

In the name of God



Telecommunications Company of Iran

Introduction – Perspective

November ۲۰۰۷

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۱- General

Telecommunications Company of Iran has been established in observance of establishment act ratified on ۱۹۷۱ with a capital of Rials ۵ Billion consisting of ۵۰۰۰۰ registered shares of Rials one hundred thousand, and its Articles of Association has been approved by two parliaments on ۲۲ June ۱۹۷۱.

In implementation of amendment of article ۷ of establishment act of Telecommunications Company of Iran ratified on ۲۵ April ۱۹۹۴ and secession of activities related to the fixed lines from the said company and assigning them to the provinces, Provincial Telecommunications Joint Stock Companies were established and their legal articles of association was ratified in the meeting dated ۲۱,۱,۱۹۹۶ of joint committee of Administrative and Employment Affairs and Post, Telegraph and Human Resources Affairs of Islamic Consultative Parliament, and was approved by the Guardian Council on ۲۴,۱,۱۹۹۶ (Provincial Telecommunications Joint Stock Companies were established with capital of one billion Rials consisting of one hundred registered shares of ten million Rials totally making ۳۰ companies).

Later, the activities of Mobile Network Affairs, Data and Infrastructure were seceded from Telecommunications Company of Iran after establishment of Mobile Communications, Information Technology and Infrastructure Communications companies (start of their activities was respectively, ۲۲,۱۰,۲۰۰۴, ۲۱,۱۱,۲۰۰۴, ۲۱,۱۲,۲۰۰۴), and were assigned to the said companies. Therefore, the company's name was changed to Specialized Parent Telecommunications Company of Iran, and its new Articles of Association consisting of ۳۷ articles was ratified by the cabinet on ۱۸,۲,۲۰۰۴ and ۱۸,۴,۲۰۰۴. On ۱۴,۴,۲۰۰۴ and ۱,۷,۲۰۰۴, as per ratification of March ۲۰۰۷ of the cabinet and the amendment of August ۲۰۰۷, the Infrastructure and Information Technology companies were separated from Telecommunications Company of Iran, and Telecommunications Company of Iran became liable to privatization through offering its shares in the Security Exchange Organization.

۲- Object of activity

By virtue of article ۷ of new Articles of Association, object of activity of the company is administration of the company's shares and capitals in Telecommunications and Information Technology sector, accomplishment of any activity for supply and offering secure and economic telecommunications services including investment, management, supervision on engineering and operation of installations, accomplishment of all related and required affairs for realization of company's objectives through the subsidiary companies.

۳- Employment status

The employment status of human resources in the Telecommunications Company of Iran and the subsidiary companies at the end of last fiscal year in view of quantity and quality of human resources, distribution of human resources and educational level of human resources are illustrated hereunder.

۳-۱ Human resources

The number of human resources working in Telecommunications Company of Iran and the Provincial Telecommunications Joint Stock Companies in March ۲۰۰۷ has been ۳۷,۴۹۵ with ۵ percent decrease comparing the previous year. Decrease in the human resources and increase in fixed lines resulted in decrease of personnel to ۱,۷۹ per one thousand lines, with ۱۵,۲ percent decrease comparing the last year.

۳-۲ Distribution of Human Resources in the Subsidiaries

The number of TCI personnel in March ۲۰۰۷ was ۱,۳۹۶ making ۳,۷ percent and the number of Provincial Telecommunications Companies was ۳۵,۲۰۹ in March ۲۰۰۷ making ۹۳,۹ percent of total personnel.

The number of MCI personnel was ۸۹۰ in March ۲۰۰۷ making ۲,۴ percent of total personnel.

۴- Statue and privileges of TCI

Islamic Republic of Iran with more than ۷۰ million population and an area more than one million and six hundred thousand square km is one of the most stable and reliable countries in the region for investment. An estimation of about ۵ percent yearly economic growth as well as its young population has created a good opportunity for any economic activity.

Relying on one hundred fifty years of activity in the country, TCI has a unique social status and credit and is still preferred by the subscribers as the first choice notwithstanding presence of other competitors in this sector even if rendering comparable services.

The credit of public reliability along with the great potential demand for the initial and state-of-the-art services for Telecommunications industry in Iran depicts a bright perspective for TCI activities.

The factors contributing to the success of TCI could be summarized as follows:

- ۱- High reliability in the Iranian market
- ۲- Good quality of services
- ۳- Extensive communications network
- ۴- Variety of products and services (fixed lines, mobile and IT)

It is noteworthy that the well-known privileges scientifically flourishing the market of Telecommunications products in the world are all present in Iran including:

- ۱- Young and dynamic population
- ۲- Increasing trend of level of education and social knowledge
- ۳- Public reception of offering innovative services
- ۴- Increasing trend of per capital income
- ۵- Improving trend of distribution of wealth

Δ- Restructuring of TCI

By virtue of ratification dated ۱۱,۷,۲۰۰۳ of Supreme Administrative Council, restructuring of TCI and the subsidiary companies has been accomplished as follows:

- ۱- After separation of administration and management tasks, TCI is active under the title of “Specialized Parent Company” in the fields of directing the subsidiary companies, increasing productivity and efficiency of Telecommunications activities and application of desirable methods for increasing partnership of private sector in the state’s telecommunications affairs.
- ۲- The tasks and responsibilities related to the intercity and international microwave centers, optical fiber cable main network, earth and satellite stations, long-distance (SC, PC) and international (ISC) switching centers were seceded from TCI and after amendment of the Articles of Association and tasks, it was renamed from Iran Telephone Planning and Development company to Telecommunication Infrastructure Company (TIC)
- ۳- All tasks and activities related to the mobile network were seceded from TCI and after amendment of Articles of Association and tasks; it was renamed from Iran Remote Sensing Center to Mobile Communication Company of Iran (MCCI).
- ۴- The tasks and activities related to Data Communications affairs were seceded from TCI and after amendment of the Articles of Association and tasks; it was renamed from Optical Fiber cable and Solar Cell Manufacturing Company to Data Communication Company of Iran (DCI).

Ϟ- General procedure for privatization of Telecommunications companies

According to the joint proposal of the Ministry of Economic Affairs and Finance and the Ministry of Information and Communication Technology (ICT), and in observance of general policies of article ۴۴ of the Constitution of Islamic Republic of Iran, and direction issued by His Excellency Ayatollah Khamenei in the communications and IT sector, and

the instructions mentioned in the Fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran and in observance of article one hundred thirty eight of the Constitution of IRI, the Board of Ministers approved in its session of ۷th January ۲۰۰۷ that:

The general framework for privatization of Telecommunications companies is determined as follows:

- ۱- The Telecommunications companies to be privatized in the framework of the general policies of article ۴۴ of the Constitution will be privatized through transferring shares of Specialized Parent Telecommunications Company of Iran (TCI).
- ۲- Telecommunications Infrastructure Company (TIC) is separated from TCI, and will be transferred to the Ministry of Information and Communication Technology (ICT), and will be managed in accordance with the existing Articles of Association with the title of Telecommunications Infrastructure organization. By virtue of permanent note ۷۲ of Budget Act for the years ۱۹۷۳ and ۱۹۷۴, General Assembly of shareholders will consist of Minister of Information & Communications Technology (Chairman of assembly), Minister of Economic Affairs and Finance and Director of State's Management and Planning Organization.

Note: Ministry of Information and Communications Technology (ICT) is bound to apply the necessary amendments in the Articles of Association and get approval of Board of Ministers within six months from approval and declaration of this ratification.

- ۳- The privatization committees (subject of article ۱۳ of the Act of Third Development plan authorized in article ۹ of the Act of Fourth Economic, Social, and Cultural Development Plan of the Islamic Republic of Iran – approved in year

- ۲۰۰۴), are bound to make necessary decisions for transfer of TCI shares specially for the following items:
- a- Determination of duration of transfer of shares
 - b- Approval of method of pricing shares and method of payment of price by the buyers with the possibility of calculation of deposits with Telecommunications companies (in case of tendency of the depositors)
 - c- Approval of instruction for priorities of sale of company's shares and determination of the percentage of private and cooperatives (Justice Shares) sectors and shares of managers and staff in the framework of clause c of general policy of article ۴۴ of the Constitution of IRI.
 - d- Approval of instruction for method of preparation of contracts for sale of shares
 - ۴- Transfer of assets, human resources and financial facilities among the Companies of Telecommunications Infrastructure organization, Iranian Space Agency, and Radio Communication and Regulations Organization shall be in such a way to make possible implementation of the task by the government.
 - ۵- Using the legal authorities of clause C of article ۷ of Act of Fourth Development Plan, TCI will be administered in the framework of Commerce law during the period determined by Supreme Committee of Transfer, and the Articles of Association of the company will be amended and compiled by the competent authorities within one year with observance of the related rules.
 - ۶- All TCI's commitments to the staff including (salary, fringe benefits, insurance, retirement and other commitments) remain still valid and committed by the transferred company.
 - ۷- The credits and budgets required by the Ministry of Information and Communication Technology (ICT) for policy making, support, management and supervision mentioned in the law, research and training and international affairs, expansion, repair, maintenance and other affairs, State's communications, information and spatial infrastructure and other costs will be foreseen in the yearly general budget of the government based on the proposal of the ministry on

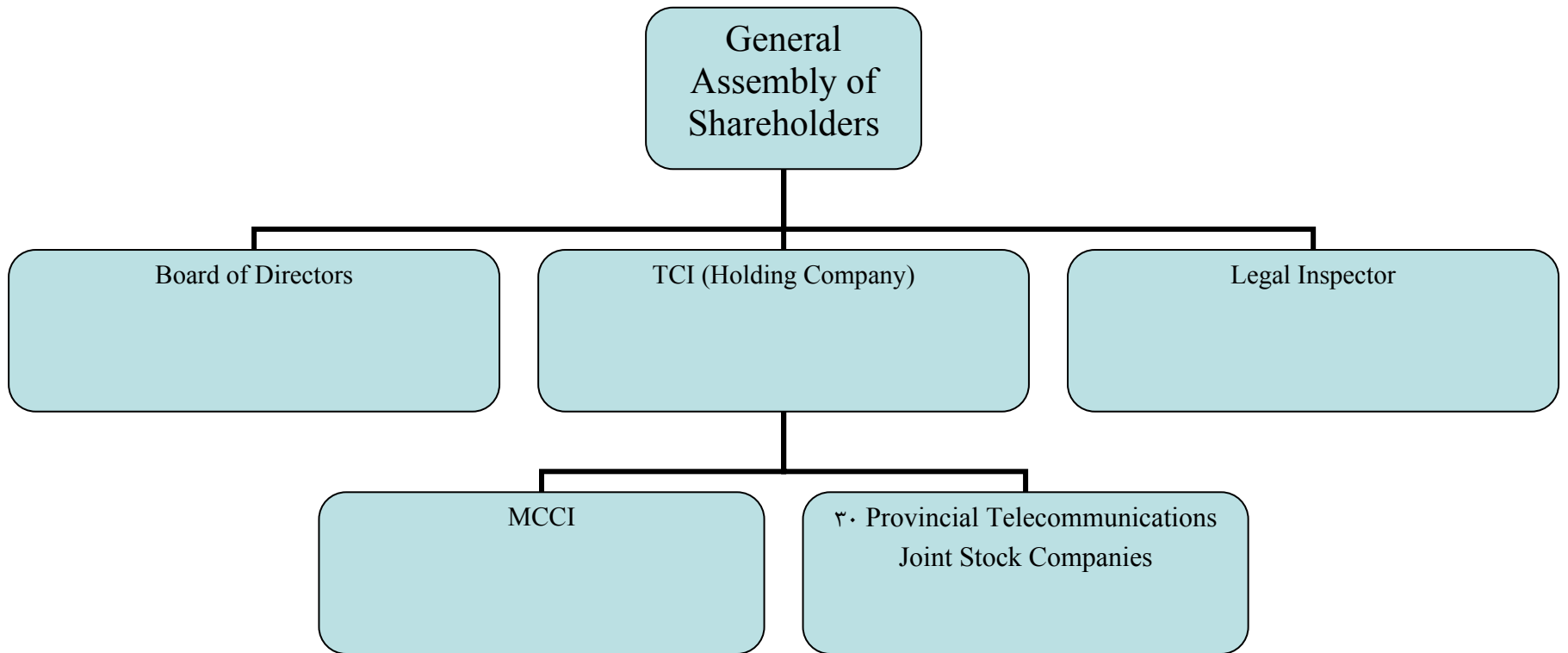
a yearly basis and will be provided for the said ministry after accomplishment of the legal formalities.

Note: Share of new fields of advanced technologies and development in the rural and deprived areas (if the private sector is not interested in investment) will be determined from the resources to be transferred and will be added to the total of budget for Ministry of Information and Communications Technology (ICT).

- ۸- With transfer of TCI, Ministry of ICT is bound to take action for reviewing its organization with observance of rules and regulations for increasing its capabilities in policy making, management and supervision.
- ۹- Supervision on good implementation of this ratification is on the burden of Ministry of Economic Affairs and Finance (Privatization organization) and it shall submit work progress report in appropriate intervals to the related authorities (Supreme Committee of Transfer).

Moreover, Information Technology Company too has been recently seceded from TCI and has become a subsidiary of Ministry of Information and Communications Technology (ICT) under the title of Information Technology Organization.

The organizational chart of the Specialized Parent Telecommunications Company is depicted in the next page:



۷- Population and its texture

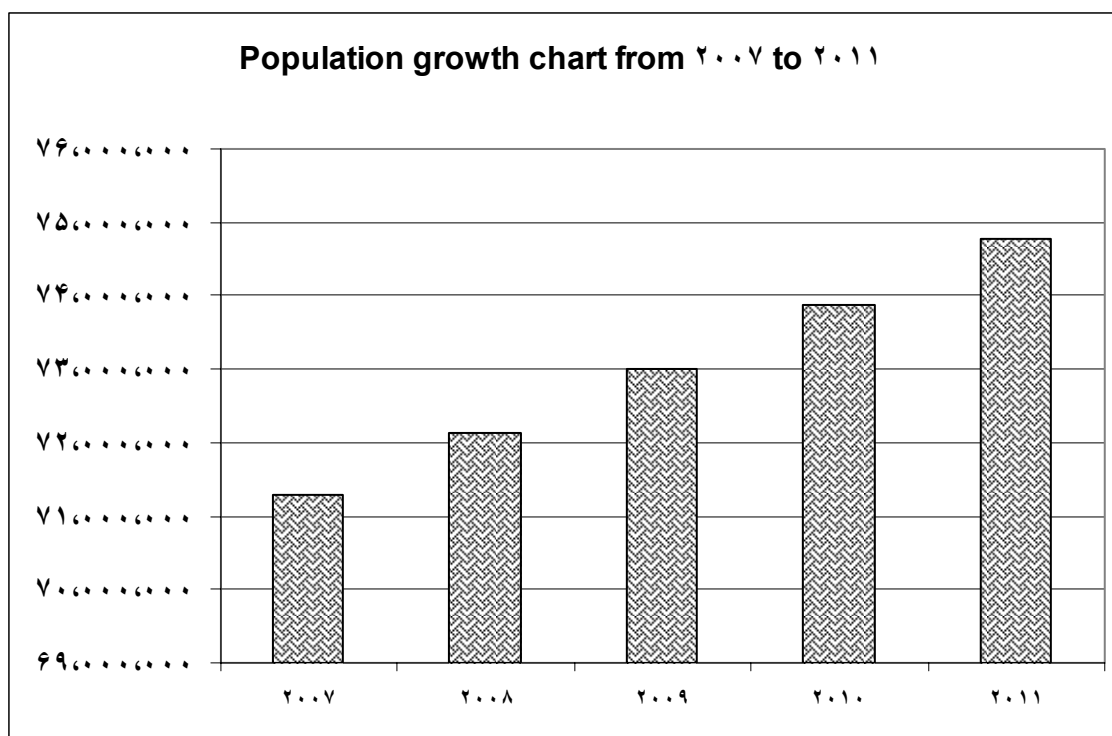
Islamic Republic of Iran with a population of more than seventy million is the second most populated country in the Middle East and North Africa after Egypt. The population is estimated to increase with the relatively high rate of about ۱,۱۸٪ (rate of yearly combined growth from ۲۰۰۶ to ۲۰۱۱). Considering that ۶۰٪ of the population is less than ۳۰ years old and the high tendency rate for using telecommunications services in this age group, the future market for telecommunications services and products is estimated to be very profitable.

The average population of Iranian family has been ۴,۱ heads in ۲۰۰۶ which is decreased comparing ۴,۸ heads in ۱۹۹۶. The Iranian population texture based on the latest official statistics is:

Age average	Year	Age range	Percentage of population
Men	۲۵,۶	۰-۱۴	۲۲,۲
Women	۲۶	۱۵-۶۴	۷۱,۴
Total of society	۲۵,۸	۶۵ and more	۵,۴

Table ۷-۱ Estimation of population till ۲۰۱۱

Year	Population
۲۰۰۷	۷۱.۲۸۵.۷۱۰
۲۰۰۸	۷۲.۱۴۱.۱۳۹
۲۰۰۹	۷۳.۰۰۶.۸۳۲
۲۰۱۰	۷۳.۸۸۲.۹۱۴
۲۰۱۱	۷۴.۷۶۹.۵۰۹



٨- Scope of activity

TCI is active in three fields of fixed telephone line, mobile telephone line and transmission of data.

٩- Object of services in the license

Object of services in the license of TCI is to render basic and value-added services in the following fields:

- ١- Fixed telephone line without limitation in technology
- ٢- GSM mobile line with minimum technology of ٢G maximum for two years and without limitation of technology from the second years onward
- ٣- Transmission of data without limitation in technology

١٠- Fourth Five Years Plan in Telecommunications Sector (٢٠٠٥ to ٢٠٠٩)

١٠-١ Major guidelines and policies in the sector

- ١- Restructuring with the purpose of decrease in governmental management, and preserving the right of policy making, supervision and control of domination on the sector
- ٢- Supporting fair competition in the sector for attraction of partnership of the private and cooperative sector for investment in the expansion, maintenance and operations of telecommunications networks projects and rendering services with desirable quality
- ٣- Attraction of partnership of the local and foreign financial resources for expansion in the sector
- ٤- Efficient expansion of the State's Telecommunications network for meeting the communications needs of all social, economic and cultural sections
- ٥- Development and improvement of human resources and ICT Technology researches through supporting the mentality of innovation, invention and initiation
- ٦- Updating the rules, regulations and standards in the sector (in technical, quality, customer care and ... point of view)
- ٧- Supporting production of equipment and software in the sector
- ٨- Compiling tariff system based on the supply and demand system
- ٩- Establishment of executive discipline in the activities in the sector
- ١٠- Customer care and guaranteeing quality of services
- ١١- Observance of social justice in distribution of communications and information technology facilities
- ١٢- Effective presence in the regional and international unions for upgrade of State's role in internal decision makings as well as support of international scientific, technical and economic cooperation and increase of State's share in the global market of communications
- ١٣- Development of communications culture in the society

١٠-٢ General objectives of Fourth Five Years plan for development of sector in realization of long term perspective of development

١٠-٢-١ Major quality objectives in the sector

- ١- Providing standard basic telecommunication services for urban and rural families
- ٢- Increase in access to the public telecommunications facilities
- ٣- Development of standard telecommunications services
- ٤- Increasing quality of rendering telecommunications services
- ٥- Increasing the role of non-governmental sector in development of communications
- ٦- Increasing State's share from transit of telecommunications services
- ٧- Increasing regional cooperation and effective presence in the regional and international unions
- ٨- Achieving the first position in the region in telecommunications

١٠-٢-٢ Major quantity objectives in the sector

- ١- Increasing penetration rate of fixed line telephone from ٢٩ percent to at least ٥٠ percent
- ٢- Increasing penetration rate of mobile line telephone from ٧,٨٥ percent to at least ٥٠ percent
- ٣- Achieving penetration rate of fixed line telephone for urban and rural families from ١٠٨ and ٥٩ respectively to ١٧٧ and ١٠٤ percent
- ٤- Provision of communications coverage for ٩٠ percent of villages lacking communications and particular parts in the country
- ٥- Increasing share of non-governmental sector from the total national fixed line subscribers to at least ١٥,١٥ percent

- ٤- Increasing share of non-governmental sector from the total national mobile line subscribers from ٢,٨٣ percent to at least ٥٠ percent
- ٥- Increasing standard population coverage of mobile network from ٤٥ to ٩٢ percent
- ٦- Increasing mobile network coverage in the main roads from ١٠.٠٠٠ km to ٢٤.٠٠٠ km (concordant with Ministry of Road plan)
- ٧- Increasing average success rate of calls in the fixed telephone network from ٤٢ percent to at least ٥٥ percent
- ٨- Increasing average success rate of calls in the mobile telephone network from ٣٤ percent to at least ٥٥ percent

١١- Limitations applied in anticipation of number of fixed and mobile telephone lines

Capacity of TCI's license during the next ١٥ years is anticipated to be ٤٥ million for fixed telephone subscribers and ٣٨ million for mobile telephone subscribers.

Considering the limitations considered in the maximum number of fixed and mobile telephone lines of TCI, the present ٢٣ million fixed telephone lines is anticipated to reach ٤١ million lines at the end of ٢٠١١. The total number of mobile lines of TCI too will increase from ٢٢ million lines in the year ٢٠٠٦ to ٣٨ million in ١٠١٠.

In the following pages, the anticipations related to the number of fixed and mobile lines of TCI till ٢٠١١ has been summarized while taking into account the limitations mentioned in the license.

۱۲- Fixed Line Network

In ۱۹۶۰ the number of fixed telephone lines in Iran has been ۱۱۶.۴۱۷, that is, one line for each ۱۸۵ persons (equal to the penetration rate of ۰.۵۴%). This figure has increased to ۱۴.۵۷۱.۱۴۲ lines in ۲۰۰۳. It means that one line has been operational for each ۴.۵ persons (equal to the penetration rate of ۲۱.۹۷%).

According to the TCI statistics, ۲۲.۶۲۶.۹۴۴ lines have been operational at the end of ۲۰۰۶. On this basis, one fixed telephone line has existed for each ۳.۰۷ persons of Iranian population (equal to the penetration rate of ۳۲.۵۷%).

Till end of ۱۹۹۹, that is, end of Second Development Plan, the number of telephone lines operational in the fixed network has been ۸.۳۷۱.۱۶۷ lines and the penetration rate has been ۱۳.۳%. Third Development Plan has aimed at putting ۶.۵۰۰.۰۰۰ new lines at service during the plan. Finally, at the end of plan, ۹.۴۱۷.۵۹۸ new lines were added into service, ۴۴.۹ percent exceeding the aimed quantity in the plan. According to the objectives of the Fourth Plan, it was stipulated to increase the number of fixed telephone lines to ۳۲.۶۶۲.۸۰۹ at the end of ۲۰۰۹ and achieve the penetration rate of ۵۰%.

Attached you can find the five years estimation for the number of fixed telephone lines.

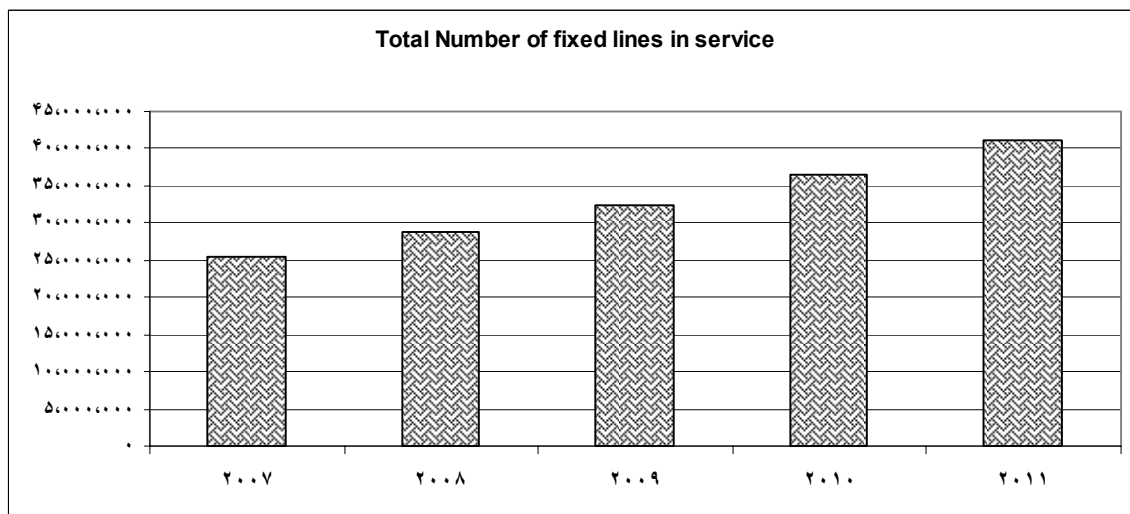


Table ١٢-١: Estimation of total number of fixed lines till ٢٠١١

Year	Total number of fixed lines in service till ٢٠١١
٢٠٠٧	٢٥.٥١١.٩٣٤
٢٠٠٨	٢٨.٧٦٤.٧٦٧
٢٠٠٩	٣٢.٤٣٢.٣٤٤
٢٠١٠	٣٦.٥٦٧.٥٤٦
٢٠١١	٤١.٢٢٩.٩٩٧

Table ١٢-٢: Estimation of penetration rate of fixed lines till ٢٠١١

Estimation of penetration rate of fixed lines till
٢٠١١

Year	Penetration rate of fixed lines
٢٠٠٧	٠,٣٦
٢٠٠٨	٠,٤٠
٢٠٠٩	٠,٤٤
٢٠١٠	٠,٤٩
٢٠١١	٠,٥٥

۱۳- Mobile Network

According to the ITU (International Telecommunications Union) statistics in ۱۹۹۴, that is, the first year of introduction of mobile to Iranian market, the number of its subscribers was ۹,۲۰۰ lines. Ten years later, that is, ۲۰۰۴, this figure reached ۴,۳۰۰,۰۰۰ subscribers. In ۱۹۹۹, that is, the end of Second Development Plan, ۴۹۰,۴۷۸ mobile lines were operational, and at the end of Third Development Plan, that is, ۲۰۰۴, with ۸۳۵ percent increase it reached to ۴,۵۸۵,۲۰۰ lines. The performance of plan comparing to the ratified plan has been about ۱۹۱٪. The penetration rate of mobile lines at the end of ۱۹۹۹ has been about ۰,۷۸٪ with ۳۱,۵ percent increase in August ۲۰۰۷.

The number of cities under coverage of mobile network has reached ۸۵۱ cities at the end of ۲۰۰۴, which has had ۲۰٪ increase comparing ۲۰۰۳ with ۷۰۸ cities. In August ۲۰۰۷, this figure increased to ۱۰۱۶ cities.

There have been totally ۶,۷۶۷,۷۲۴ mobile lines at the beginning of ۲۰۰۶ with ۱,۶۹۲,۰۴۶ lines equal to ۳۳٪ increase comparing with the end of ۲۰۰۴ with ۵,۰۷۵,۶۷۸ subscribers.

Attached you can find five years estimation of TCI's mobile telephone lines.

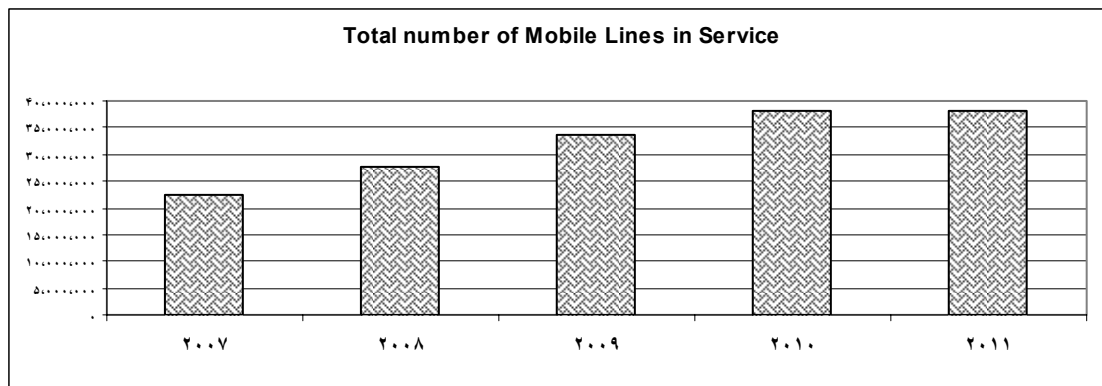


Table ۱۳-۱: Estimation of number of mobile lines till ۲۰۱۱

Year	Total of mobile lines in service till ۲۰۱۱
۲۰۰۷	۲۲.۴۸۴.۱۱۳
۲۰۰۸	۲۷.۶۳۸.۹۱۹
۲۰۰۹	۳۳.۵۴۸.۹۲۷
۲۰۱۰	۳۸.۰۰۰.۰۰۰
۲۰۱۱	۳۸.۰۰۰.۰۰۰

Table ۱۳-۲: Estimation of penetration rate of mobile lines till ۲۰۱۱

Year	Mobile lines penetration rate
۲۰۰۷	۰,۳۲
۲۰۰۸	۰,۳۸
۲۰۰۹	۰,۴۶
۲۰۱۰	۰,۵۱
۲۰۱۱	۰,۵۱

۱۳-۱ Classification of subscribers based on the prepaid and postpaid services

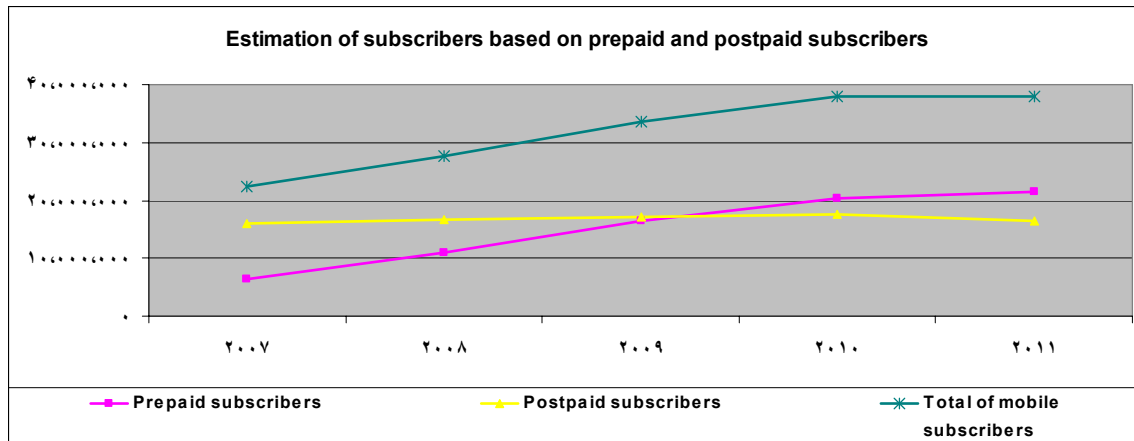
Taking into account the increasing demand for prepaid services, this group is expected to form the majority of TCI subscribers for mobile services.

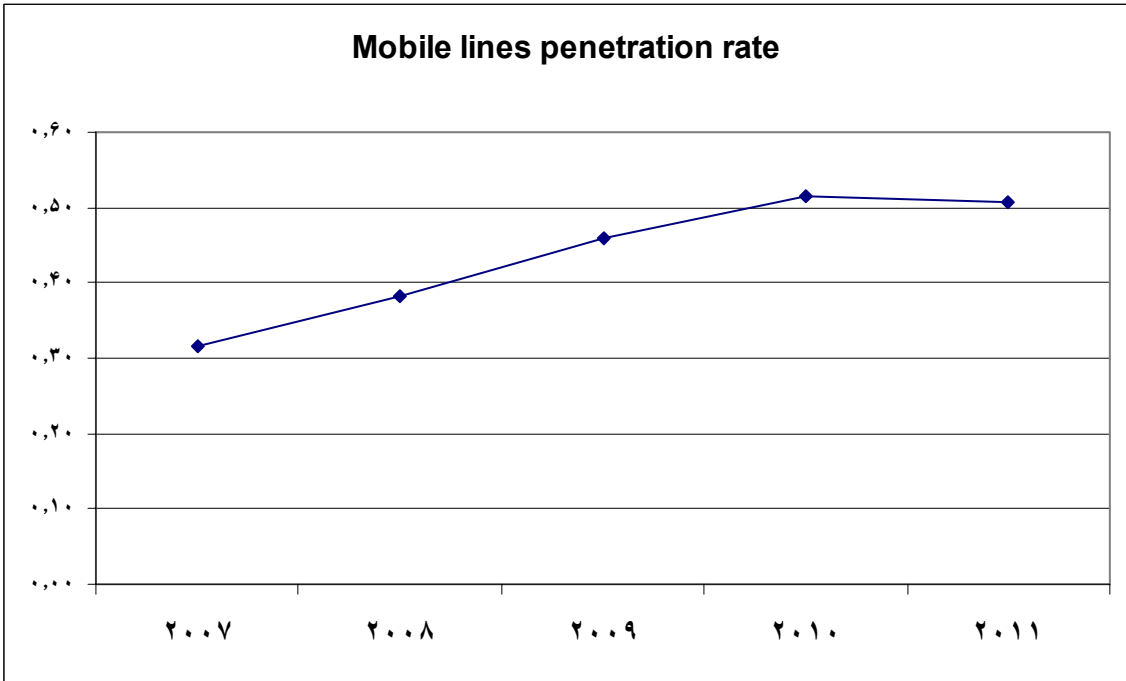
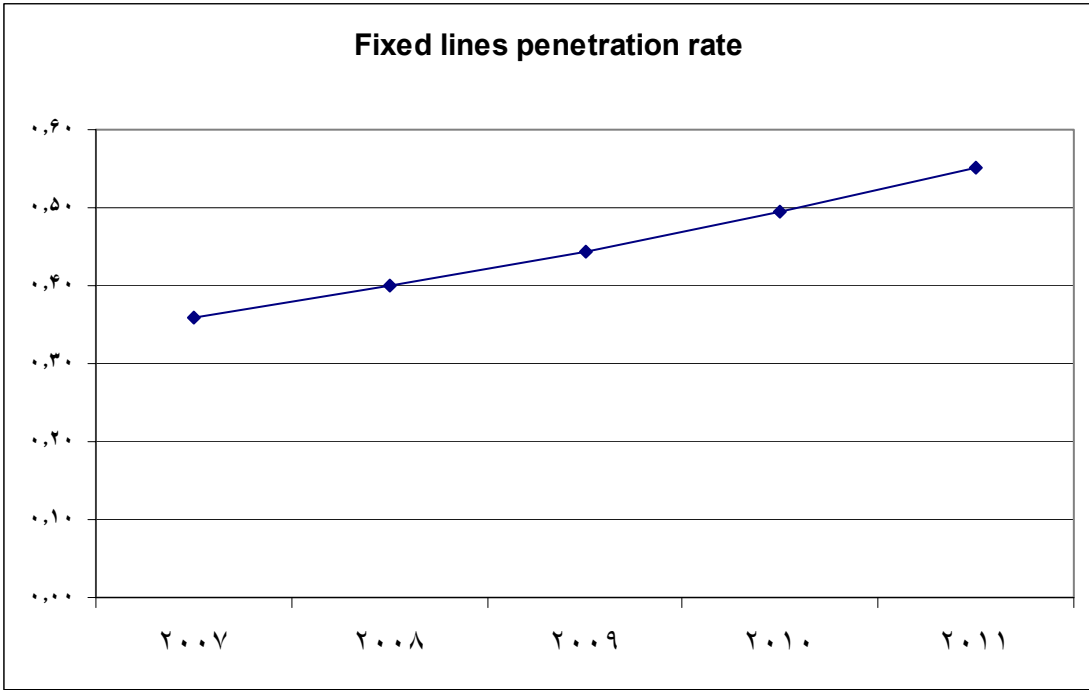
From the beginning till now, the mobile subscribers have been added to the network through registration and for a predefined capacity, and then drawing for determining priorities. In the modeling of economic status, it has been assumed that after providing

SIM card for the registered applicants who are now in the waiting list, there will be no more drawing system for SIM card delivery. The subscribers are expected to be added to the network constantly from ۲۰۰۸.

Table ۱۳-۱-۱: Estimation of subscribers based on prepaid and postpaid services till ۲۰۱۱

year	Prepaid subscribers	Postpaid subscribers	Total of mobile subscribers
۲۰۰۷	۶.۴۱۰.۲۴۰	۱۶.۰۷۳.۸۷۳	۲۲.۴۸۴.۱۱۳
۲۰۰۸	۱۱.۰۶۵.۰۳۱	۱۶.۵۷۳.۸۸۷	۲۷.۶۳۸.۹۱۹
۲۰۰۹	۱۶.۴۰۱.۷۷۰	۱۷.۱۴۷.۱۵۷	۳۳.۵۴۸.۹۲۷
۲۰۱۰	۲۰.۴۲۱.۰۹۱	۱۷.۵۷۸.۹۰۹	۳۸.۰۰۰.۰۰۰
۲۰۱۱	۲۱.۴۴۲.۱۴۵	۱۶.۵۵۷.۸۵۵	۳۸.۰۰۰.۰۰۰





۱۴- Classification of target market

It is obvious that there are millions of potential subscribers in Iran with different needs, methods of decision-making, levels of income, and having different evaluation for TCI. The proper classification enables TCI to divide them into several groups, contact them, and change them to valuable subscribers for TCI. The classification helps TCI to know a good and precise market for achievement to the following objectives:

- Focus on the profitable subscribers
- Planning, establishment and expansion of appropriate methods of ordering, sales and support
- Reliability about active and appropriate interaction of TCI with all types of potential subscribers who will be the company's future subscribers
- Planning guidelines for rendering service and increase of market share in the future

The classification provides the required basis for obtaining reputation and trade mark, communications guidelines, planning for supply and demand, sales channels and overall success of TCI. Following three stages actions are taken into account for market classification:

- Understanding the addressed market
- Recognition and definition of related sections
- Prioritization of sections

۱۵- Summary of important accounting procedures

The summary of important accounting procedures adopted in preparation of financial statements is followed:

- The inventory is evaluated based on the minimum cost price and net of sale price of each item or the similar groups. If the cost price exceeds net of sale price, the differential as deposit for devaluation of assets is determined based on the dynamic rhythmic method.

- Evaluation of long term investment through special price and or the cost price with deduction of constant decrease deposit in the investment value
- Evaluation of circulating investments based on the minimum cost price and net of sale price of total of investments and or minimum cost price and net of sale price of individual investments
- Cognition of income based on the special price and or cognition at the time of ratification of profit by the general assembly of shareholders of invested companies until the date of ratification of financial statements or the date of balance sheet
- Visible fixed assets and the main company with exception of following clause are registered in the accounts based on the cost price. The expenses of reconstruction and major repairs resulting in considerable increase in the capacity or substantial improvement in the quality of output or lifetime of assets are considered as capital expenditures and are depreciated during the lifetime of the related assets.
- The amounts received from the applicants are registered in the account of advance received amounts under the title of deposits before provision of the service, and after provision, they will be classified and kept in the account of general salary. Should the subscriber ask for disconnection of telex and received telecommunication services, the received deposit will be refunded.
- By virtue of article ۷ of Amendment Act, some of regulations related to the retirement salary ratified ۲,۰۵,۲۰۰۱ by the Islamic Consultative Assembly and by virtue of contents of clause H of article ۳ of act of the third economic , social , and cultural plan the required reserve is calculated and considered in the accounts.
- Non-monetary items registered based on the current cost price in foreign currency, are exchanged based on the currency rate declared by CBI (transaction rate) on that date and for the currency monetary items, based on the said rate on the date of balance sheet. As per contents of article ۱۳۶ of State Audit Act, the profit and loss resulted by exchange of assets and currency debits, are not considered as income and or expense, and the differential is recognized and considered in the shareholders' rights. Should the said account is indebted at the

end of fiscal year; the amount will be assumed in the account of the profit and loss of that year, and if the credit balance of the reserve account at the end of year exceeds the amount of registered capital, it would be possible to transfer the extra amount to the company's capital after passing legitimate formalities.

- According to the procedure of the main company, every year γ percent of balance of accounts and receivable commercial papers and ν percent of the balance of other accounts and receivable papers are considered in the accounts as reserve for "Uncertain claims".

In the following tables, the results of estimation of ARPU and ACPU for fixed and mobile telephone lines during the next five years are shown.

Table ١٥-١: Results of ARPU estimation of fixed line till ٢٠١١

Year	Monthly average income of one fixed line (Rials)
٢٠٠٧	٦٥,١٤٠
٢٠٠٨	٧١,١١٤
٢٠٠٩	٧٧,٤٨٨
٢٠١٠	٨٤,٢٨٩
٢٠١١	٩١,٥٤٧

Table ١٥-٢: Results of ACPU estimation of fixed line till ٢٠١١

Year	Monthly average cost of one fixed line (Rials)
٢٠٠٧	٥٥,٢٣٦
٢٠٠٨	٦١,٨٦٩
٢٠٠٩	٦٨,٥٧٤
٢٠١٠	٧٥,٣١٢
٢٠١١	٨٢,٠٦٢

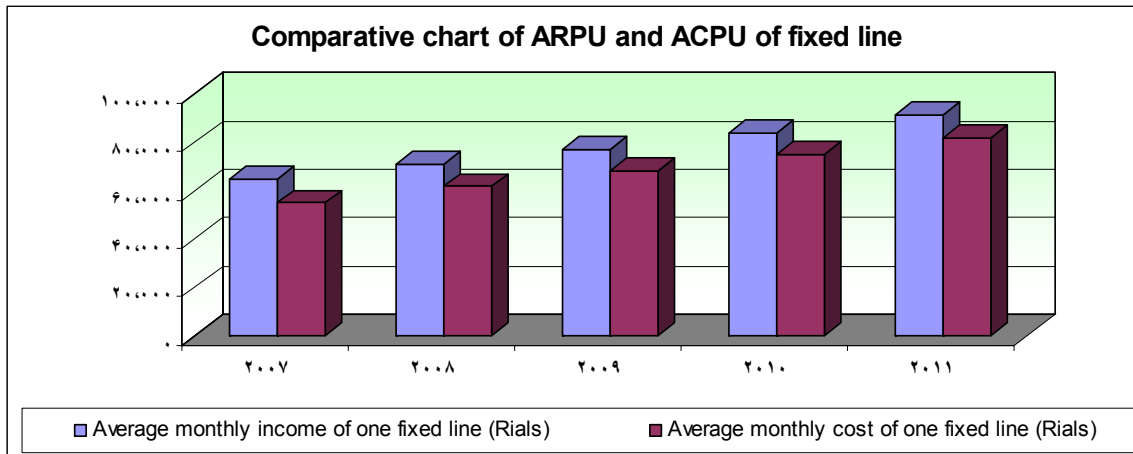
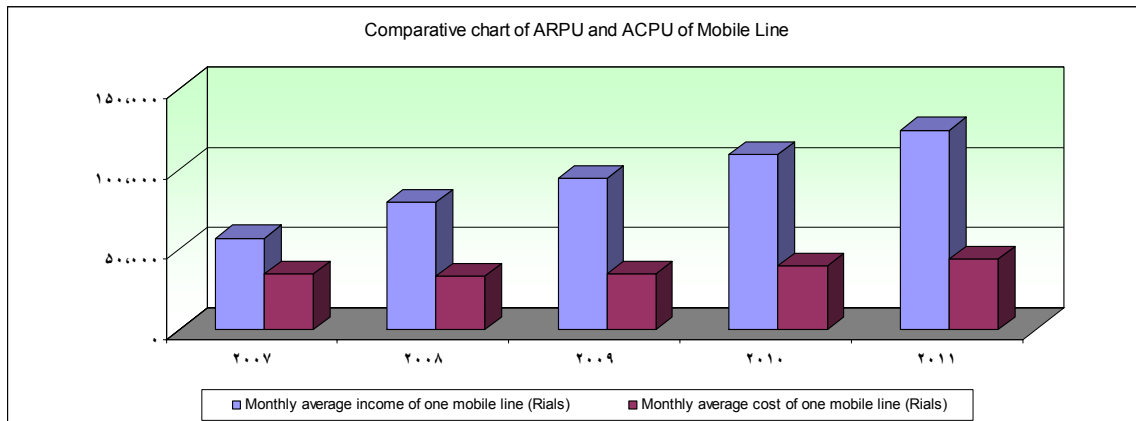


Table ١٥-٣: Results of ARPU estimation of mobile line till ٢٠١١

year	Monthly average income of one mobile line (Rials)
٢٠٠٧	٥٧,٢١٥
٢٠٠٨	٧٩,٣٨٥
٢٠٠٩	٩٤,٥٠٨
٢٠١٠	١٠٩,٤٣٠
٢٠١١	١٢٤,٧٥٣

Table ١٥-٤: Results of ACPU estimation of mobile line till ٢٠١١

year	Monthly average cost of one mobile line (Rials)
٢٠٠٧	٢٤.٩٢٢
٢٠٠٨	٢٢.١٧٦
٢٠٠٩	٢٤.٨٣٥
٢٠١٠	٢٠.٠٦٠
٢٠١١	٢٢.٠٦٦



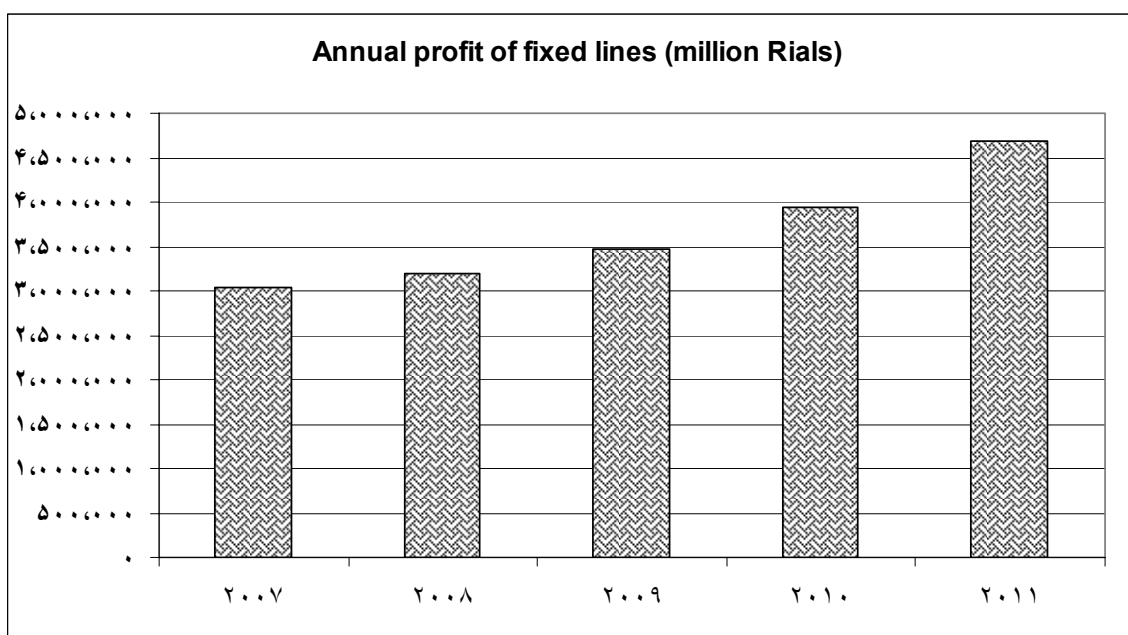
Yearly gross profit of fixed and mobile telephones are estimated as follows:

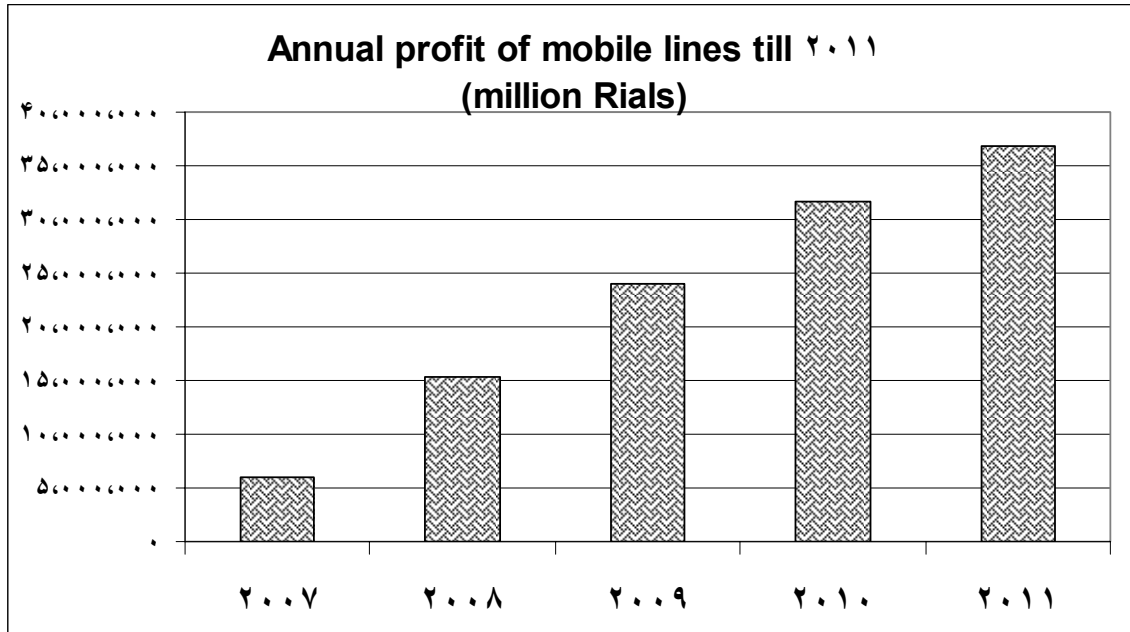
Table ١٥-٥: Estimation of annual profit of fixed lines till ٢٠١١

year	Annual profit of fixed lines (million Rials)
٢٠٠٧	٣.٣٢٠.٤٢
٢٠٠٨	٣.١٩١.١٦٣
٢٠٠٩	٣.٤٦٩.٢٢٣
٢٠١٠	٣.٩٣٩.٢٠٢
٢٠١١	٤.٦٩٢.٧٩٨

Table ١٥-٤: Estimation of annual profit of mobile lines till ٢٠١١

year	Annual profit of mobile lines till ٢٠١١ (million Rials)
٢٠٠٧	٤.٠١٤.٨٤٠
٢٠٠٨	١٥.٣٢٤.٠٣٥
٢٠٠٩	٢٤.٠٢٣.٧٠٤
٢٠١٠	٣١.٧٢٣.٩٤٤
٢٠١١	٣٤.٧٩٣.٣٢٣





۱۶- Proportion of expense to income

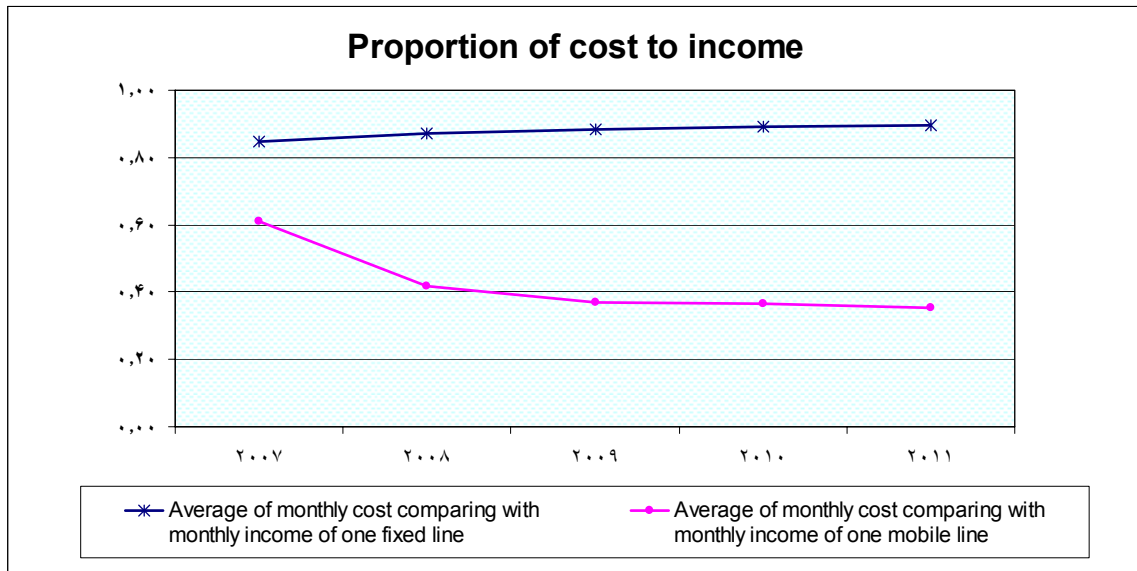
As it is observed in the tables related to the Average Operational Ratio of monthly expense to monthly income, in case of relative stability of tariffs for fixed telephone, the ratio is increasing with a negative tilt which indicates relative increase of expenses in case of non introduction of new technologies. It has been estimated that the ratio becomes fixed about the figure of ۰,۹. It has been also estimated that the above ratio is improving for mobile telephones and reaches ۰,۳۵ in ۲۰۱۱.

Table ۱۶-۱: Estimation of average proportion of monthly cost to monthly income of one fixed line till ۲۰۱۱

Year	Average of monthly cost comparing with monthly income of one fixed line
۲۰۰۷	۰,۸۵
۲۰۰۸	۰,۸۷
۲۰۰۹	۰,۸۸
۲۰۱۰	۰,۸۹
۲۰۱۱	۰,۹۰

Table ۱۶-۲: Estimation of average proportion of monthly cost to monthly income of one mobile line till ۲۰۱۱

Year	Average of monthly cost comparing with monthly income of one mobile line
۲۰۰۷	۰,۶۱
۲۰۰۸	۰,۴۲
۲۰۰۹	۰,۳۷
۲۰۱۰	۰,۳۷
۲۰۱۱	۰,۳۵



۱۷- Subscribers' decrease rate

Decrease rate is calculated based on the number of disconnection of subscribers during a period divided by the average number of subscribers on the same period in percent.

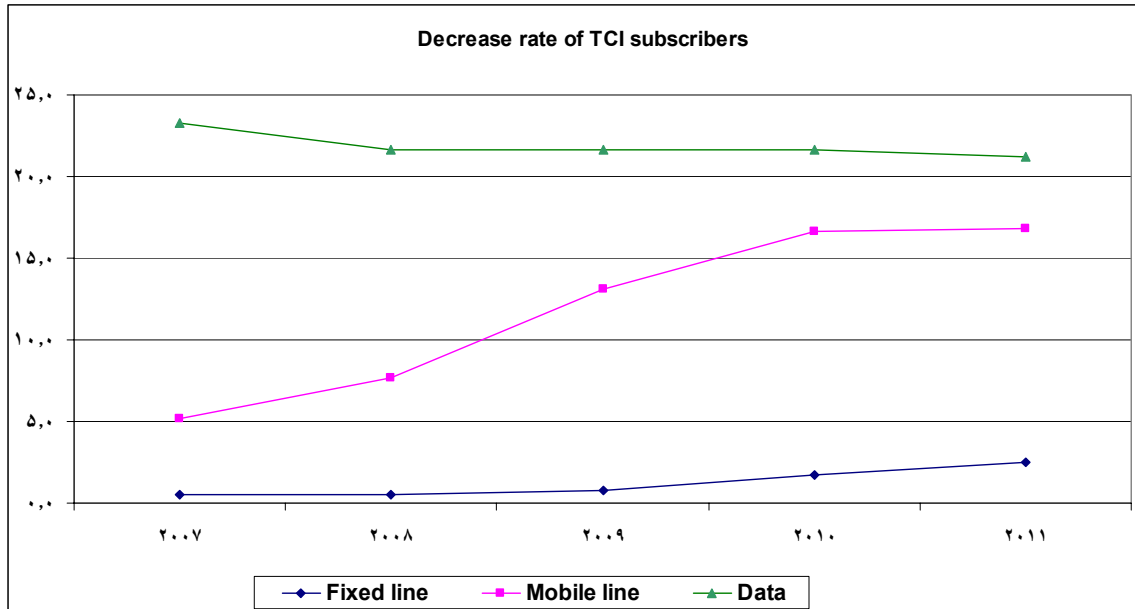
TCI Subscribers' decrease rate has been estimated based on the comparative studies performed in the Middle East and North Africa (MENA) countries. The rate is expected to increase with start of operation of other operators. However, since market potential for telecommunications services is more than the total subscribers of all future operators in Iran, the decrease rate would be lower than the international rates (deduced from the comparative studies).

The results of estimation for future decrease rates of subscribers are observed in the following table and chart.

Table ۱۷-۱: Estimation of decrease rate of TCI subscribers till ۲۰۱۱ for separate services

(figures: percentage)

Year	Fixed line	Mobile line	Data
۲۰۰۷	۰,۵	۵,۲	۲۳,۳
۲۰۰۸	۰,۵	۷,۷	۲۱,۶
۲۰۰۹	۰,۸	۱۳,۱	۲۱,۶
۲۰۱۰	۱,۷	۱۶,۶	۲۱,۶
۲۰۱۱	۲,۵	۱۶,۸	۲۱,۲



It is possible to reduce TCI subscribers' decrease rate thanks to the following privileges:

- ١- Credit and background of TCI
- ٢- Extensive coverage, better quality, customer satisfaction
- ٣- Offering new services and innovation in service
- ٤- Extensive and efficient distribution network
- ٥- Offering services in comparative price
- ٦- Adoption of encouraging mechanisms in the tariffs of adherent customers
- ٧- Application of modern solutions for payment of bills

۱۸- Investments

In the tables of the next pages, initially the estimation of Rials volume of investments till ۲۰۱۱ for each fixed and mobile telephone line have been mentioned, and then, total volume of TCI future investments have been estimated separately for fixed, mobile and USO services.

According to the predictions, increase in the TCI investments during the initial years has been estimated proportionate with the number of fixed and mobile telephone lines. Evidently, after reaching the defined ceiling for each of these lines, we will face with decrease in the investments for each of these lines.

It is remarkable that the costs related to USO communications too have been considered as a part of TCI investments, and as it is seen, it forms a notable part of the company's total investments.

Table ۱۸-۱: Estimation of amount of investment for each fixed and mobile line till ۲۰۱۱

(in Rials)

year	Amount of investment for each fixed line
۲۰۰۷	۳.۳۴۷.۲۰۴
۲۰۰۸	۳.۳۹۵.۶۳۶
۲۰۰۹	۳.۴۰۲.۲۱۵
۲۰۱۰	۳.۲۳۲.۳۷۶
۲۰۱۱	۳.۱۵۳.۲۱۹

(in Rials)

year	Amount of investment for each mobile line
۲۰۰۷	۲.۸۲۶.۸۲۷
۲۰۰۸	۲.۶۹۷.۳۸۰
۲۰۰۹	۲.۶۰۱.۹۳۲
۲۰۱۰	۲.۵۰۶.۴۸۵
۲۰۱۱	۲.۴۱۱.۰۳۷

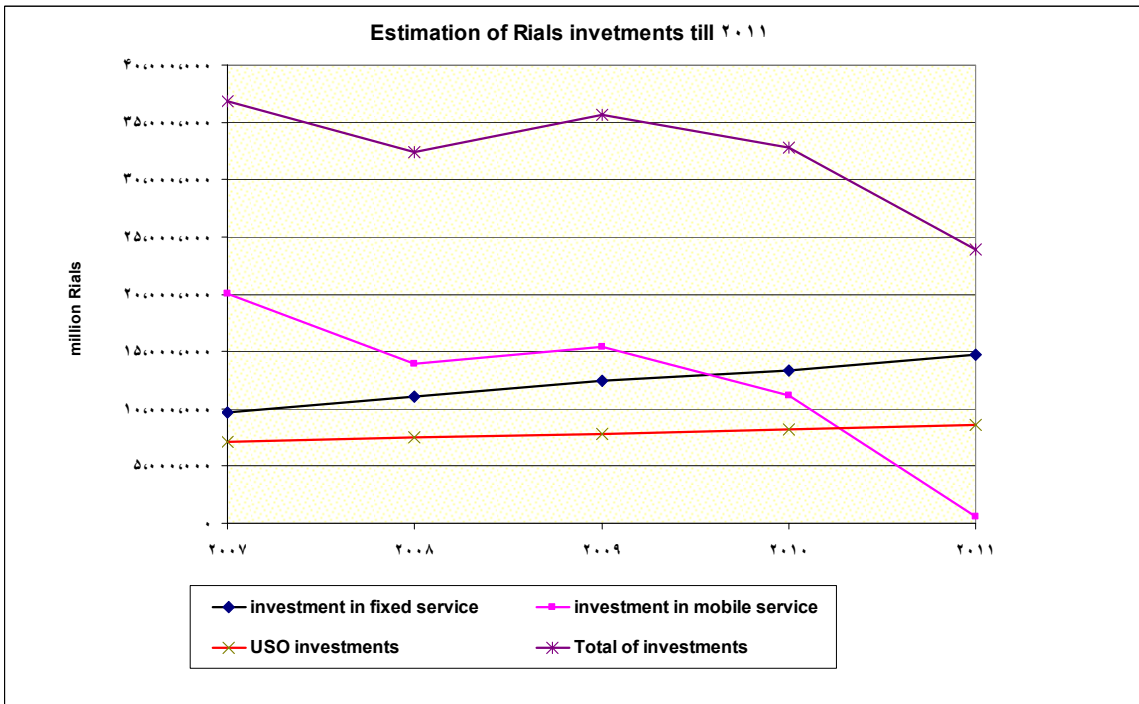
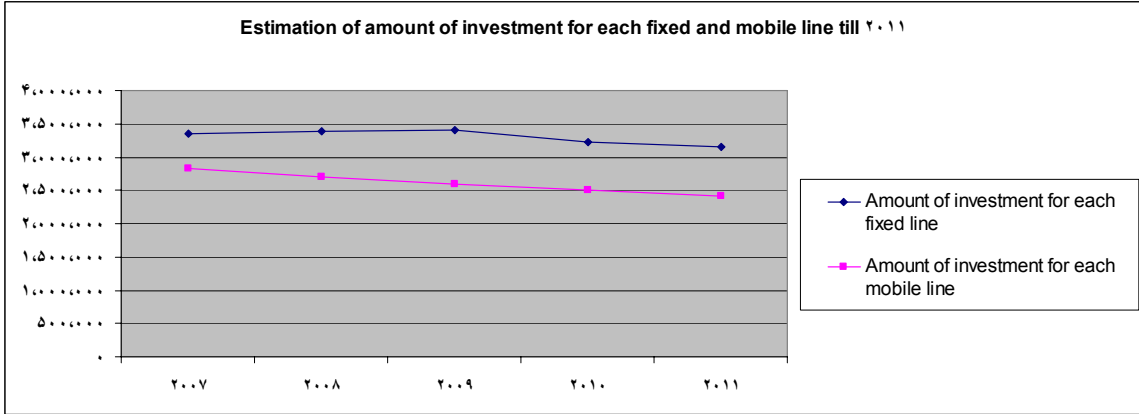


Table 18-2: Estimation of Rials investments till ۲۰۱۱

year	investment in fixed service	investment in mobile service	USO investments	Total of investments
۲۰۰۷	۹.۶۵۶.۶۵۰	۲۰.۰۶۷.۱۵۰	۷.۱۰۳.۲۰۵	۳۶.۸۲۷.۰۰۵
۲۰۰۸	۱۱.۰۴۵.۴۳۹	۱۳.۹۰۴.۴۶۸	۷.۴۵۸.۳۶۶	۳۲.۴۰۸.۲۷۳
۲۰۰۹	۱۲.۴۷۷.۸۸۷	۱۵.۳۷۷.۴۴۱	۷.۸۳۱.۲۸۴	۳۵.۶۸۶.۶۱۲
۲۰۱۰	۱۳.۳۶۶.۵۲۸	۱۱.۱۵۶.۵۴۸	۸.۲۲۲.۸۴۸	۳۲.۷۴۵.۹۲۴
۲۰۱۱	۱۴.۷۰۱.۷۲۵	۵۵۷.۸۲۷	۸.۶۳۳.۹۹۱	۲۳.۸۹۳.۵۴۳

۱۹- Results of analysis of Economic Base Status

The general results indicate that TCI is involved in a business with bright future, high potential and enormous profit parameters. However, the risks associated with devaluation, losing market share, possibility of renunciation by subscribers and refunding the deposits shall be considered in the calculations.

۱۹-۱ Market and subscribers' share based on the Economic Base Analysis

Existence of high potential of future fixed and mobile subscribers in Iran has created an appropriate opportunity for other operators for attracting subscribers in the future years. One of the solutions for increase of TCI subscribers is to increase prepaid contracts.

As indicated in the following table, TCI's share of market is expected to decrease in the future because the growth rate of Irancell subscribers would be a little more than TCI's growth rate. Although, TCI is anticipated to lose its market share constantly, still TCI's market share would be more than ۶۶% till ۲۰۱۱.

Table ۱۹-۱-۱: Estimation of market share percentage for mobile operators till ۲۰۱۱

year	TCI	Irancell	Talia	Third operator	Total market
۲۰۰۷	۰,۸۶	۰,۰۸	۰,۰۶	۰,۰۰	۱,۰۰
۲۰۰۸	۰,۷۶	۰,۱۹	۰,۰۵	۰,۰۰	۱,۰۰
۲۰۰۹	۰,۷۲	۰,۲۱	۰,۰۴	۰,۰۳	۱,۰۰
۲۰۱۰	۰,۷۰	۰,۲۱	۰,۰۳	۰,۰۶	۱,۰۰
۲۰۱۱	۰,۶۶	۰,۲۲	۰,۰۳	۰,۰۸	۱,۰۰

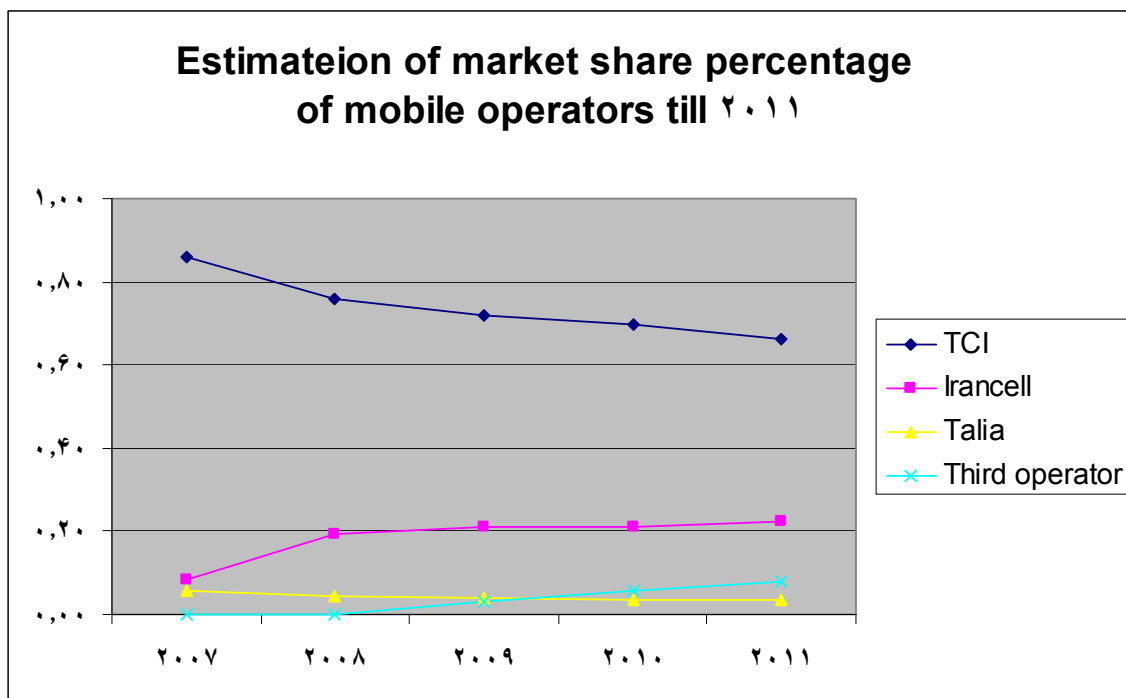
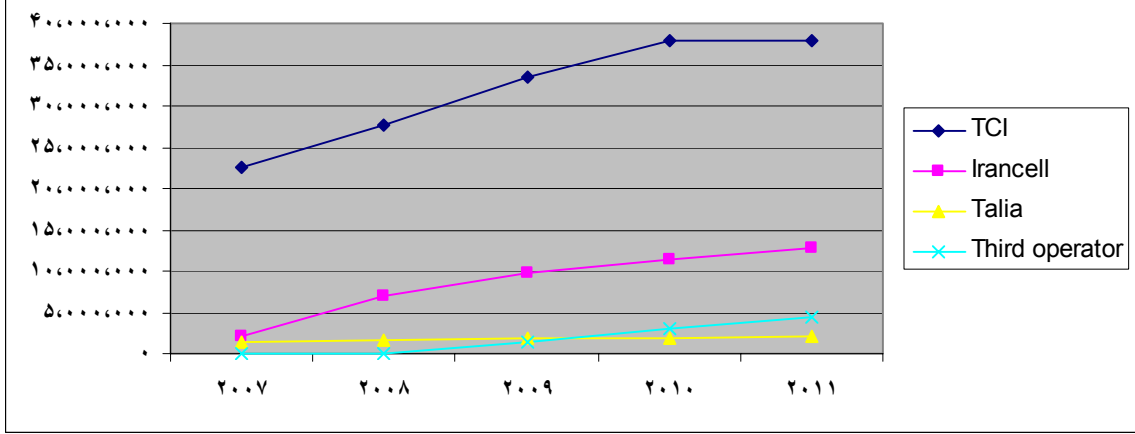


Table ۱۹-۱-۲: Estimation of market share of mobile operators till ۲۰۱۱

Year	TCI	Irancell	Talia	Third operator	Total	Total penetration rate
۲۰۰۷	۲۲.۴۸۴.۱۱۳	۲.۲۰۰.۰۰۰	۱.۵۰۰.۰۰۰	۰	۲۶.۱۸۴.۱۱۳	۰.۳۷
۲۰۰۸	۲۷.۶۳۸.۹۱۹	۷.۰۵۰.۰۰۰	۱.۶۵۰.۰۰۰	۰	۳۶.۳۳۸.۹۱۹	۰.۵۰
۲۰۰۹	۳۳.۵۴۸.۹۲۷	۹.۷۷۰.۰۰۰	۱.۸۰۰.۰۰۰	۱.۵۰۰.۰۰۰	۴۶.۶۱۸.۹۲۷	۰.۶۴
۲۰۱۰	۳۸.۰۰۰.۰۰۰	۱۱.۴۵۰.۰۰۰	۱.۹۰۰.۰۰۰	۳.۰۰۰.۰۰۰	۵۴.۳۵۰.۰۰۰	۰.۷۴
۲۰۱۱	۳۸.۰۰۰.۰۰۰	۱۲.۸۰۰.۰۰۰	۲.۰۰۰.۰۰۰	۴.۵۰۰.۰۰۰	۵۷.۳۰۰.۰۰۰	۰.۷۷

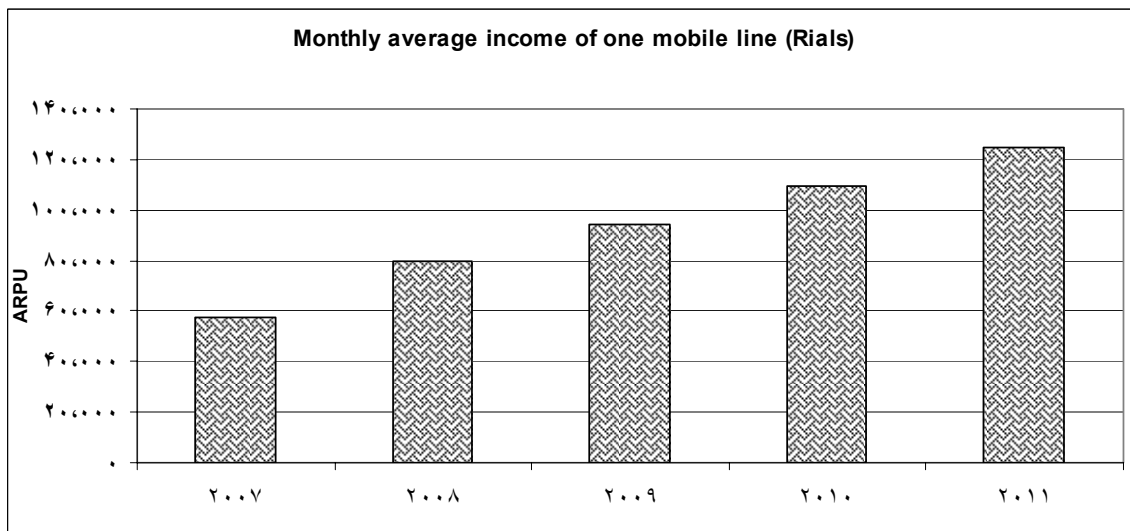
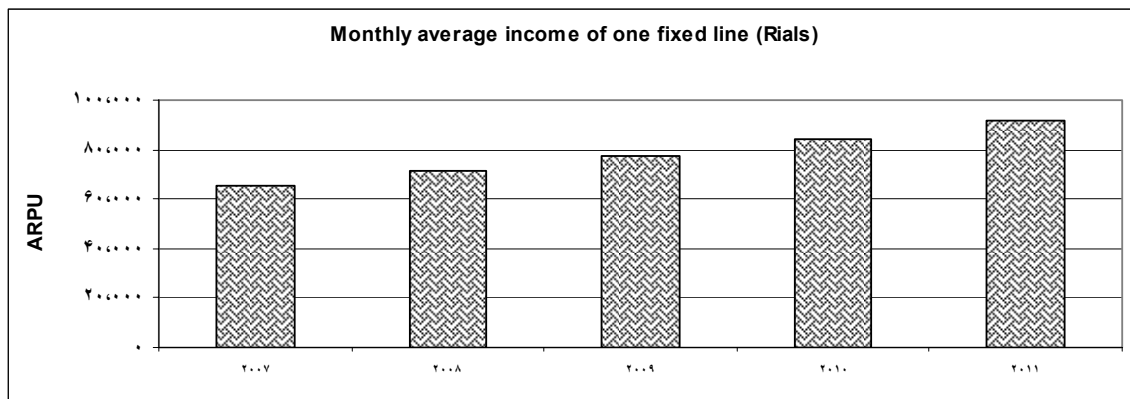
Estimation of market share of mobile operators till 2011



۱۹-۲ Incomes in the Economic Base Status

Since the number of subscribers is continuously increasing, and average income per subscriber is not decreased, incomes increase based on the high growth rate of TCI's subscribers, and will reach about million Rials ۴۲,۸۲۴,۴۱۴ in ۲۰۰۷ and about million Rials ۱۳۱,۶۴۶,۳۴۳ in ۲۰۱۱.

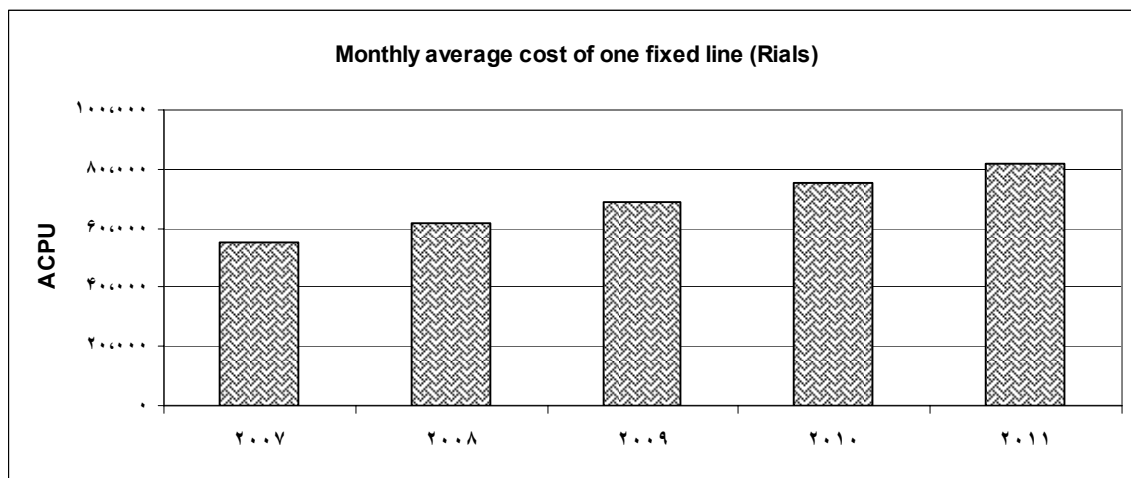
Obviously, the company's incomes and costs increase with expansion of scope of activity and penetration rate, increase of economic growth, and decrease of parity rate of Rials to the average of foreign currencies. Moreover, activity of existing and future operators in Iran affects on the company's incomes.

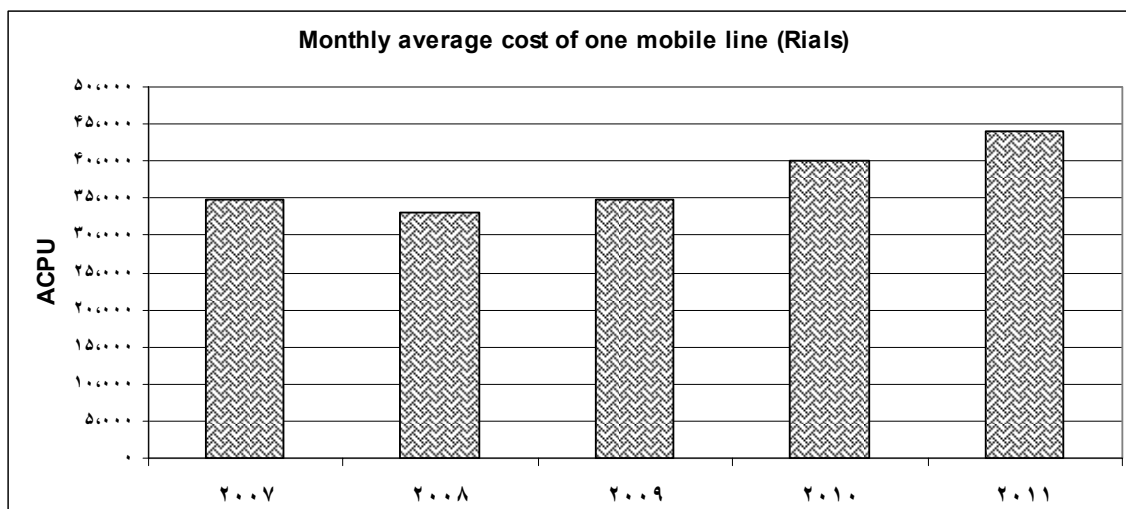


۱۹-۳ Status of expenses in the Economic Base Analysis

Along with increase of incomes, Operational expenses (OPEX) is expected to increase with increase in the number of subscribers, competition and need to more personnel within the next five years.

The high rate of marketing and sales expenses during the years ۲۰۰۷ to ۱۰۱۰ have been anticipated due to the increase of competition and TCI's need to establish an appropriate commercial reputation for increasing information and attraction of customers. During this period, marketing and sales expenses will reach to maximum about ۱۸% of operational expenses, and then will decrease to ۷%.





١٩-٤ Figures of profit/Profits rates in the economic status

As a result of intense competition in the market and increase of operational expenses due to increase in the marketing and sales activities and increase in the number of personnel, gross operational profit margin is anticipated to be descending from 2007 to 2010, and afterwards ascending due to decrease in the product per capital expenses and increase in the services and operational efficiency.

Gross operational profit margin in the next five years will decrease from 35% to 32%.

Obviously, increase in the permitted maximum lines (45 million fixed lines and 38 million mobile lines), compensation of USO expenses and utilization from the related saved resources for investments for establishment and development of new services or decrease of cost price would result in increase in company's profitability.

Table 19-4-1: Estimation of income, cost, and gross operation profit of TCI till 2011

(figures in million Rials)

Year	Operational incomes	Operational costs	Gross operational profit	Operational profit margin
2007	42,824,414	28,021,601	14,802,813	0,35
2008	55,864,860	37,429,923	18,434,937	0,33
2009	73,605,009	50,497,084	23,107,925	0,31
2010	97,948,411	67,444,860	30,503,552	0,31
2011	131,646,343	89,179,824	42,466,519	0,32

