

In the first half of 1387, TSE share and stock market indicators and indices relatively surged, mainly owing to global price rise of oil, petrochemical products, and metals, as well as initial public offerings (IPO) of large state-owned companies' shares. The second half of this year; however, witnessed signs of global financial crisis, burst of assets price bubble, and reduction in the price of the mentioned products, leading to a sharp fall in TSE indicators and indices. However, TSE activities in this year experienced a remarkable increase in terms of volume and value of shares trading. According to World Federation of Exchanges (WFE), TSE was the only stock exchange in 2008 that enjoyed a rise in market value.

In 1387, a set of regulations and guidelines was approved by the High Council of Securities and Exchange, which include:

- The guideline, subject of Article 18 of the executive by-law of Securities Market Act regarding the misconduct of managing director, senior managers, and the board of directors of stock exchanges, and other statutory bodies of self-regulated organizations;
- Criteria (regulation) on securities' transfer of ownership at non-official transaction times;
- Criteria on the establishment of land and real estate funds;
- General criteria on IPO or large sale of shares of public enterprises designated for sale through stock exchange;

- Operational guidelines on the revision of stock exchange indicators or the newly defined indices of the stock exchange.

Moreover, the Securities and Exchange Organization (SEO) approved a set of regulations and guidelines, the most important of which are as follows:

- Guideline on disciplinary measures for (securities) issuers in the TSE;
- Guideline on issuance of license for TSE listing advisors;
- Guideline on the rating of TSE agents and brokers;
- Guideline on professional capacity approval of the managers of stock exchanges and OTC;
- Guideline on market making entities in TSE;
- Guideline on commodity exchange and commodity-based securities exchange on Iran Mercantile Exchange;
- Guidelines on advisory services for securities exchange and sale.

Share Trading

During 1387, a number of 47,975.4 million shares and rights worth Rls. 137,385.4 billion (including the unofficial board) were traded on the TSE, up by 105 and 88 percent, respectively, compared with the year before.

Of total shares and rights traded in 1387, 87.6 percent were traded on the main floor, 12.1 percent on the secondary floor, and the remaining on the unofficial board. Furthermore, in terms of value of trading, 92.4 percent were traded on the main floor, 7.4 percent on the secondary floor, and the remaining on the unofficial board.

In the review year, the TSE was active for 238 days. The average volume and value of day trading were 201.6 million shares worth Rls. 577.2 billion, representing a rise of 108.5 and 91.2 percent, respectively, as compared with 1386.

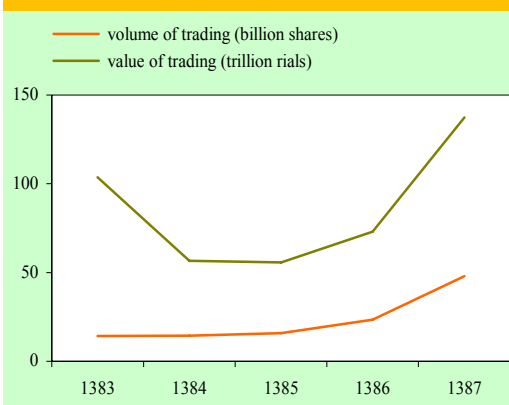
respectively, in the second half of this year. Global financial crisis and the subsequent economic recession resulted in a sharp fall in the global price of oil, petrochemical products, and metals, as well as the value of trading on the TSE in the second half of 1387.

Shares and Rights Trading on the TSE (share percent)

	Volume		Value	
	1 st half	2 nd half	1 st half	2 nd half
1386	52.4	47.6	38.3	61.7
1387	53.9	46.1	74.3	25.7

Source: TSE

Figure 17.1. TSE share trading



A comparison of trading in the first half of 1387 with the second half indicates that out of total trading, 53.9 percent, in terms of volume, and 74.3 percent, in terms of value, were traded in the first half, and 46.1 and 25.7 percent, in terms of volume and value,

Data on shares and rights traded on the TSE, by industries, reveal that "telecommunication" had the highest share of 33.1 percent out of total volume of shares and rights traded in 1387, followed by "basic metals", with a share of 37.8 percent of total value. "Basic metals", "exploitation of metallic ores", "telecommunication", "multi-field industrial corporations", "transport, storage, and communication" as well as "banks, credit institutions and other monetary foundations", by 76.3 percent of total number of shares and 80.7 percent of total value of shares and rights traded, had the highest impact on the TSE.

During the review year, shares and rights trading of "transport, storage, and communication", "other transport equipment", "exploitation of other mines", and "coke, refined petroleum products, and nuclear fuel" experienced the highest growth in terms of volume and value as compared with 1386.

TSE Share Trading¹

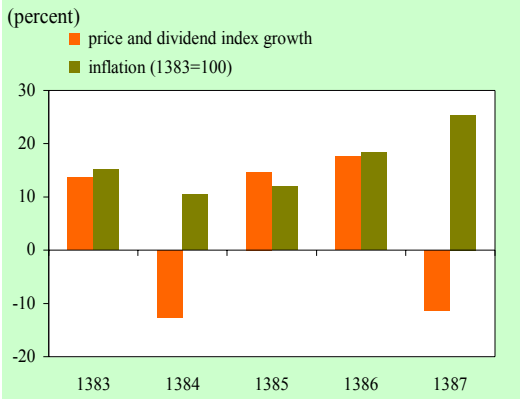
	Volume of trading (million shares)			Value of trading (billion rials)			Number of trading days of TSE	Average volume of day trading (million shares)	Average value of day trading (billion rials)
	Shares	Rights	Total	Shares	Rights	Total			
1386	23,014.4	386.5	23,400.9	72,692.6	381.7	73,074.3	242	96.7	302.0
1387	47,254.9	720.5	47,975.4	136,853.2	532.2	137,385.4	238	201.6	577.2

Source: TSE

¹ Figures also include the companies listed on the unofficial board.

Moreover, "textiles" and "mass production of properties and real estate" had the highest reduction in terms of volume and value of shares and rights traded on the TSE, respectively.

Figure 17.2. Comparison of price and dividend index growth with inflation



During 1387, share trading of almost half of industries grew compared with the preceding year, representing a rise in the volume of shares traded for 25 industries and an increase in the value of shares traded for 21 industries. Shares of these industries in total volume and value of trading were 44.2 and 78.1 percent, respectively.

During the review year, "telecommunication", "multi-field industrial corporations"

and "transport, storage, and communication" had the highest shares in the rise in the volume of shares and rights traded by respectively 67.8, 15.6 and 13.4 percentage points compared with 1386, constituting 96.8 percentage points of total growth. Securities were traded for 1.9 million times in 1387, down by 11.2 percent compared with the previous year. The mentioned figure went up by 13.2 percent in the previous year.

During the first half of 1387, market capitalization enjoyed an upward trend, however in the second half, it experienced a downtrend. Market capitalization decreased by 2.8 percent to Rls. 448,954.9 billion at end-1387 as compared with the previous year-end. Meanwhile, based on average inter-bank exchange rate¹, market capitalization in terms of dollar reached \$46.2 billion, down by 10.5 percent compared with 1386 year-end. Moreover, the ratio of market capitalization to GDP, which is an indicator of market depth, fell by 2.9 percentage points to 13.3 percent in 1387 as compared with the year before.

In 1387, "telecommunication" by 14.3 percent, "basic metals" by 14.2 percent, and "automobiles and manufacture of spare parts" by 9.1 percent, totaling 37.6 percent, had the highest contribution to market

Number of Tradings and Buyers¹

	1385	1386	1387 ² ▲	Percentage change	
				1386	1387
Number of tradings	1,866,192	2,112,065	1,875,372	13.2	-11.2
Number of buyers	987,404	1,095,359	540,398	10.9	-50.7
Average volume of buying per person (shares)	16,042.0	21,363.7	88,778.0	33.2	315.6
Average value of buying per person (million rials)	56.9	66.7	254.2	17.2	281.1

Source: Securities and Exchange Organization, and the TSE

¹ Figures are based on total trading of shares and participation papers.

² Due to the implementation of the new trading system of Stock Exchange as of Azar 16, 1387, calculation assumptions on the number of buyers have changed, leading to a different statistical trend of the mentioned variable.

¹ On the last active day of the TSE in 1387, dollar was exchanged at a rate of Rls. 9,717.

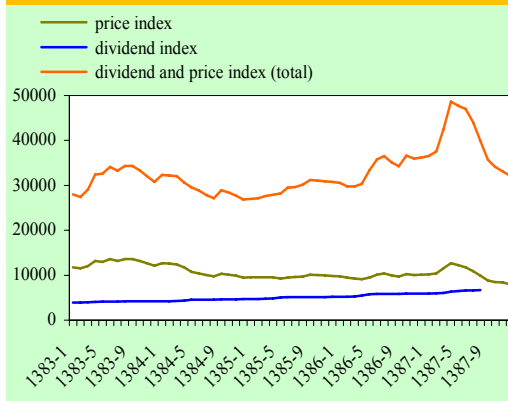
capitalization. Turnover ratio reached 30.1 percent in the review year, up by 13.1 percentage points compared with the corresponding figure of 1386. Ratio of shares traded to shares issued increased by 7.0 percentage points to 23.4 percent.

Tehran Stock Exchange Dividend and Price Index (TEDPIX)

"Tehran Stock Exchange Dividend and Price Index (TEDPIX)" declined by 11.3 percent to 32,117.3 points in the review year. Tehran Stock Exchange Price Index (TEPIX) reached 7,966.5 points at end-1387, down by 21 percent compared with the previous year. This index had an upward trend till the month of Tir, 1387, and experienced a downtrend since then.

The P/E ratio reached 3.8 in the review year, down by 26.9 percent as compared with 1386.

Figure 17.3. TSE monthly indices



Market Capitalization, Turnover Ratio, and Ratio of Shares Traded to Shares Issued^{1, 2, 3}

	Market capitalization (year-end)	Value of trading	Market capitalization (average)	Turnover ratio (percent)	Ratio of shares traded to shares issued
1386	462,105.3 (17.0)	72,799.4 (30.8)	428,566.8 (18.9)	17.0	16.4
1387	448,954.9 (-2.8)	137,117.5 (88.3)	455,530.1 (6.3)	30.1	23.4

Source: TSE

¹Excludes companies on the unofficial board and trading of participation papers.

²The turnover ratio and the ratio of shares traded to shares issued are based on the market capitalization average at the beginning and the end of the period.

³Figures in parentheses indicate percentage change over the previous year.

TSE Indices

(1369=100)

	Year-end			Percentage change	
	1385	1386▲	1387	1386	1387
Dividend and Price Index	30,786.5	36,193.1	32,117.3	17.6	-11.3
Dividend index	5,182.0	5,934.4	..	14.5	0
Price index	9,821.0	10,081.9	7,966.5	2.7	-21.0
Financial index	20,770.4	20,882.5	20,552.8	0.5	-1.6
Industrial index	7,751.6	7,966.9	6,172.6	2.8	-22.5
Main floor index	9,781.5	9,016.0	6,383.7	-7.8	-29.2
Secondary floor index	9,164.2	11,046.3	12,563.5	20.5	13.7

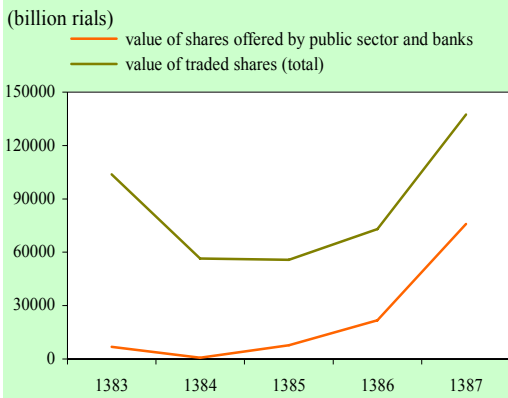
Source: Securities and Exchange Organization, and the TSE

Share Offering by Public Sector and Banks

The privatization of public enterprises which was started in 1385 under the Justice Plan continued in 1387. The main purpose of Justice Plan is to broaden public ownership of enterprises, a more just distribution of income and wealth, increase in the income and self-dependency, and the downsizing of public sector. The privatization process of state-owned companies accelerated in 1387 and the privatization procedures became healthier and more transparent. According to the data released by the Iranian Privatization Organization, value of offered Justice (Edalat) shares totaled Rls. 342,108 billion till end-1387.

Rls. 15,867.2 billion were offered to private sector and regional agents of Justice Plan by the Iranian Privatization Organization. The Iranian Privatization Organization floated these shares in the market on agency role on behalf of governmental holding companies, and public and specialized agencies as Justice (Edalat) shares on the TSE, indicating a surge compared with the 4,770.3 million shares worth Rls. 4,531.8 billion offered in 1386. The volume and value of shares offered through the stock exchange rose by respectively 3.6 and 2.8 times to 8,581.9 million and Rls. 43,135.1 billion as compared with the previous year.

Figure 17.4. Value of offered shares



According to the TSE, in 1387, 14,507.1 million shares with a market value of

New Listings on the TSE

In the review year, "Bank Mellat" as the first privatized bank as well as five other companies named "Islamic Republic of Iran Shipping Lines (IRISL)", "Kordestan Cement Company", "Esfahan Oil Refining Company", "Tabriz Oil Refining Company", and "Telecommunication Company of Iran" were listed on the TSE, raising the total number of listed companies to 448 at end-1387. Shares of these companies excluding "Tabriz Oil Refining Company" valued at Rls. 68,298 billion were offered for the first time on the TSE. In 1387, 73 companies were unlisted from the stock exchange, reducing the total number of companies listed on the TSE to 346.

Shares Offered by Public Sector and Banks

	Volume (million shares)		Value (billion rials)		Percentage change		Share (percent)	
	1386	1387	1386	1387	Volume	Value	Volume	Value
Public corporations and institutions	8,076.8	26,887.7	21,730.0	75,191.9	232.9	246.0	97.6	99.1
Banking system	0.0	655.0	0.0	687.8	0	0	2.4	0.9
Total	8,076.8	27,542.7	21,730.0	75,879.6	241.0	249.2	100.0	100.0

Source: TSE

Number of Listed Companies

	Year-end			Change	
	1385▲	1386▲	1387	1386	1387
Listed companies	435	442	448	7	6
Companies contributing to the financial index ¹	19	20	22	1	2
Other companies	416	422	426	6	4
Unlisted companies	19	29	102	10	73
Companies listed on boards	416	413	346²	-3	-67

Source: Securities and Exchange Organization, and the TSE
¹ During 1385-87, they include "banks, credit institutions, and other monetary foundations", "investments", and "other financial intermediations".

² Of the total companies listed on the TSE board at end-1387, 93 companies were on the main, and 253 on the secondary floor.

Financing Capital Increase of Listed Companies

In 1387, capital increase of listed companies totaled Rls. 22,997 billion, up by 45.6 percent as compared with the year before. Companies' claims and cash assets were the main source of financing capital increase, accounting for 55.7 percent of total increase. The remaining 44.3 percent were financed through shareholders' reserves and accumulated profit.

Stock Exchanges

In order to expand the stock exchange geographically, to prepare the ground for public access to capital market, and to create investment opportunities for the public, total

number of active stock exchanges reached 30 till end-1387, of which 22 were managed by the TSE and 8 by brokers. In 1387, 95,964 million shares worth Rls. 274,910.3 billion were traded on different stock exchanges, up by 104.9 and 87.8 percent, respectively, compared with the preceding year. Moreover, 76.6 and 68.2 percent of shares, in terms of volume and value, were traded on the TSE; 9 and 14.6 percent, in terms of volume and value, on Kish Stock Exchange, and 3.1 and 3.5 percent, in terms of volume and value, on Esfahan Stock Exchange.

Mercantile Exchange

Upon the merging of "Metal Exchange" and "Agricultural Commodity Exchange" and the formation of "Iran Mercantile Exchange" in 1386, as well as inauguration of "Petroleum Products Exchange", metals, agricultural products, and oil and petrochemical products were offered on three halls of the Mercantile Exchange.

The total number of metals traded on the Metals Floor was eight in 1387. A total of 6,679.7 thousand tons of metal products worth Rls. 62,120.6 billion were traded, indicating respectively 3.7 and 7.0 percent rise as compared with the previous year. Of this amount, Rls. 49,553.0 billion was related to 6,306.4 thousand tons of steel.

In 1387, about 173.5 thousand tons of corn, barley, oilseed meals, rice, sugar, dates, tea and feed wheat, worth Rls. 643.7 billion,

Financial Resources of Capital Increase of Listed Companies

(billion rials)

	Reserves and accumulated profit	Claims and cash assets	Reserves, accumulated profit, claims and cash assets	Shares	Total	Percentage change
1386	5,601.4	10,190.2	0.0	0.0	15,791.6	36.3
1387	10,194.8	12,802.3	0.0	0.0	22,997.0	45.6

Source: Securities and Exchange Organization

were traded on the Agricultural Products Floor. Of this amount, Rls. 382.8 billion was related to 119.6 thousand tons of corn. Moreover, Rls. 189.4 billion was related to 38 thousand tons of oilseed meals, Rls. 34.2 billion to 12.5 thousand tons of barley, and Rls. 20.2 billion to 0.9 thousand tons of rice. Sugar, dates, tea and feed wheat had a meager share in total trading.

In the review year, nine oil and petrochemical products were traded on the Mercantile Exchange. Weight of traded products totaled 4,339.2 thousand tons worth Rls. 19,921 billion. Ranking first, bitumen had 80.3 and 61.9 percent share in total transactions, in terms of weight and value, respectively, followed by polymer, with 13.5 and 30.5 percent, in terms of weight and value, respectively.

Participation Papers

A sum of Rls. 11,800 billion participation papers were issued by public corporations and municipalities in 1387, 95.8 percent of which (Rls. 11,298.7 billion) was sold. This shows a reduction of 75.1 percent as compared with 1386. The approved figure for total papers was Rls. 23,800 billion. The profit rate of participation papers was on a daily basis, redeemable at any time as in the preceding years. The provisional profit rate for all types of participation papers was 18.0 percent and tax-exempt, up by 2.5 percentage points compared with the year before.

According to Appendix II, Budget Law for 1387, the government was authorized to issue Rls. 4 trillion participation papers; however, no governmental participation papers were issued in this year.

Issuance of Participation Papers

(billion rials)

	Number of projects	Times of issuance	Total approved amount	Issued amount	Sold amount	Provisional profit rate (percent per annum)	Participation papers till end-1387	
							Matured	Unmatured
As of the date of issuance till end-1386	136	143	350,046.9	287,546.9	235,478.9	15.5-24	172,603.9	62,875.1
1387	3	3	23,800.0	11,800.0	11,298.7	18	0.0	11,298.7
Total (as of 1373, date of issuance)	139	146	373,846.9	299,346.9	246,777.6		172,603.9	74,173.8