

Message from the CEO

The operation of Bank Melli Iran Investment Company (BMIIC) continued to be successful in 2006/07, despite political volatility in the region and the instability of the Tehran Stock Exchange (TSE).

Our net profit jumped from RIs1,033,365 million in 2005/06 to RIs1,571,265 million in the following year. Similarly, our total assets enjoyed a massive increase of over 30%. The short-term investments also increased by over 40%.





These are only some examples of BMIIIC's achievement in the reported year and it is our belief that these achievements, have been due to the sound long-term strategies of this company, along with the hard work of our colleagues and the personnel of our subsidiary companies.

Our main objective here at BMIIIC is to play a positive role in the development of our economy, by investing the vital economic sectors, as well as safeguarding the interests of our shareholders by maintaining Profitability.

In order to achieve the above objectives, it is our strategy to continue to invest in profitable industries and establishing specialized holdings based on this country's specific economic characteristics. In addition, BMIIIC has made a strategic move to concentrate on specialized, profitable industries in the fields of oil, petrochemical, power plans, construction as well as non-ferrous minerals.

Future prospects of the company also seem promising. Some of our long-term objectives include becoming the largest stock investment company in the country and to compete with some of the largest holding investment companies in the region.

I am very pleased to announce that the outcome of our strategies is reflected in the successful performance of the company and I have no doubt that with our in-depth knowledge of the market and the experience of our colleagues, BMIIIC will continue to move from strength to strength in the years to come.

Mohammad Mehrzad
Board Member & Chief Executive Officer



A Glance at Iran's Economy

Economic Developments in the Middle East & North Africa in 2006 & Iran's Position

The 2006 Gross Domestic Product (GDP) growth in the Middle East and North Africa remained approximately the same as in 2005, meaning the growth in the Middle East was 4.9% and it is expected that growth figure would be the same for 2007.

Iran with the GDP of 218 billion U.S. Dollars (USD) maintained its 3rd rank status in the region in 2006 following Turkey (395 billion USD) and Saudi Arabia (323 billion USD) and leading United Arab Emirates (UAE) (163 billion USD). Based on speculations of Iran's 4th Economic and Social Development Plan and 20-year historical records, Islamic Republic of Iran will be a highly potential country in the region with a high growth rate.

The GDP per capita of North America in 2006 was 44,180 USD and in West Europe 31,277 USD, Asia and Australia 3,442 USD and Middle East and North Africa 3,093 USD. The global GDP per capita was 8,797 USD. For the same period the GDP per capita of Iran was 3,141 USD which ranks after countries like Saudi Arabia, UAE, Turkey, etc.

In 2006, the inflation rate in North America was at 2.7%, in West Europe 2.1%, Asia and Australia 4% and in Middle East and North Africa 8.1%.

Middle East and North Africa contribute to 4.7% of world exports and 2.8% of world imports. In 2006, regional exports and imports grow by 6.6% and 12.5%, respectively and it is expected to grow at the rates of 4.7% and 8.7% in 2007.



In 2006 Iran with exports valued at 63 billion USD ranked 3rd after Saudi Arabia and Turkey and was also positioned in 3rd place with 46 billion USD imports.

High regional unemployment rate is one of the most critical issues faced by the regional governments. The important point is that there is no correlation between lower rate of unemployment and economic growth.

The soaring revenues of regional oil exporting countries led to hikes in housing and financial markets. On the other hand, it is expected that the oil prices which may continue to increase in 2007, may be the cause of decreasing the pace of economic improvements.

Iran's Economic Reform in 2006/07

The most significant economic reform in 2006/07, which might as well be the most significant economic reform in Iranian history, was Supreme Leader's announcement regarding general policies of further development of non-governmental sector through transfer of governmental activities and companies. The related derivative was delivered on 1385/4/12 (3/7/2006) and accordingly the directive 80% shares of government owned companies subject to Article 44 were transferred to the private and cooperative sectors, based on the stipulated terms and conditions.

Iran's economic growth in 2006/07 was estimated at 4.8 to 5.2 percent, at the same rate for previous year. The GDP excluding oil was less than 6%. Based on real projections of 4th Development Plan, the growth rate for 2006/07 was expected to be approximately 7.4%. In 2006/07, the GDP at current prices was 1,940,000 billion Rials (211 billion USD) which indicated a rise of 14% when compared with the same figure for previous year. In the same year, GDP excluding oil at current prices was around 1,380,000 billion Rials indicating a rise of 13.6% when compared with the same figure for previous year. According to official reports the inflation rate climbed from 12.1% in 2005/06 to 13.6% in 2006/07. Whilst the service sector experienced the highest rate in 2005/06, it is estimated that the highest rate in 2006/07 was experienced in housing and fuel.



Based on real projections in the 4th Development Plan, the inflation rate was supposed to be at 11.5%. During 2006/07, liquidity rose by 39% to more than 1,280,000 billion Rials.

The unemployment rate was officially reported at 11.2% for 2006/07. Compared to the previous year, the active population slightly rose to 42 million people and hopes of life growth rate maintained its pace of 69.6%.

Non-oil exports increased from 11 billion USD to 16 billion USD indicating a 45% increase. Iran's total exports climbed by 8 billion USD to more than 68 billion USD and considering the 45 billion USD imports, the trade balance rose by 4 billion USD to 23 billion USD, which reached its highest record and was due to soaring prices of petroleum, gas and related product.

Average price of each barrel of Iranian crude oil during 2006/07 was higher than 50 USD and total revenues generated from oil and gas is estimated at 52 billion USD.

It is estimated that the government operation budget deficit in 2006/07, was increased by 26,000 billion Rials to 157 billion Rials.

In 2006/07, average USD and Euro exchange rate rose by 2% and 6.6% to 9,200 Rials and 11,740 Rials, compared to previous year.

Iran's economical mid and long-term challenges are oil price fluctuations, non-oil sector development and independency from petroleum, prolong privatization process, liquidation volume and inflation, exchange rate stabilization, budget deficit and borrowing from Central Bank, reduction and regulation of subsidies as well as modification of existing taxation system.

Iran's 4th Economic, Social and Cultural Development Plan which was ratified in 2004/05, provides a proper overview until the end of 2009/10. Two years after the date of implementation there were deviation from the Plan and it is hoped that the hurdles are alleviated within the next three years. The programs are planned to produce an average GDP growth rate of 8% between 2005/06 and 2009/10. This average rate has approximately doubled compared to 1370s (1991 - 2001) decade.

It is expected that during the planned period, investment, workforce efficiency and non-oil exports to rise by an annual average rate of 12.2, 3.5 and 10.7 percent, respectively. Assessments show that with the implementation of this Plan the annual average rate of liquidity would be 7% less than the same average in 1370's (1991 - 2001) and the average inflation rate would reach 9.9% (13% less than 1370's).

According to this Plan, for the next four years the driving force behind country's economy would be industry and mines and service sectors with annual average growth rates of 11.2% and 9%, respectively. 11.9% growth in building construction and 18% growth in communication were the largest contributors to the growth in industry and mine and service sectors.

A Glance at the TSE Indexes & Variations in 2006/07

During 2006/07, the total TSE index rose by 4% from 9,460 to 9,821 points and the price and yield index rose by 15% to reach 30,786. During the same period, industry index moved from 7,428 to 7,752 (4% increase) by the end of the period. Financial intermediaries group index plunged by 0.8 percent from 20,941 at the beginning of the period to 20,770 at the end of the period.

At the beginning of the period daily market value started at 325,745 billion Rials and due to various factors and offering shares of Mobarakeh Steel Co. and National Copper Industries Co. by the end of the period rose to 395,028 billion Rials presenting an increase of 21 percent.

During 2007/08, the number of TSE company enlistment were increased by six making the total number of enlisted companies to 437.





Company Profile in Brief

History

Bank Melli Iran Investment Company (Public Joint Stock) (hereinafter referred to as BMIIIC) was established on 1370/11/20 (9/2/1992) and was officially registered on 1371/1/25 (14/4/1992) under registration number 89584 with Company Registrar. Company headquarters is located at No. 2, Naderi St., Vali Asr Ave., Tehran, Iran.

Activities

- A.** To search, study, establish and development, commission, invest and participate in all types of industrial, commercial, service, engineering, civil plans and projects across all sectors and management of the same.
- B.** To form and establish all types of manufacturing and industrial, service and engineering, commercial and construction companies and participation in the aforementioned companies.
- C.** To rebuild, renovation, administration and maintenance, improvement, halt, expansion, merge and closure of any type of Iranian or non-Iranian economical companies and institutions.
- D.** To prepare subsidiaries for shares offering and facilitating companies for entry and acceptance to TSE and participation and investments with non-Iranian economical establishments in accordance to the pertinent regulations.
- E.** To use financial and credit facilities of domestic or international credit and financial banks and institutes; to issue participation bonds; to purchase and sale of any type of securities and shares of Iranian and non-iranian companies.
- F.** To perform any and all transactions of shares and investment services; to perform any type of financial and monetary activities in money and capital markets; to purchase and sell products and tangible and intangible properties; to manage custodial cash upon clients' requests.
- G.** To provide any service required by subsidiaries including financial and non-financial services, management and consulting services, system design and marketing services to facilitate and to increased performance and/or for new investments, development and completion projects whether through participation and/or administration and approval and acceptance of any type of guarantee and/or obligatory note for subsidiaries.
- H.** To obtain and grant representation in and outside Iran and to obtain preliminary approval and any other permits for the implementation of new manufacturing and industrial projects and/or development and completion and formation of legal entities to serve such purposes.
- I.** To perform all permissible operations directly or indirectly beneficial to reach company objectives and /or inline with execution of company objectives such as commissioned works, etc.

Capital

The charter capital of the Company was 100 billion Rials and thereafter was increased to 1,610 billion Rials on 1382/10/23 (13/1/2004) in accordance to the extraordinary general assembly meetings ratifications. Another capital increase was executed in 2004/05 rising the capital to 3,220 billion Rials in two stages in accordance to the extraordinary general assembly meetings ratification of 1383/4/28 (18/7/2004) which was registered with Company Registrar.

Current company capital stands at 3.22 billion Rials, all paid in, divided into 3.22 billion registered shares with nominal value of 1,000 Rials. Shareholding structure and purchase and sales of shares during the fiscal year ended 20/03/2007 are briefly described in the following page.

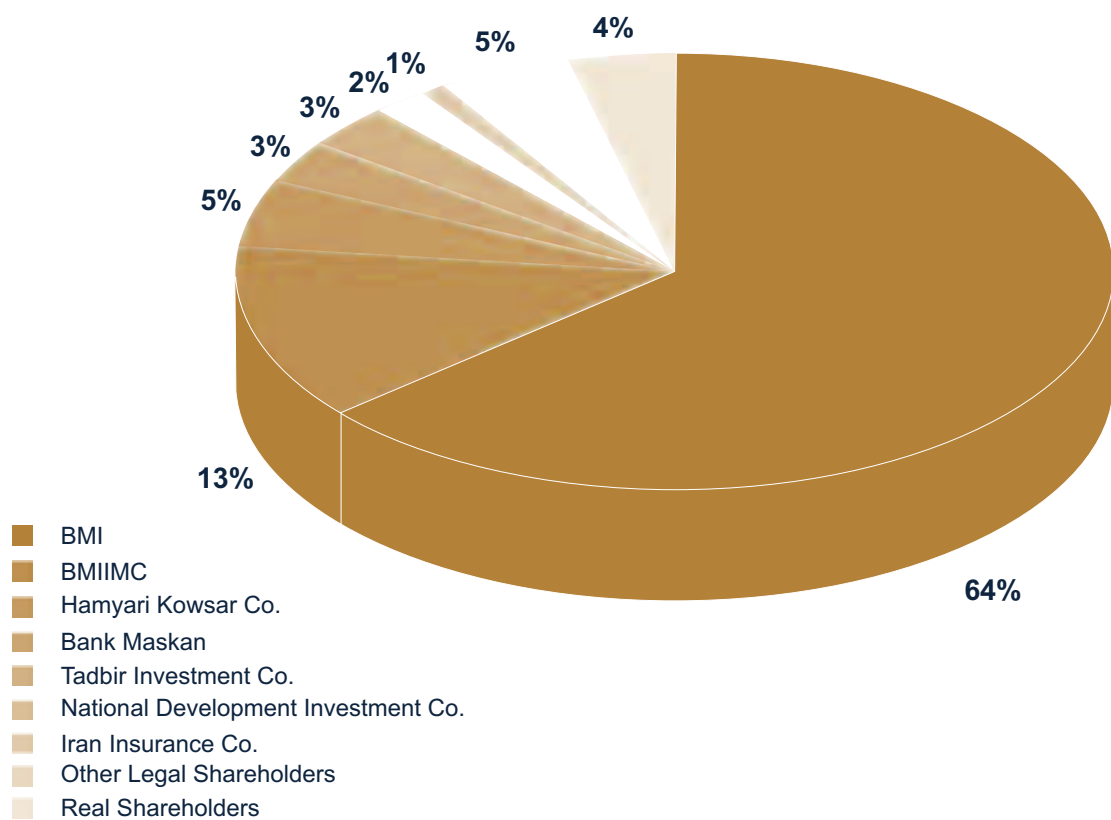




Summary of Shareholder's Transaction from 21/03/2006 to 20/03/2007

Shareholders	Share Inventory		Purchase	Sale	Share Inventory	
	March 21 st , 2006	Percent			March 20 th , 2007	Percent
Bank Melli Iran	2,061,096,383	64.01%	0	0	2,061,096,383	64.01%
Bank Melli Iran Investment Management Co.	399,164,151	12.40%	15,420,256	4,900,000	409,684,407	12.72%
Hamyari Kowsar Co.	155,633,328	4.83%	0	0	155,633,328	4.83%
Bank Maskan	111,975,393	3.48%	10	17,235,832	94,739,571	2.94%
Tadbir Investment Co.	85,981,684	2.67%	200,000	500,000	85,681,684	2.66%
National Development Investment Co. (Public Joint Stock)	55,523,769	1.72%	332,000	0	55,855,769	1.73%
Iran Insurance Co.	43,587,861	1.35%	2,225,255	40,000	45,773,116	1.42%
Pension Support Fund of Steel Personnel Inst.	16,716,448	0.52%	1,200,001	165,000	17,751,449	0.55%
Teachers Investment Co.	14,865,008	0.46%	2,143,425	50,000	16,958,433	0.53%
Pension & Saving Fund for Banks Employees	13,474,908	0.42%	0	0	13,474,908	0.42%
Bouali Investment Co. (Public Joint Stock)	7,923,890	0.25%	2,220,090	0	10,143,980	0.32%
Pension Fund for Banks Employees Investment Co.	9,910,000	0.31%	0	0	9,910,000	0.31%
Mines & Metals Development Investment Co.	10,402,030	0.32%	0	45,000	10,357,030	0.32%
Bank Tejarat	12,230,271	0.38%	0	3,477,780	8,752,491	0.27%
Madar Management Services Co. (Private Joint Stock)	1,664,136	0.05%	5,564,445	0	7,228,581	0.22%
Saba Jahad Investment Co. (Public Joint Stock)	6,688,909	0.21%	0	0	6,688,909	0.21%
Iran Central Insurance	6,670,810	0.21%	630,000	872,679	6,428,131	0.20%
Sepah Investment Co.	6,207,705	0.19%	0	0	6,207,705	0.19%
Shomal Cement Co.	5,959,295	0.19%	0	0	5,959,295	0.19%
National Iranian Investment Co.	3,057,920	0.09%	2,898,451	135,000	5,821,371	0.18%
Sobhan Investment Co. (Private Joint Stock)	3,008,056	0.09%	1,846,291	0	4,854,347	0.15%
Kharazmi Investment Co.	3,552,968	0.11%	0	0	3,552,968	0.11%
Other Legal Shareholders	46,367,909	1.44%	10,391,133	26,403,272	30,355,770	0.94%
Real Shareholders	138,337,168	4.30%	31,503,178	22,749,972	147,090,374	4.57%
Total	3,220,000,000	100.00%	76,574,535	76,574,535	3,220,000,000	100.00%

Composition of Major Shareholders



Main Performance Indexes

Considering the general economical conditions of Iran, it is feasible to present a proper principle of company activity parameters in the fiscal year. In this part of report, company's main operation indexes for the fiscal year ended 20/3/2007 is presented as follows:

1) Total Company Revenues

Total company revenues for the mentioned fiscal year was more than 1,601,067 million Rials which compared to the estimated budget projection indicates a 33% reduction and is comprised of the following items:

	million RIs
Income from Investment in Companies	1,089,240
Income from Investment in Projects	399,662
Income from Sales of Companies' Shares	101,991
Income from Participation Bonds & Deposits at Banks	10,174
Total	1,601,067

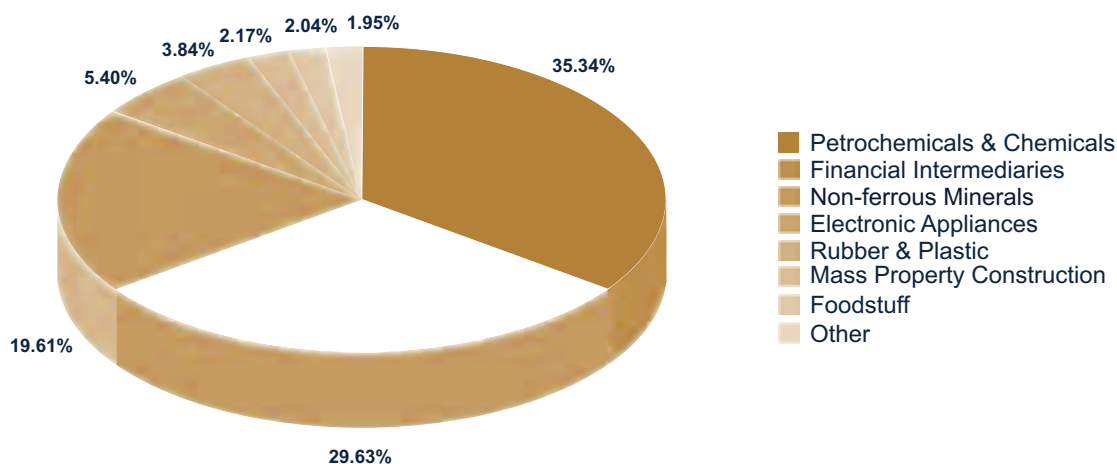
2) Earnings Per Share (EPS)

Actual net earning per share for the aforementioned fiscal year was 266 Rials. At the beginning of the period the EPS was projected at 700 Rials / share of which 266 Rials was realized. The EPS adjustments were periodically reported to the public through TSE. Main reduction was due to the prevailing condition on the capital market and mandating the company to provision for investment devaluation which was reflected on the EPS (62% reduction) from the first date of announcement.

32 Rials of EPS for previous year is retained as capital provision and remaining 234 Rials of actual EPS may be allocated for distribution and/or retained earnings.

The Share of Investee Companies in Income from Investments

Industry Group	Profit Quota (million RIs)	Ratio to the Overall Portfolio (million RIs)
Petrochemicals & Chemicals	384,980	35.34
Financial Intermediaries	322,716	29.63
Non-ferrous Minerals	213,599	19.61
Electronic Appliances	58,865	5.40
Rubber & Plastic	41,865	3.84
Mass Property Construction	23,684	2.17
Foodstuff	22,239	2.04
Other	21,292	1.95
Total	1,089,240	100.00



3) Market Value of the Listed Companies

Market value of the shares of listed companies are used as a performance index of investment companies. The aforementioned value increased from 2,954 Rials at the beginning of the fiscal year to 2,985 Rials at the end of the period which indicates an increase of 100,471 million Rials of TSE share portfolio in total mentioned companies' values. The main increase was the result of capital increases in Arak Petrochemical, Kerman Rubber and purchase of new TSE shares.

4) Net Asset Value Per Share (NAV)

The share value of investment companies are usually determined by NAV but the final price determination is by consideration of other influencing factors. Net asset value per share described on the Balance Sheet on 20/3/2006 is 3,769 Rials per share which compared the same figure at the beginning of the period was 3,800 Rials presenting a reduction of 31 Rials equivalent to one percent.

The mentioned reduction translates into net assets value of slightly more than 101,630 million Rials leading to an increase in finished costs of TSE and non-TSE shares. With such consideration, the mentioned value at the date of Balance Sheet reached a total of more than 12,134,633 million Rials.

5) Company Investments

As it can be viewed, finished cost of BMIIC investments rose from more than 11,294,680 million Rials at the beginning of the period to more than 11,895,274 million Rials at the end of the period, which shows a more than 600,594 million Rials (5%) growth in finished costs at the beginning of the period. The details of changes in investments are reflected in the following table.

	million RIs
Investment in Shares of Listed Companies	671,907
Investment in Shares of Other Companies	70,369
Investment in Purchasing Buildings	(137,692)
Participation Bonds	(3,990)
Total	600,594

6) Composition of the Portfolio

By the mentioned investments, the composition of the portfolio and its comparison with the same previous period is illustrated in table below:

No.	Industry	20/03/2007		20/03/2006	
		Investment Amount	Percent	Investment Amount	Percent
1	Exploiting Ferrous Minerals	669	0.01	116	0.00
2	Mass Property Construction	177,455	1.49	165,130	1.46
3	Foodstuff & Beverage	536,001	4.51	489,879	4.34
4	Banks: Credit Institutes & Other Monetary Funds	16,088	0.14	25,000	0.22
5	Industrial Contracting	2,903,269	24.41	2,750,376	24.35
6	Multi Function Industrial	5	0.00	5	0.00
7	Wood, Carton, Paper & Packaging	10,828	0.09	10,828	0.10
8	Transportation, Warehouse & Communication	0	0.00	0	0.00
9	Electronic Appliances	56,692	0.48	56,604	0.50
10	Base Metal Products	1,507	0.01	0	0.00
11	Computer & Related Activities	45,656	0.38	45,656	0.40
12	Textile Industry	474,085	3.99	463,500	4.10
13	Oil Products, Coke & Nuclear Energy	713	0.01	713	0.01
14	Machinery & Equipments	211,170	1.78	174,630	1.55
15	Fabricated Metal Products	23,708	0.20	23,708	0.21
16	Non-ferrous Mineral Products	2,733,839	22.98	2,598,693	23.01
17	Rubber & Plastic Products	80,794	0.68	80,650	0.71
18	Chemical Products	790,128	6.64	622,679	5.51
19	Financial Intermediaries	3,414,725	28.71	3,224,926	28.55
20	Motor Vehicles	46,701	0.39	48,666	0.43
21	Participation Bonds	25,110	0.21	29,100	0.26
22	Projects	346,130	2.91	483,822	4.28
	Total Portfolio	11,895,274	100.00	11,294,680	100.00
	Decrease Reserve	724,480		119,188	
	Book Balance	11,170,793		11,175,491	



Stock portfolio of BMIIC began with inclusion of shares of 124 companies from 21 industrial groups, of which BMIIC is authorized to appoint directors in 26 companies and entitled to control and supervision.

76 percent of company's daily market value corresponds to shares of TSE enlisted companies and remaining to non-TSE companies and other investments.

Industry Group	Market Value (million RIs)	Qouta from Market Value of the Portfolio
Financial Intermediaries	3,383,305	26.78%
Non-ferrous Minerals	3,151,591	24.95%
Chemical Products	3,171,204	25.10%
Industrial Contracting	617,899	4.88%
Other	2,309,532	18.29%
Total	12,633,531	100.00%

Company's daily portfolio value at the end of 20/3/2007 was more than 12,634 billion Rials with finished cost of 11,895 billion Rials which indicates a 6 percent value added to finished cost. This is under the conditions that due to observation of standards the company assets are valuations are reflected at finished cost.

In addition, company's daily portfolio value reveals an increase compared to the value at the beginning of the period.

7) Share Transaction Volume

During the period being reported, a total of 55,428 billion Rials of the various company shares were traded at TSE, while the same figure for the previous year was more than 56,531 billion Rials. More than 5,967 billion Rials of the aforementioned (previous year 6,955 billion Rials) was the contribution of multipurpose industrial companies. The amount accounts for 10.77% of the total transaction volume.

BMIIC share transaction volume was 202 billion Rials equivalent to 3.39% of those traded for multipurpose companies.

8. Significant Future Plans, Projects & Activities

Some of the following plans and activities in continuation of those already reported to the general assembly of previous years and some are presented as future plans of the company in 2007/08 and following years:

1) Preparation & Strategic Planning for BMIIC & Some Subsidiaries

- On one side, this program must be designed reflecting the principles and guidelines of highest rank policymakers of the organization and on the other side must contain proper adjustments to the economical and political conditions of the society.
- Preparation and compiling of such programs requires awareness toward variable influencing the capital market, environmental conditions, laws and regulations specifically relating to TSE as well various company activities.
- Compiling such programs with consideration of aforementioned and participation of internal forces and following methodology was done during the period being reported for BMIIC and its subsidiaries:
- **Review of Global Economy including:**
 - Oil prices and its fluctuations
 - Price of base metals and price fluctuations
 - Main foreign currencies and study of related exchange rates
 - Examining and analysis of significant parameters of global economy
 - Global scale of political economy
 - Study of international stock exchange status
- **Review & Analysis of Country's Economic Status including:**
 - Study of 20-year overview
 - Examination of 4th Five Year Economic, Social and Cultural Development Plan
 - Review of budget for current year (along with its supplements)
 - Study of country's macro scale economic parameters in current year
 - Examination of country's budget for the next year
 - Analysis and predictions regarding country's economic status in next year
 - Examination of political events influencing country's economy
 - Study of other economic issues, if necessary
- **Examination of Country's Various Economic Scopes including:**
 - Study and analysis of Industrial, service, petroleum and agricultural sector
 - Review of various industries such as petrochemical, mining, automotive, cement, etc.
 - Examination of investment companies' status including holdings
 - Study of TSE status

- **Recognition of BMIIIC**

- Review of BMIIIC's portfolio composition in past five years
- Study of BMIIIC's activities in past five years
- Analysis of performance indexes in past five years

- **Key Success Factors & Overview**

- Key objectives and values
- Long-term objectives
- Key success factors

- **Identification of Key Capabilities, Weaknesses & Strengths**

- **Seeking Key Strategies**

- **Making Strategies Operational**

Long-term objectives are those goals desired to be reached by organizations. Long-term objectives are usually more challenging, measurable and difficult to achieve. Long-term objectives are defined with the consideration of organization's mission and internal and external factors.

- **BMIIIC's Long-term Goals are as follows:**

- To become the largest investment company traded on TSE in terms of market value
- To achieve capabilities for competing with top ranking investment holdings in the region
- To have high level of expertise and capabilities to absorb proper investment opportunities
- In reality long-term objectives and planning of BMIIIC, which will be presented later, are strategies and tools that are utilized to achieve the long-term objectives

2) Continuing to Finalize the Specialized Holding Companies such as:

- To perform economic studies, investment and participation in plans and projects in oil, gas, petrochemical, downstream and related industries and finally formation of a specialized holding company for this sector
- Investment and participation in plans and projects of real estate and property industry and to strengthen the related specialized holding

Considerable profitability and low investment risk in real estate and property led to the establishment of Melli industry and construction Co. in 2003/04 to enable BMIIIC to play a more significant role in respective market. Thereafter BMIIIC put great emphasis on expanding the activities of Melli industry and construction Co.

- To expanding the activities of cement specialized holding to further influence the cement market

- Stipulations in most important governmental documentations, such as 20-year projections of 5-year Economical, Social and Cultural Development plans and general policies of Article 44 of Constitution, etc. promotes actions toward economical development are foreseen and indispensable, also considering the fact that one of the prerequisites for reaching this goal are strengthening and development of Iran's non-oil economy, certainly the industries that enjoy a relative advantage in the country will have more favorable future positions including petroleum, gas, petrochemical and cement industry.
- To develop and finalize food industry specialized holding to provide more efficient management, specialization and synergy.

3) Continuous Supervision & Providing Assistance & Support to Improve the Status of Iran Marine Industrial Co. (SADRA)

- Considering the sharp plunge in the share prices of SADRA and its substantial impact on BMIIIC portfolio and understanding the fact that without improvement in SADRA's current status the improvement in BMIIIC's portfolio will be unfeasible, selection and implementation of a proper strategy is placed as top priority on BMIIIC's agenda.

4) Expedition of Activities of BMIIIC's Office in Dubai (BMIIIC G.T.)

- Inline with optimal use of international market presence, BMIIIC established its Representative Office in Dubai in 2004/05 to absorb foreign investments and receive soft foreign currency loans and have an active presence in and amongst international financial markets and organizations. This office has been responsible for the following:

Registration of a holding investment Co. in Dubai International Financial Centre (DIFC) with following future plans:

- Strive to enlist some of BMIIIC subsidiaries in Dubai International Financial Exchange (DIFX)
- Formation of various specialized investment funds
- Obtaining a credit ranking from reputable financial institutions

5) Development & Completion of Investment Process in Power Plant & Energy Conversion Plans & Projects due to Substantial Domestic Demands, Governmental Supports & Acceptable Return on Investment

- Currently, the company is participating in many projects in electrical power supply and hopes to deliver the project and to use the financial resources and funds from Dubai Office for the start of other new projects.

6) Effective Presence in Tehran Stock Exchange (TSE) through National Development Investment Co. & Bank Melli Iran Investment Co. & Establishment & Expansion of Investment Funds in Accordance with Article 44 General Policies Directives & Special Status of TSE

7) Entry to Risk-prone Investments

8) Participation with job creators and execution of new ideas and short-term projects in observance of governmental policies regarding job creation through granting facilities to small businesses and short-term projects. It seems that participation and establishing communication with job creators and use of government facilities can prove to be beneficial

9) Systematic, all around and permanent review of portfolio companies and continuation of sales of saleable shares through *Sarmayeh Madar Management Services*.

10) Cooperation with non-Iranian companies to promote foreign investment, such as establishing a Private Investment and Development Bank, joint investment, taking into account the decisiveness of authorities toward achieving objective that are set forth in Development Plans as well as inevitability using foreign investment to accomplishment of the goals. Foreign investment is a driving force for economical growth and development of countries and in specific developing countries.

11) Entering the macro commerce scenes through establishment and commissioning of National Trade Development International Company. This company was established and activated in 2007/08 with participation of National Development Investment Co. and Hamyari Kowsar Institute and capital of 50 billion Rials.

12) Research on opportunities and threats of Iran's membership in World Trade Organization (WTO). The result of this research is the options which will guide toe company to benefit from opportunities and therefore to create a competitive advantage.

13) Continuous communication with financial, economical, management consulting service centre and preparation of a complete database on financial service, economic and management consulting companies.

14) Review and implementation of comprehensive mechanized information systems to obtain financial reports, budget and planning and progress reports on subsidiaries' development projects.



Investments
in **the**
Cement Industry



1. CIDCO & Affiliated Companies

Cement Industry Investment and Development Co., (private joint stock) or CIDCO Cement Holding was established on 3/3/2004 and registered with Company Registrar with the objective to manage all cement companies that are owned by BMIIC. CIDCO is completely owned by BMIIC.

The mission and philosophy of the mentioned company is particular attention to the cement industry as a primary investment portion in BMIIC portfolio and as an industry with high growth potential and comparative advantage in Iran and investment and investment management in cement industry and related industries in order to establish new units with optimization and increase efficiency and performance in existing cement units and creating synergy among subsidiaries and cement projects. Another objective of CIDCO are to become a major cement supplier with significant market share and growth in Iran and the region.

The following table demonstrates investee companies owned by Cement Industries Development & Investment Co. on 20/03/2007:

Description	(Amounts in million RIs)		
	Year Ended 20/03/2007		Year Ended 20/03/2007
	Cost Price	Percent	Cost Price
Shomal Cement	1,259,072	40.40	1,210,725
Ghaen Cement	454,688	25.67	454,688
Mazandaran Cement	239,690	9.76	262,120
Faraz Firouzkouh Cement	92,057	32.00	92,057
Neyzar Qom Cement	28,320	20.00	20,320
Darab Cement	143,837	9.71	143,837
Kerman Cement	595	0.54	-
Azar Khak	1,000	20.00	1,000
Total	2,219,259		2,184,747

In addition to the abovementioned companies, the management of other cement subsidiaries including Kerman Cement Co., Firouzkouh Cement Co., Sarouj Bushehr Cement Co., Kerman Momtazan Cement Co. (subsidiary of Kerman Cement Co.) as well as Bandar Deir Cement Project is delegated to CIDCO.

1.1. Shomal Cement Company

Shomal Cement Company is listed on the Tehran Stock Exchange (TSE) and 40.40% of its shares are held by CIDCO, 0.26% by BMIIC, 12.77% by Bank Melli Iran Investment Management Company, 5.20% by National Development Investment Co. totaling the investment to 58.63% enabling CIDCO to have management control of the Company through its four seats on the board of directors of Shomal Cement Company.

Shomal Cement Company is implementing a 1,800 tons/day capacity increase which is projected to complete at end of 1386 (March 20th, 2008).

1.2. Kerman Cement Company

BMIIC, Bank Melli Iran Investment Management Company, National Development Investment Co. each hold 38.37%, 7.57% and 4.52% of Kerman Cement Co. shares respectively totaling 50.47% of the shares. CIDCO manages Kerman Cement Co. by controlling four seats on the board of directors of Kerman Cement Co., which is listed on the TSE.

Based on the studies on Kerman Province and considering the plans under execution that indicates the adequate supply for future market demands, the implementation of new plans at plant site is to the interest of the Company and therefore Kerman Cement Co. has participated (33.33%) in Momtazan Kerman Cement Co. plan with the capacity of 3,300 tons/day.

1.3. Mazandaran Cement Company

60.40% of Mazandaran Cement Co. is owned by CIDCO Company which also controls the company's management through its 3 seats on the board of directors. 60.40 percent shareholding consists of 9.7% by CIDCO, 4.8% by Tose'e Melli Investment Co., 25.9% by Shomal Cement Co. and 20% by Kerman Cement Co. Shares of Mazandaran Cement Co. are traded on the TSE.

The Company is implementing a 2,000 tons/day capacity increase plan projected for commissioning by mid 1386 (3rd quarter of 2007) and an expansion plan of 3,300 tons/day plan projected for commissioning by early 1387 (2nd quarter of 2008)

1.4. Ghaen Cement Company

Currently BMIIC holds 13.53% shares of Ghaen Cement Co. 25.67% is held by CIDCO, 4.89% by Tose'e Melli Investment Co. (totaling 44.09%). CIDCO has two members on the board of directors. The management of Ghaen Cement Co. lies with the Cement Supply Investment Co. The shares of Ghaen Cement Co. are traded in the TSE.



1.5. Ardebil Cement & Azar Shahr Lime Company

43.38 percent of this company (enlisted on TSE) is controlled by BMIIC (30.64%), Bank Melli Investment Management Co. (8.49%) and Kerman Cement Co. (4.25%). Two board member of Ardebil Cement & Azar Shahr Lime Co. are appointed by BMIIC.

1.6. Darab Cement Company

CIDCO owns 9.69% of Darab Cement Co., the company managed by Ehdas San'at Co., and its shares are traded in the TSE.

1.7. Profit (Loss) Summary of Investee Cement Companies

(Amounts in million RIs)

Description	20/03/2003	20/03/2004	21/03/2005	20/03/2006	20/03/2007	Budget of 2007/08
Shomal Cement Co.	111,826	157,138	159,584	216,457	*1,034,900	113,113
Kerman Cement Co.	86,209	135,913	229,856	303,209	266,831	250,414
Mazandaran Cement Co.	65,680	103,493	133,532	150,554	240,992	279,136
Ghaen Cement Co.	69,987	122,067	133,872	147,324	172,003	163,642
Ardebil Cement Co.	49,343	81,807	118,343	170,759	111,562	176,053
Darab Cement Co.	(5,574)	32,643	110,038	150,947	64,435	105,056
Total	377,471	633,061	885,225	1,139,250	1,890,723	1,087,414
% Compare to the Previous Year	100%	168%	140%	129%	166%	58%

* 866,424 million Rials of this amount is the result of exchanging the shares of Firouzkouh and Saveh.

1.8. Sarouj Boushehr Cement Project

BMIIC holds 32.63% of the Sarouj Boushehr Cement Project for the production capacity of 6,000 tons/day and is managed by CIDCO. The estimated time of commissioning the Project is December 2007.

1.9. Momtazan Kerman Cement Project

Momtazan Kerman Cement Co. has a 3,300 tons/day production project and 33.33% of it is owned by Kerman Cement Co. and is managed by CIDCO. The Project is expected to be commissioned on September 2007.

1.10. Faraz Firouzkouh Cement Project

Faraz Firouzkouh Cement Co. has a 3,300 tons/day production project. CIDCO owns 32% of its shares and appoints two of its board members. This Project has become operative from the beginning of 1386 (2007/08).

1.11. Neyzar Qom Cement Project

This company is currently erecting a plant with 3,300 tons/day production capacity. 20% of this company is owned by CIDCO and one of its board members is appointed by the BMIIC. Based on the preliminary studies, the project will be commissioned by end of 1387 (2008/09).

1.12. Bandar Deir Cement Project

Bandar Deir Cement Co. has a 6,000 tons/day output project in Boushehr Province. The company is owned by BMIIC (51%), Kerman Cement Co. (35%) and Azar Khak Co. (14%). This company was established with the objective of production and exports of cement. The Project is in its preliminary stages and measures have been taken to receive financial currency facilities from the Currency Reserve Account.





Investments
in the
Petrochemical
Industry



2. Petrochemical Industries

The presence of rich gas reserves especially in South Pars Oil Fields, which is one of the largest independent gas reserves in the world and approximately holds 48% of world's reserves, promises a high revenue and value added.

Considering the expansion of this gas field, its development in various phases with the aim of meeting the growing demand for natural gas, injection to the oil fields and gas export, the gas fluids and feeding the petrochemical units, was placed on government's agenda. In the 3rd and 4th Economic Development Plan significant importance was given to the establishment of downstream industries in oil industries specifically, petrochemical industry because petrochemical industry holds a special place as a supplying source for many domestic industries, production and export of products and an important source of foreign currency revenue generation and job creation for the country.

Countries in the Middle East region, such as Saudi Arabia, Qatar and Kuwait are regarded as competitors of Iran and in this direction have taken long steps before Iran and therefore have achieved a larger market share contrary to Iran which holds less than one percent of the global market share. It is hoped that the completion of a large number of petrochemical projects under the construction will enable our country to gain a larger market share in the industry.

In this course and to play a more effective role in advancing country's petrochemical industry, BMIIC is planning to establish a specialized petrochemical holding company. For such purpose, BMIIC has taken the preliminary measures to achieve this objective by participating in Arak Petrochemical Co.'s capital increase and fresh investments in Petroshimiran, Lavan Chemical and partly in Bakhtar Petrochemical Co.

2.1. Arak Petrochemical Co.

Currently, Arak Petrochemical Co. with annual production of more than 1.3 million tons petrochemical materials and products including polymer and chemical products is the second Petrochemical Complex in the nation.

Considering the range of product available for sale, this complex is able to supply a wide range of industries such as textile, rubber, oil, gas, petrochemical, detergents, water pipes, gas pipes, sewage pipes, adhesive products, pesticides, plastic serum container, syringes, etc.

The required raw materials and feeds for all products are supplied by other national petrochemical complexes and refineries and only some chemicals and catalyst are imported from abroad.



Capital & Shareholders

The capital of the company is 750 billion Rials divided into 750 million shares with nominal value of 1,000 Rials. The names of shareholders and the percentage of their ownerships are stated below:

Name	Percentage
BMIIC	27.18
BMIIMC	9.22
National Development Investment Co.	5.99
Social Security Investment Co.	3.01
Ta'min Chemical & Petrochemical Investment Co.	16.34
National Pension Fund	15.93
E'tezad Ghadir Investment Co.	3.95
Other	18.38
Total	100

Company's capital increase from 600 billion Rials to 1,200 billion Rials was ratified by Extraordinary General Assembly on March 15th, 2005. Based on that resolution, 25 percent of the capital increase was effected from 150 billion Rials in retained earnings and the remaining 450 billion Rials was increased on the basis of Board of Directors' Resolution dated January 16th, 2007 and on the date of preparation of this report its registration was effected. At the present, the capital of the company is 1,200 billion Rials.

Sales

Of the 1,315,000 tons production, estimated 54% (708,000 tons) are available for sale and the 49% (607,000 tons) remaining are consumable by the downstream units of the complex.

Domestic Sales	488,000 tons	4,327 billion RIs
Export	220,000 tons	1,883.5 billion RIs (205 million USD)
Total	708,000 tons	6,210.5 billion RIs

Compared to 2005/06, the amount of sale in 2006/07 increased by 36%. The domestic and export sales rose by 30% and 56%, respectively. It is to be noted that this increase is mainly related to increase in sales price. The product sales figures rose by 15% and 31%.

The domestic market prices were based on global prices (FOB Bandar Abbas price minus 10% discount). With the rise in international oil and petroleum prices and petrochemical soared and therefore, during 2006/07, Arak Petrochemical adjusted its prices accordingly.

In general, so far the sales policies of the company have been based on supplying the domestic demand and exporting the surplus. However, with commissioning of the new petrochemical complexes and presence of new competitors in the coming years, the company strived to identify secure and reliable markets by performing a proper and accurate market research and it appears that the 31% export tonnage increase in 2006/07 shows a sign of achievement on this course.



Due to the existing rationing, the supply of the domestic demands are still the first priority, regardless of reaching the suitable export position.

Arak Petrochemical Co.'s quest in production and export resulted in receiving the Appreciation Plaque and Statuette for Exemplary Exporter, National Production Festival Appreciation Plaque and Statuette and ranking Third Place on Kharazmi Festival.

Profitability

	2002/03	2003/04	2004/05	2005/06	2006/07
Cost Price on Sales Ratio	66%	65%	63%	65%	61%
Gross Profit on Sales Ratio	34%	35%	37%	35%	39%
Operating Profit on Sales Ratio	27%	32%	33%	30%	34%
*Net Profit on Sales Ratio	26%	33%	38%	34%	34%
Net EPS / Rials	844	1,299	1,599	1,841	2,501

Despite the considerable increase in price of naphtha (the most important raw material which accounts for 75% cost of production) during last year the company managed to maintain its profitability. With 750 billion Rials capital, the net EPS is 2,501 Rials and with the capital of 1,200 billion Rials the same figure is 1,563 Rials.

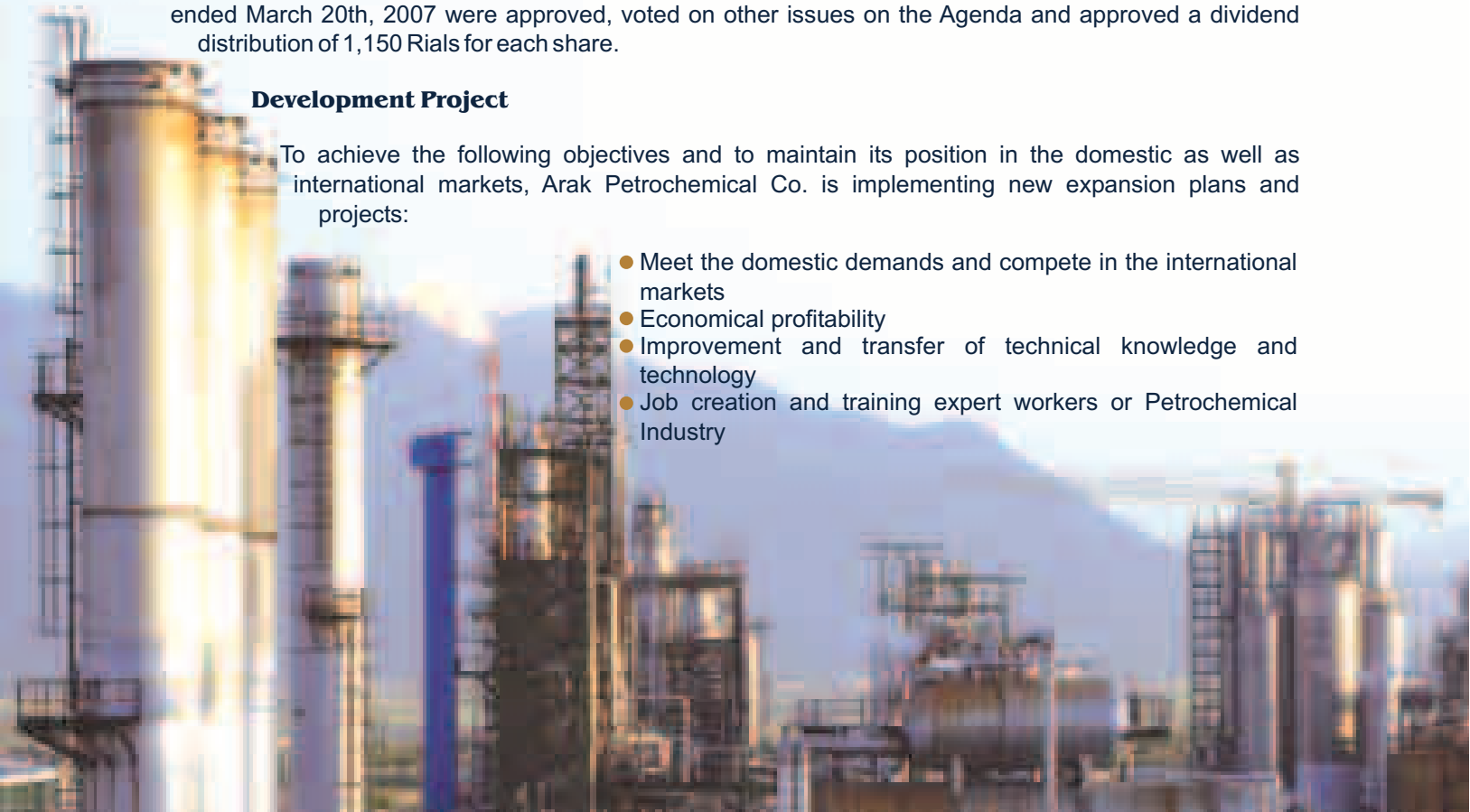
Profit Distribution

The Annual Assembly Meeting was held on May 19th, 2007 during which financial notes for the fiscal year ended March 20th, 2007 were approved, voted on other issues on the Agenda and approved a dividend distribution of 1,150 Rials for each share.

Development Project

To achieve the following objectives and to maintain its position in the domestic as well as international markets, Arak Petrochemical Co. is implementing new expansion plans and projects:

- Meet the domestic demands and compete in the international markets
- Economical profitability
- Improvement and transfer of technical knowledge and technology
- Job creation and training expert workers or Petrochemical Industry



The expansion project of Olefin Unit is one of the important plans for Arak Petrochemical Co. The objective is to provide adequate Ethylene feeds in the complex and supply the new polymer and Chemical units as well as expansion plan units.

2.2. Lavan Chemical Co.

Lavan Chemical Co. was established with joint investment of SAB of India, International Petrochemical Co. and Arak Petrochemical Co. and BMIIC.

Initial capital of the company was 850 million Rials which was increased to 10,200 million Rials (divided into 1,200 shares 8,500,000 Rials each) through the capital increases affected during 2005/06 and 2006/07. The objective for the implementation of this project is to have an annual production of 660,000 tons of Ammoniac and 858,000 tons of Urea in Assalouyeh Zone.

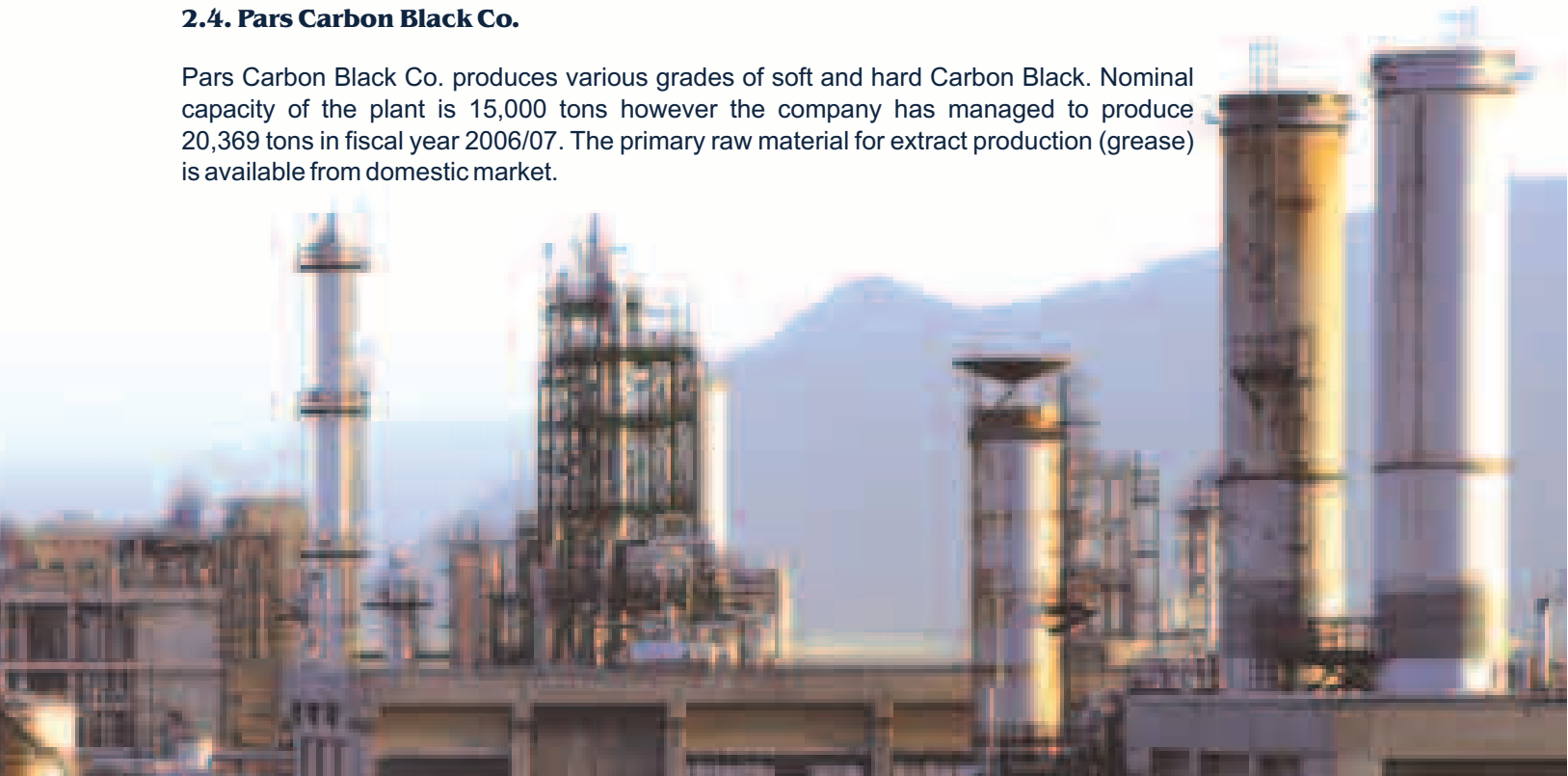
The total investment for the project is estimated at 350 million Dollars of which it is expected that 70% of the cost will be funded by the financial facilities and the remaining 30% of the cost will be covered by shareholders' contribution.

2.3. Petroshimiran Co.

Petroshimiran Co. was established with the initial capital of 10 billion Rials divided into 10 million shares with nominal value of 1,000 Rials and objective of investment on construction, operation and commissioning of petrochemical production facilities. BMIIC and Bank Melli Iran Investment Management Co. respectively own 10% and 7.5% of Petroshimiran Co. It is worth noting that during 2006/07 the shareholding structure of Petroshimiran Co. was changed and Arak Petrochemical Co. purchased 33.5% of the shares of Petroshimiran Co.

2.4. Pars Carbon Black Co.

Pars Carbon Black Co. produces various grades of soft and hard Carbon Black. Nominal capacity of the plant is 15,000 tons however the company has managed to produce 20,369 tons in fiscal year 2006/07. The primary raw material for extract production (grease) is available from domestic market.



Bank Melli Iran Investment Co. (Public Joint Stock)
Consolidated Balance Sheet
As at March 20th, 2007

Assets	Note	20/03/2007 Rls	(Revised) 20/03/2006 Rls	Liabilities & Shareholders' Equity	Note	20/03/2007 Rls	(Revised) 20/03/2006 Rls
Current Assets:							
Cash	5	834,712,546,497	365,983,458,445	Trade Accounts & Notes Payable	18	2,006,032,461,477	1,995,801,393,905
Short-term Investments	6	2,512,800,945,307	2,157,868,783,988	Other Accounts & Notes Payable	19	1,680,261,475,174	1,091,586,940,151
Trade Accounts & Notes Receivable	7	1,804,853,796,098	1,746,791,599,106	Advances Received	20	312,980,097,603	795,266,573,122
Other Accounts & Notes Receivable	8	973,244,405,171	676,493,492,283	Tax Provision	21	266,355,182,094	224,314,142,590
Debts from Investee Companies	9	792,685,829,633	980,132,167,668	Proposed & Payable Dividend	22	1,550,684,681,218	3,101,181,677,977
Inventory	10	2,226,031,190,305	2,033,376,425,107	Financial Facilities Received	23	3,622,951,647,523	2,124,441,761,105
Projects under Completion	11	370,207,634,783	568,049,536,406				
Orders & Prepayments	12	601,732,474,432	236,753,670,492				
Total Current Assets		<u>10,116,268,822,226</u>	<u>8,765,449,133,495</u>	Total Current Liabilities		<u>9,439,265,545,089</u>	<u>9,332,592,488,850</u>
Tangible Fixed Assets	13	7,907,252,114,732	4,791,762,547,303	Long-term Accounts Payable	24	815,000,000	137,900,856,080
Intangible Assets	14	119,735,357,227	47,387,235,517	Long-term Loans Payable	23	3,525,041,821,979	1,939,673,432,464
Goodwill	15	1,270,318,885,136	1,042,995,139,019	Provision for Employees' Work Termination Benefit	25	364,678,314,356	296,392,963,905
Long-term Investments in Affiliated Companies	16	4,182,898,582,637	4,297,231,454,151				
Other Long-term Investments	16	1,866,904,220,671	1,164,339,740,864				
Other Assets	17	1,389,949,008,932	881,263,456,147	Total Non-current Liabilities		<u>3,890,535,136,335</u>	<u>2,373,967,252,449</u>
Total Non-current Assets		<u>16,737,058,169,335</u>	<u>12,224,979,573,001</u>	Total Liabilities		<u>13,329,800,681,424</u>	<u>11,706,559,741,299</u>
Shareholders' Equity:							
				Capital (3,220 million of Rls 1000 Shares Fully Paid)	26	3,220,000,000,000	3,220,000,000,000
				Shares of Parent Company in Ownership of Affiliated Company	26	(183,104,794,759)	(195,380,820,267)
				Legal Reserve	27	406,338,762,934	380,362,940,721
				Capital Reserve	28	3,311,662,583,380	3,209,671,106,649
				Other Reserves	29	34,040,553,278	34,276,364,705
				Retained Earnings		1,679,617,129,131	238,339,243,418
				Surplus of the Retained Earnings of Minority Interest	30	(307,415,216,114)	(170,835,336,765)
				Total Shareholders' Equity of Parent Company		<u>8,161,139,017,850</u>	<u>6,716,433,498,461</u>
				Minority Interest	30	5,362,387,292,287	2,567,435,466,736
				Total Shareholders' Equity		<u>13,523,526,310,137</u>	<u>9,283,868,965,197</u>
Total Assets		<u>26,853,326,991,561</u>	<u>20,990,428,706,496</u>	Total Liabilities & Shareholders' Equity		<u>26,853,326,991,561</u>	<u>20,990,428,706,496</u>



Bank Melli Iran Investment Co. (Public Joint Stock)
Consolidated Profit (Loss) Statement
For the Year Ended March 20th, 2007

	Note	2006/07		(Revised)
		RIs	RIs	2005/06 RIs
Net Sales	31		9,295,599,641,100	7,296,310,619,178
Cost Price of Goods Sold	32		(5,376,898,378,693)	(4,730,767,260,425)
Gross Profit			3,918,701,262,407	2,565,543,358,753
Income from Operating Investments	33		496,666,588,132	712,294,596,221
Sales, Administrative & General Expenses	34	(554,038,419,793)		(366,015,389,107)
Net Other Operating Incomes & Expenses	35	(283,590,484,510)		(222,824,376,865)
			(837,628,904,303)	(588,839,765,972)
Operating Profit			3,577,738,946,236	2,688,998,189,002
Financial Expenses	36	(577,618,162,784)		(431,431,157,728)
Net Other Non-operating Incomes & Expenses	37	1,073,038,274,548		352,546,072,707
Extra-ordinary Expenses	38	(5,734,205,575)		15,737,247,409
Profit before Calculating Group's Share from Profit of Affiliated Companies			489,685,906,189	(63,147,837,612)
			4,067,424,852,424	2,625,850,351,390
Group's Share from Profit of Affiliated Companies	16		(47,400,474,929)	39,845,199,542
Profit before Tax			4,020,024,377,496	2,665,695,550,932
Tax	21		(331,933,439,242)	(274,446,156,118)
Profit after Tax			3,688,090,938,254	2,391,249,394,814
Minority Interest			2,116,825,613,762	1,357,894,147,929
Net Profit			1,571,265,324,492	1,033,355,246,885
EPS			488	321

Statement of Consolidated Retained Earnings

Net Profit		1,571,265,324,492	1,033,355,246,885
Retained Earnings at the beginning of the Year		172,250,732,456	280,053,078,908
Prior Years' Adjustments	39	66,088,510,962	(44,233,047,729)
Retained Earnings at the beginning of the Year - Adjusted		238,339,243,418	235,820,031,179
Allocable Profit		1,809,604,567,910	1,269,175,278,064
Consolidated Prior Years' Adjustments	39	-	57,187,484,167
Profit Allocation:			
Legal Reserve	27	(27,995,962,048)	(3,906,358,032)
Capital Reserve	28	(101,991,476,731)	(696,757,160,781)
Proposed Dividend	22	-	(386,400,000,000)
Board of Directors' Bonus		-	(960,000,000)
		(129,987,438,779)	(1,088,023,518,813)
Retained Earnings at the End of the Year		1,679,617,129,131	238,339,243,418
Minority Interest	30	1,696,721,652,450	(53,621,039,195)

Since the Comprehensive Income Statement is limited to the profit for the period and prior years' adjustments, the Comprehensive Income Statement is not presented.

Accompanying notes are an integral part of these financial statements.

Bank Melli Iran Investment Co. (Public Joint Stock)
Consolidated Cash Flows Statement
For the Year Ended March 20th, 2007

	Note	2006/07 Rls	(Revised) 2005/06 Rls
Operating Activities:			
Net Cash Inflow from Operating Activities	40	3,533,562,625,397	1,690,995,187,133
Return on Investments & Paid Interest for Financing:			
Received Dividend & Sales Profit of Non-operating Investments		978,287,458,253	22,676,927,138
Received Profit of Banking Investment Deposits & Participation Bonds		52,536,462,876	39,858,307,790
Profit Paid for Financial Facilities		(577,618,162,784)	(406,600,517,265)
Dividend Paid to Shareholders of the Parent Company		(229,690,260,625)	(152,832,229,630)
Dividend Paid to Shareholders of Minority Company		(1,411,753,873,945)	(857,332,192,630)
Cash Outflow from Return on Investments & Paid Profit for Financing		(1,188,238,376,225)	(1,354,229,704,597)
Income Tax:			
Income Tax Paid		(289,892,399,738)	(258,167,382,818)
Investment Activities:			
Funds Paid for Purchasing Tangible Fixed Assets		(3,461,761,302,809)	(1,304,598,932,848)
Decrease (Increase) in Long-term & Short-term Investments		(1,351,017,413,386)	(440,643,026,923)
Funds Earned from Sales of Tangible Fixed Assets		80,717,808,880	206,804,201,576
Funds Earned (Paid) for Abandoning (Acquiring) Intangible Fixed Assets		(72,348,121,710)	(5,198,443,052)
Funds Paid for Acquiring Other Assets		(508,685,552,785)	(442,465,513,949)
Cash Outflow from Investment Activities		(5,313,094,581,810)	(1,986,101,715,196)
Net Cash Inflow (Outflow) before Financing Activities		(3,257,662,732,376)	(1,907,503,615,479)
Financing Activities:			
Changes in Shares of the Parent Company in Ownership of Affiliated Company		12,276,025,508	219,638,965,302
Net Financial Facilities (Paid) Received		3,083,878,275,933	1,569,044,072,539
Changes in Minority Rights & Other Changes		630,237,518,987	86,195,319,631
Cash Outflow from Financing Activities		3,726,391,820,428	1,874,878,357,472
Net (Decrease) Increase in Cash		468,729,088,052	(32,625,258,006)
Cash Balance at the Beginning of the Year		365,983,458,445	398,608,716,451
Cash Balance at the End of the Year		834,712,546,497	365,983,458,445

Accompanying notes are an integral part of these financial statements.