

Tehran Stock Exchange Price Index (TEPIX) decreased by 8.2 percent, from 25,905.6 points at the beginning of 1391 to 23,787.3 on Mordad 18 of the same year. Share price of most companies listed on the TSE hit their record low on Mordad 18, 1391. Moreover, the P/E ratio declined from 6.05 in 1390 year-end to 4.49 points. Thereafter, TSE indicators strengthened in a way that TEPIX experienced 46.8 percent growth at year-end compared with the beginning of the year.

In 1391, all TSE price indices increased compared with the year before. Among all indices, the highest growth was related to the "second market index" with 82.9 percent, followed by "industrial index" by 58.9 percent.

The free float adjusted index, calculated with the aim of computing the effective weight of firms based on the percentage of free floating shares, rose 35.4 percent from 32,946.3 points at end-1390 to 44,620.3 points in 1391 year-end. This index had experienced 12.9 percent growth in 1390.

Reviewing the monthly movements of the TEPIX reveals that the highest return of the TSE was related to Azar, with a growth rate of 14.8 percent compared with the month before. Except for months Ordibehesht, Khordad, Tir, Mordad, and Esfand of the year 1391, TEPIX recorded positive growth in all other months of this year. The monthly

movements of financial index in this year indicated that the highest growth by 4.4 percent was related to Mehr 1391 compared with the month before. Financial index registered its lowest growth by -4.6 percent in Tir 1391, compared with Khordad.

The highest increase in the industrial index (17.7 percent) was related to Azar 1391 compared with the month before. In all months of 1391, except for Ordibehesht, Khordad, Tir, Mordad, and Esfand, the industrial index registered positive growth. Industrial index experienced the highest negative growth (-4.3 percent) in Tir, compared with the month before.

The Securities and Exchange High Council and the Securities and Exchange Organization formulated and approved a set of rules and guidelines in 1391 as follows:

- Regulations on the arrangement of professional training courses by the Securities and Exchange Brokers Association and issuance of certificate;
- Guideline on the arrangement of training courses on the capital market;
- Guideline on internal control of companies listed on the TSE and OTC;
- Guideline on Central Securities Depository of Iran (CSDI) for the TSE and OTC;

- Guideline on offering options;
- Guideline on the trading of commodities and commodity-backed securities on the Energy Exchange;
- Guideline on qualifications of applicants and purchasers of wholesale transaction of shares and rights on the TSE and OTC;
- Guideline on Preventive Measures for Unusual (Suspicious) Transactions by Mutual Funds;
- Guideline on listing commodities and commodity-backed securities on the Energy Exchange;
- Guideline on the purchase of securities on the TSE and OTC on credit;
- Guideline on registration and depositing commodities and commodity-backed securities as well as transactions clearing and settlement on the Energy Exchange;
- Charter on Audit Committee;
- Guideline on second market of Iran Mercantile Exchange;
- Charter on internal auditing operations;
- Guideline on classification of audit institutions and entities, subject of Article 10, Guideline on Audit Institutions trusted by the Securities and Exchange Organization;

- Regulations on formation and operation of specialized Working Groups in the Securities and Exchange Brokers Association.

Share and Rights Trading

In 1391, a total of 80,156.2 million shares and rights, worth Rls. 257,072.5 billion, were traded on the TSE, showing respectively 9.5 and 13.5 percent rise in terms of number and value, compared with the previous year.

Of total number of shares and rights traded in this year, 72.1 percent were traded in the first market and 27.9 percent in the second market. Moreover, in terms of value of trading, 70.5 percent of shares and rights were traded in the first market and 29.5 percent in the second market.

The TSE was active for 239 days during 1391. The average daily trading volume was 335.4 million shares in this year, indicating 10.4 percent increase compared with the daily trading volume of 1390. The average daily trading value reached Rls. 1,075.6 billion in 1391, up by 14.5 percent compared with the year before.

A comparison of trading in the first half of 1391 with the second half reveals that out of total trading, 34.9 percent, in terms of volume, and 27.6 percent, in terms of value, were traded in the first half, and 65.1 and 72.4 percent, in terms of volume and value, respectively, in the second half of this year.

Table 16.1. Activity Indicators of TSE

	Volume of trading (million shares)			Value of trading (billion rials)			Number of trading days of TSE	Average daily trading volume (million shares)	Average daily trading value (billion rials)
	Shares	Rights	Total	Shares	Rights	Total			
1390	66,794.1	6,394.8	73,188.8	212,467.0	13,980.3	226,447.3	241	303.7	939.6
1391	76,822.7	3,333.5	80,156.2	254,589.7	2,482.8	257,072.5	239	335.4	1,075.6

Source: Tehran Stock Exchange (TSE)

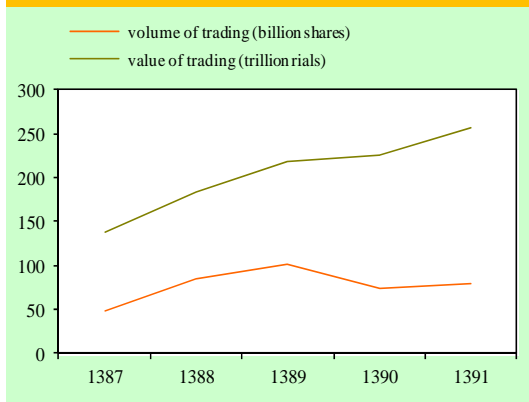
Data on shares and rights traded on the TSE, by industries, indicate that "banks, non-bank credit institutions, and other monetary institutions", with a share of 17.9 percent of total number of traded shares and "manufacture of basic metals", with 18.2 percent of total value of traded shares, had the lion's share in total number and value of shares and rights traded on the TSE. In 1391, "manufacture of basic metals" accounting for 11.3 percent of total number and "chemical products", constituting 16.3 percent of total value, ranked second.

Table 16.2. Share and Rights Trading on the TSE (share/percent)

	Volume		Value	
	1 st half	2 nd half	1 st half	2 nd half
1390	54.5	45.5	56.0	44.0
1391	34.9	65.1	27.6	72.4

Source: TSE

Figure 16.1. TSE share trading



In 1391, a total of 14 industries had a positive contribution of 26.4 percent to the growth in the number of shares traded compared with 1390. These industries accounted for 35.2 percent of the rise in the value of shares and rights traded on the TSE. Of total industries active on the TSE, 12 industries had the highest negative contribution of 16.7 percent to the fall in the number of shares traded compared with the year before. The mentioned industries reduced the value of trading on the TSE by 20.8 percent. In 1391, "banks, non-bank credit institutions, and other monetary institutions", "manufacture of basic metals", "automobile and manufacture of spare parts", and "multi-industry companies", accounting for the highest number of shares and rights traded, led to just 4.7 percent rise in the volume and 4.4 percent increase in the value of trading. "Banks, non-bank credit institutions, and other monetary institutions" decreased the volume and value of traded shares by 4.8 and 7.7 percentage points, respectively. This industry had the highest negative impact on the TSE, followed by "investments" industry which reduced the volume and value of trading by 4.9 and 4.0 percentage points, respectively.

Market capitalization amounted to Rls. 1,707,497.8 billion at end-1391, showing 33.1 percent increase compared with the respective figure of 1390 year-end. Moreover, stock market capitalization to GDP ratio, which is an indicator of market depth, was 24.1 percent in 1391, showing 3.5 percentage points increase compared with the year before.

Table 16.3. Volume of Trading and Number of Buyers

	1389	1390	1391	Percentage change	
				1390	1391
Volume of trading (times)	3,398,524	4,537,105	5,235,325	33.5	15.4
Number of buyers	1,293,294	1,596,862	1,811,852	23.5	13.5
Average volume of buying per person (shares)	78,800.9	45,832.9	44,239.9	-41.8	-3.5
Average value of buying per person (million rials)	168.6	141.8	141.9	-15.9	0.1

Source: TSE

In 1391, "manufacture of basic metals", "chemical products", "banks, non-bank credit institutions, and other monetary institutions", and "extraction of metallic ores" had the highest shares in the value of market capitalization by 19.4, 13.2, 11.8, and 11.8 percent, respectively (a total of 56.2 percent). Turnover ratio decreased by 1.7 percentage points to 17.2 percent in 1391, compared with 18.9 percent in the year before.

Ratio of shares traded to shares issued decreased by 0.8 percentage point compared with the preceding year and reached 15.8 percent.

Tehran Stock Exchange (TSE) Indices

At end-1391, Tehran Stock Exchange Price Index (TEPIX) reached 38,040.8 points, showing 46.8 percent increase compared with 1390 year-end. This index followed an upward trend in all months of 1391, except for Ordibehesht, Khordad, Tir, Mordad, and Esfand. TEPIX was the highest in Bahman by 38,739.4 and the lowest in Mordad by 24,279.1 points. Furthermore, the P/E ratio equaled 5.35, indicating 11.6 percent decrease as compared with the preceding year.

Among the components of TEPIX, "financial index" rose 1.0 percent compared with the previous year-end and reached 60,811.6

points. Moreover, "industrial index" increased by 58.9 percent from 20,697.7 points at end-1390 to 32,891.7 points in 1391 year-end.

The first market index was 30,030.7 points at end-1391, up by 38.8 percent compared with 1390 year-end. The second market index went up by 82.9 percent from 34,348.2 points in 1390 year-end to 62,839.9 points at the end of 1391.

Of total 38 industries traded on the TSE, price index of 26 industries increased in this year while that of 11 industries decreased and for one industry, the price index remained the same as in the year before.

Figure 16.2. Comparison of growth rate of TEDPIX with inflation

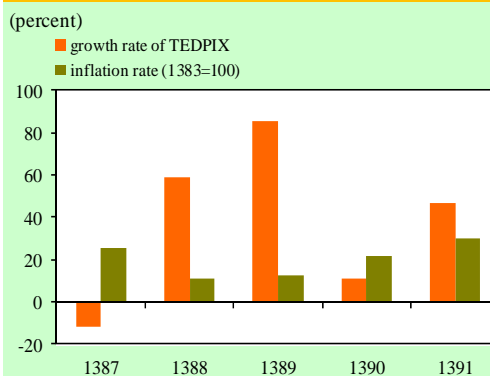


Table 16.4. Market Capitalization, Turnover Ratio, and Ratio of Shares Traded to Shares Issued^{1,2}

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio ³ (percent)	Ratio of shares traded to shares issued ³ (percent)
1390	1,282,506.7 (15.0)	226,447.3 (3.8)	1,199,071.4 (35.7)	18.9	16.6
1391	1,707,497.8 (33.1)	257,072.5 (13.5)	1,495,002.2 (24.7)	17.2	15.8

Source: TSE ¹Excludes participation papers. ²Figures in parentheses indicate percentage change over the previous year. ³Calculated based on the average market capitalization and the number of issued shares at the beginning and the end of the year.

In 1391, a total of 2,246.4 million shares, valued at Rls. 6,116.6 billion were offered by banks, organizations, and public corporations, indicating 64.3 and 71.2 percent decrease, in terms of number and value, respectively.

"National Iranian Oil Refining and Distribution Company" accounted for the highest share in the total volume of offered shares by 94.6, and total value of offered shares by 93.4 percent in 1391. "Iranian Privatization Organization", with respectively 4.4 and 6.1 percent of the total volume and value of offered shares, ranked second.

"National Iranian Oil Refining and Distribution Company" was the only company which experienced growth in terms of

the volume and value of offered shares in 1391.

Listed Companies

Total number of companies listed on the boards reached 322 in 1391. In this year, the number of items and companies constituting financial index was 34; comprising "banks, non-bank credit institutions, and other monetary institutions" (10), "investments" (15), "insurance and pension funding, except compulsory social security" (5), and "other financial intermediation" (4). Of total companies listed on the TSE boards in 1391 year-end, 64 companies were on the main board, 56 were on the second board of the first market, and 202 were active in the second market.

Figure 16.3. TSE monthly indices

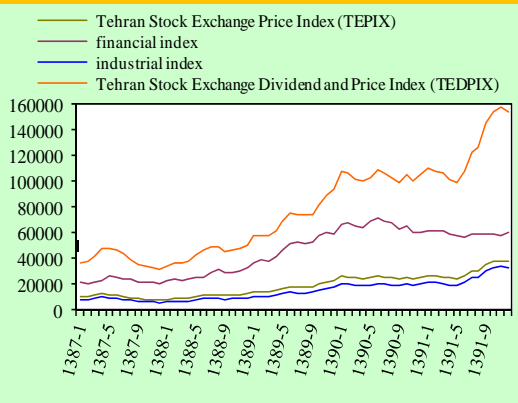


Figure 16.4. Value of offered shares

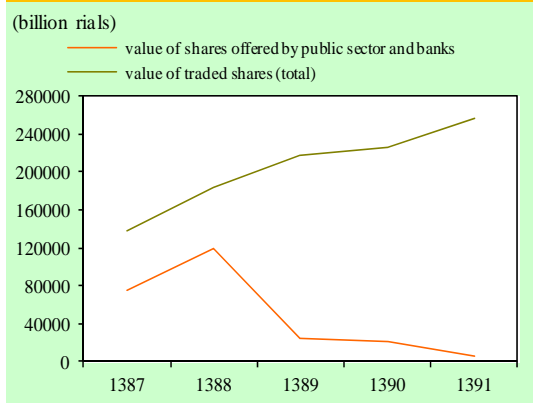


Table 16.5. TSE Indices

(1369=100)

	Year-end			Percentage change	
	1389	1390	1391	1390	1391
Tehran Stock Exchange Dividend and Price Index (TEDPIX)	94,776.0	105,398.0	154,771.0	11.2	46.8
Tehran Stock Exchange Price Index (TEPIX)	23,294.9	25,905.6	38,040.8	11.2	46.8
Free float adjusted index	29,178.2	32,946.3	44,620.3	12.9	35.4
Financial index	59,838.7	60,191.5	60,811.6	0.6	1.0
Industrial index	18,093.5	20,697.7	32,891.7	14.4	58.9
First market index	19,612.1	21,643.3	30,030.7	10.4	38.8
Second market index	29,627.6	34,348.2	62,839.9	15.9	82.9
Top 50 performers index	1,094.3	1,247.1	1,617.7	14.0	29.7

Source: TSE

Table 16.6. Number of Companies Listed on TSE

	Year-end			Change	
	1389	1390	1391	1390	1391
Listed companies	342	351	342	9	-9
Companies comprising financial index ¹	30	32	34	2	2
Other companies	312	319	308	7	-11
Delisted companies	0	8	20	8	12
Companies listed on the boards	342	343	322	1	-21

Source: TSE

¹Including "banks, non-bank credit institutions, and other monetary institutions", "investments", "other financial intermediation", and "insurance and pension funding, except compulsory social security"

Capital Increase of TSE and OTC Listed Companies

In 1391, capital increase of companies listed on the TSE and OTC market totaled Rls. 106,333.6 billion, indicating 76.9 percent increase compared with the previous year. Companies' claims and cash assets were the main sources of financing the capital increase, constituting 61.6 percent of total. The corresponding figure of the previous year was 73.7 percent. Furthermore, shares of reserves, accumulated profit, and revaluation of fixed assets in total capital increase were 0.7, 19.0, and 18.7 percent, respectively, compared with respectively 2.7, 23.6, and 0.0 percent in the previous year.

Table 16.7. Shares Offered by Public Sector and Banks¹

Seller	Number (million shares)		Value (billion rials)		Percentage change		Share in 1391 ² (percent)	
	1390	1391	1390	1391	Number	Value	Number	Value
Islamic Republic of Iran's Government	3,379.2	3.6	8,171.0	4.1	-99.9	-99.9	0.2	0.1
Iranian Mines & Mining Industries Development & Renovation Organization (IMIDRO)	18.6	1.6	67.3	7.9	-91.2	-88.3	0.1	0.1
National Iranian Oil Company (NIOC)	1,302.7	0.0	7,296.4	0.0	-100.0	-100.0	0.0	0.0
Iranian Privatization Organization (IPO)	253.1	99.6	843.0	370.4	-60.6	-56.1	4.4	6.1
National Iranian Oil Refining & Distribution Company (NIORDC)	1,339.4	2,124.1	4,894.5	5,713.0	58.6	16.7	94.6	93.4
Government Trading Corporation of Iran (GTC)	0.0	17.5	0.0	21.3	0	0	0.8	0.3
Total	6,293.0	2,246.4	21,272.2	6,116.6	-64.3	-71.2	100.0	100.0

Source: Securities and Exchange Organization and the TSE

¹Including offering of Justice (Edalat) and preferred (Tarjihi) shares, shares for the settlement of government indebtedness, and export rewards

²Components may not sum to total because of rounding.

Table 16.8. Capital Increase of TSE and OTC Listed Companies (billion rials)

	Accumulated profit	Reserves	Claims and cash assets	Revaluation of fixed assets	Total capital increase	Change in capital increase (percent)
1390	14,164.8	1,639.7	44,311.1	–	60,115.6	203.9
1391	20,170.8	762.1	65,499.5	19,901.2	106,333.6	76.9

Source: Securities and Exchange Organization

Provincial Stock Exchanges

In order to expand the stock exchange geographically, to prepare the ground for the public access to the capital market, and create investment opportunities for the public, total number of active stock exchanges was raised to 38 until end-1391. In this year, 160,326.8 million shares and securities, worth Rls. 528,668.2 billion, were traded on different stock exchanges (including electronic transactions), indicating respectively 9.5 and 16.7 percent rise compared with the previous year. Furthermore, 70.4 and 73.5 percent of the number and value of shares, respectively, were related to Tehran, 4.0 and 3.4 percent to Isfahan, 1.6 and 1.3 percent to Mashhad, 1.3 and 1.2 percent to Karaj, 1.2 and 1.2 percent to Kish, and 1.1 and 1.0 percent to Rasht stock exchanges. Moreover, 11.4 percent of the volume and 10.0 percent of the value of traded shares were related to electronic transactions, compared with 7.1 and 6.1 percent, respectively, in 1390.

Iran Mercantile Exchange

Following the merging of "Metal Exchange" and "Agricultural Commodity Exchange" in 1386 which led to the formation of "Iran Mercantile Exchange", as well as inauguration of "Petroleum Products Exchange", manufacturing and mining, agricultural, and oil and petrochemical products are currently offered on three floors of Iran Mercantile Exchange.

In 1391, Iran Mercantile Exchange was active for 237 days. A total of 21.7 million tons of various kinds of goods were traded on "manufacturing and mining", "agricultural", and "oil and petrochemical" floors, up by 6.3 percent compared with the year before. The average daily trading volume on Iran Mercantile Exchange, in the form of cash, credit, and forward transactions, was 91.6 thousand tons.

The value of transactions on Iran Mercantile Exchange was Rls. 315.1 trillion in 1391, showing 84.6 percent increase compared with the year before. Higher growth in the value of transactions, compared with the volume of transactions in Iran Mercantile Exchange, is indicative of price rise of various commodities. The average daily trading value on Iran Mercantile Exchange, in the form of cash, credit, and forward transactions, was Rls. 1,329.4 billion.

In 1391, a total of 13,171.6 thousand tons of "manufacturing and mining products", worth Rls. 197,341.0 billion were traded on Iran Mercantile Exchange, indicating respectively 12.7 and 92.5 percent increase in terms of volume and value of trading compared with 1390. The weight and value of "steel" in total transactions reached 11,041.4 thousand tons and Rls. 152,493.5 billion, respectively. The volume of trading of "copper" was 448.3 thousand tons and "aluminum", 159.8 thousand tons, valued respectively at Rls. 29,003.8 billion and Rls. 9,556.5 billion.

Over-the-Counter (OTC) Market

In 1391, total trading in the OTC market, in terms of value, amounted to Rls. 147,162.0 billion, showing 69.5 percent rise compared with the previous year. Total volume of OTC trading included 32,323 million shares, which was 71.9 percent higher than the previous year.

In this year, 28.2 percent of OTC market transactions were related to the market for new financial instruments, 23.7 percent to the second market, 20.2 percent to the third market, and 9.4 percent to the first market, in terms of value. The main OTC market, which started its operations in implementation of Article 99 of the 5th FYDP Law

in 1390, had a share of 18.6 percent in the total value, and 29.7 percent in the total volume of OTC market transactions. In 1391, the volume and value of share trading on the first market grew by -29.9 and -47.8 percent, respectively, compared with 1390. In the second market of the OTC, which was launched in 1390, a total of 11,865 million shares, valued at Rls. 34,839 billion, were traded. Total first and second markets' transactions amounted to 15,768 million in terms of the number of shares and Rls. 48,599 billion in terms of the value, indicating 41.8 and 27.8 percent increase, respectively, compared with the year before. Furthermore, 6,900 million shares, valued at Rls. 29,774.0 billion, were traded on the third market, up by 60.5 and 58.1 percent, respectively, compared with the year before.

The "participation papers market", launched on 11.07.1388, managed to diversify the debt instruments in 1389 and continued its activities in 1390 under the new title of "market for new financial instruments". In 1391, a total of 44 million papers, valued at Rls. 41,442 billion, were traded on the "market for new financial instruments".

Table 16.9. Total Value and Volume of OTC Transactions in 1391

	Value (billion rials)	Share (%)	Volume (million shares)	Share (%)
First market	13,760	9.4	3,903	12.1
Second market	34,839	23.7	11,865	36.7
Third market	29,774	20.2	6,900	21.3
Market for new financial instruments	41,442	28.2	44	0.1
Main market	27,347	18.6	9,610	29.7
Total	147,162	100.0	32,323	100.0

Source: www.ifb.ir

Joint Investment Funds

Joint Investment Funds are joint venture or contractual business undertakings between two parties. Such Funds sell their assets as units to the public and invest the receipts thereof in various securities including stocks, participation papers, money market and short-term debt instruments, and other assets, in line with the objectives of the Fund.

Composition of the Fund's assets is known as the Fund portfolio. Accordingly, the buyers of the Fund's assets (units) acquire part of the ownership of the securities portfolio. The net asset value of the Fund refers to the ownership share of each investor in Fund's assets and receipts.

According to Paragraph 20, Article 1 of the Securities Market Act of the Islamic Republic of Iran, approved in Azar 1384, an Investment Fund is a financial institution whose main activity is investment in securities. Owners of this Fund share in the profit and loss of the Fund, proportionate to the amount of their investment.

The first Joint Investment Fund started its operations at the beginning of 1387. With the ratification of the Law for "Development of New Financial Instruments and Institutions aimed at facilitating the implementation of General Policies of Article 44 of the Constitution" (approved in Azar 1388), the activities of these Funds were further developed. The number of Joint Investment Funds increased from 16 in 1387 to 33 in 1388, 53 in 1389, 79 in 1390, and 92 in 1391.

Total capitalized value of these Funds increased by 34.4 percent from Rls. 18,114 billion in 1390 year-end to Rls. 24,354 billion at end-1391. Total number of investors (natural and legal persons) increased from 65,208 persons in 1390 to 71,088 persons in 1391. The trading value of investment Funds

(buying and selling shares) decreased by 45.1 percent to Rls. 13,616.9 billion in 1391. Of total 92 Joint Investment Funds, 17 Funds indicated higher profitability compared with the TEPIX while 75 Funds were less lucrative in 1391.

Participation Papers

In 1391, a sum of Rls. 222,448.9 billion worth of participation papers was issued, of which Rls. 123,218.1 billion (55.4 percent) was sold.

Table 16.11. Joint Investment Funds

	1390	1391	Percentage change
Total number of Funds	79	92	16.5
Total capitalized value (billion rials)	18,114	24,354	34.4
Number of investors			
Natural persons	64,492	70,289	9.0
Legal persons	716	799	11.6
Total	65,208	71,088	9.0
Value of share trading (buying and selling shares-billion rials)	24,812	13,617	-45.1

Source: Securities and Exchange Organization

Table 16.10. Issuance of Participation Papers

	Number of projects	Times of issuance	Total approved amount (billion rials)	Issued amount (billion rials)	Sold amount (billion rials)	Provisional profit rate (percent per annum)	Participation papers at end-1391	
							After maturity date	Before maturity date
As of the date of issuance until end-1390	199	194	626,933.0	588,633.0	468,472.8	15.5-24.0	251,777.5	216,695.3
1391	38	38	222,448.9	222,448.9	123,218.1	20.0	0.0	123,218.1
Total (as of 1373, date of issuance)	237	232	849,381.9	811,081.9	591,690.9	-	251,777.5	339,913.4