% or reduced tariff rates, 511.8 million
	FTA with Iran & Vietnam - 0% or reduced tariff rates, 172.9 million		GSP (Canada, Japan, Norway, Switzerland, USA) - 0% or reduced tariff rates, 503.5 million
	FTA with CIS & Georgia - 0% tariff rates, 98 million (EAEU excluded)		

Free Economic Zones (FEZ)



Tax exemption in FEZ

- VAT - 0%
- Profit tax - 0% (only employees' compensation)
- Property tax - 0% (property includes all tangible real estate property: house, office building, and property rented to others)
- Corporation income tax - 0% (tax imposed on the net income of the company)
- Customs duty - 0%

There are also on site "one stop" services and custom registrations

BUSINESS ENVIRONMENT

DOING BUSINESS 2019



OUT OF 190 COUNTRIES

Source: World Bank, Doing Business Database

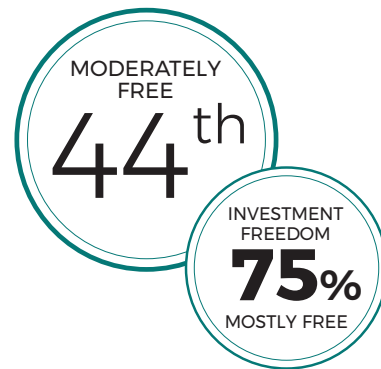
Takes 3 days to open a company, 7 days to register property

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

GOVERNMENT SUPPORT

Taxes

- VAT (Value Added Tax) payments' postponement for up to 3 years for importing equipment and goods within investment programs
- 0% VAT for more than 230 product groups imported to Armenia
- Up to 30% profit tax reduction for new jobs created within business projects in the 5 reporting years following the year of launch
- Customs duty exemption for materials and equipment/technology imported from non-EAEU countries that cannot be replaced by materials and equipment/technology produced by EAEU countries within investment programs
- Legal entities can construct up to 500 kW Solar Installation to get electro energy for their own needs without License

SUCCESS STORY / PATILA LLC

Patila LLC is a member of the group of companies "BaG," which has 30 years of history in the international jewelry industry and more than 10 thousand trademarks. Istanbul-based Armenian jeweler Efrin Bag, the Head of the Board of Directors of "BaG" Group, has established the group's subsidiary company, "Patila" LLC, in Armenia. Aiming to ultimately capitalize on the privileges of preferential trade conditions Armenia has with EAEU, EU, USA and other countries, Efrin Bag has already invested \$3 million in Armenia's jewelry industry building this new plant.

The investment will result in about 70 new well-paid job openings, projected to more than double within two years. The company intends to export its jewelry to Russia, EAEU and EU, as well as to UAE, the US, Canada and Hong Kong.

SUCCESS STORY / GNOMON

GNOMON is the largest jewelry manufacturer in Armenia and in the region, employing more than 250 people in Yerevan. Jewelry is exported to the CIS countries, the US, Arab countries, Central Asia and is about to enter the Iranian market.

Created back in 1950, the Gnomon plant produces a wide range of articles like rings, earrings, necklaces, pendants, brooches, bracelets and chains with precious, semi-precious and synthetic stones, using the latest modern technologies and highly qualified specialists. The plant also produces "Gnomon" watches targeting men and women with movements from Swiss "ETA", "Ronda", Japanese "Citizen" and Russian "Polyot" companies. The brand is registered in Switzerland, Germany and Russia. Gnomon is also known for its fast diamond cutting process, which takes a single day instead of several days to a week, the case for Gnomon's foreign competitors. It has already received significant international investments and is a constant exhibitor at prestigious jewelry shows organized in Las Vegas, Miami, Dubai, India, Italy, Switzerland, Turkey, Moscow, Saint Petersburg, Kiev, etc.

SUCCESS STORY / AGOPIAN JEWELLERS

Agopian Jewellers CJSC, founded in 2005, is one of the leading jewelry companies in Armenia. The company produces refined and elegant jewelry made of 14K and 18K gold with diamonds and semi-precious stones of different shapes and colors.

The Company exports its products to Thailand, US, Spain, China, Russia, and other countries. "Agopian Jewellers" is a frequent participant of international and local jewelry exhibitions. During its existence, the Company has established itself as a reliable partner and manufacturer of high quality jewelry.



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