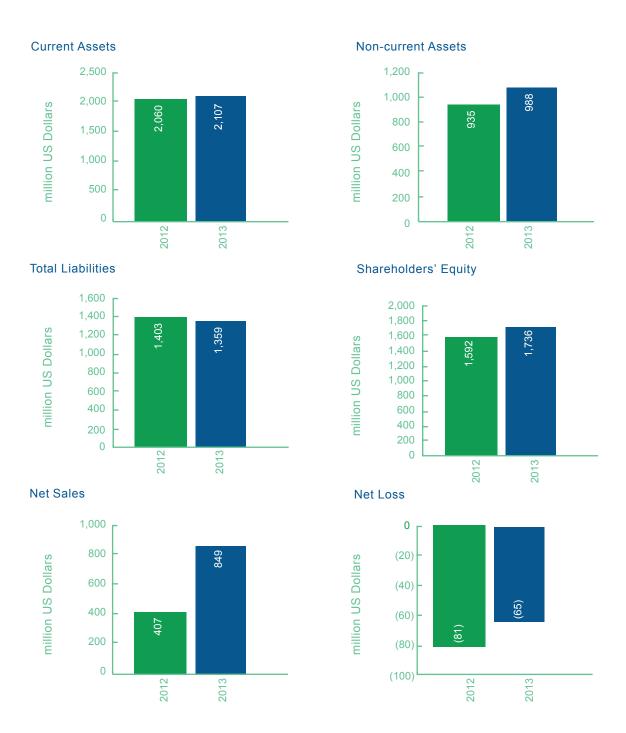


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## **Financial Highlights of IDRO Group**



- The Iranian fiscal year ends on March 20th, 2014
- The rate of exchange was \$1 / RIs25,102 at the end of the period



### **Message of the Chairman**



The Industrial Development & Renovation Organization of Iran (IDRO) is essentially, a developmental organization where change and transformation is an inherent part of its activities. This organization plans and implements its programs within the framework of Iran's industrial development strategy, which is also a part of this country's general economic development program.

In recent years, IDRO has operated within a different legal structure; as a consequence of which, it has experienced a certain degree of volatility. I believe that although this organization has the backing of 47 years of invaluable experience during which time it has played a major role in realizing Iran's industrial targets now is the time to make major reforms within its legal and planning structure, so that it becomes more flexible in cooperating with domestic and foreign investors. Previously, IDRO was subject to the kind of rules and regulations which limited operations. This was

due to the fact that the government directly intervened in its investment decision making processes. However, once the proposed adjustments are made, this organization shall be able to act more independently and shall be emancipated from government unnecessary government bureaucracy. The main outcome of these adjustments is that IDRO shall be more able to engage in joint partnerships with the private sector. We, as a part of IDRO family, are determined to achieve this goal. In the mean time, I am pleased to point out some of our achievements.

During the reporting financial period, we were engaged in 34 research projects worth approximately US\$23.6 million relating to hi-tech industries. These projects include 17 innovation projects with the value of US\$21.2 million. In this sector 15 research projects valued close to US\$680 thousand have been concluded.



We have also been involved in a number of feasibility studies and research activities focusing on various commercial projects, the result of which is, establishing 3 new companies and implementing 8 investment projects valued at US\$192 million.

Referring to investment projects, we have invested US\$42.5 million in 3 joint-venture projects which are in partnership with the private sector. We have also invested US\$190 million in another 3 projects, which are not in partnership with the private sector. Here, we are involved in the mass construction of 2,900 residential units at Phase 5 of the newly constructed town known as Parand. In addition, IDRO has also focused on 6 renovation projects worth US\$246 million, of which 3 have already been completed.

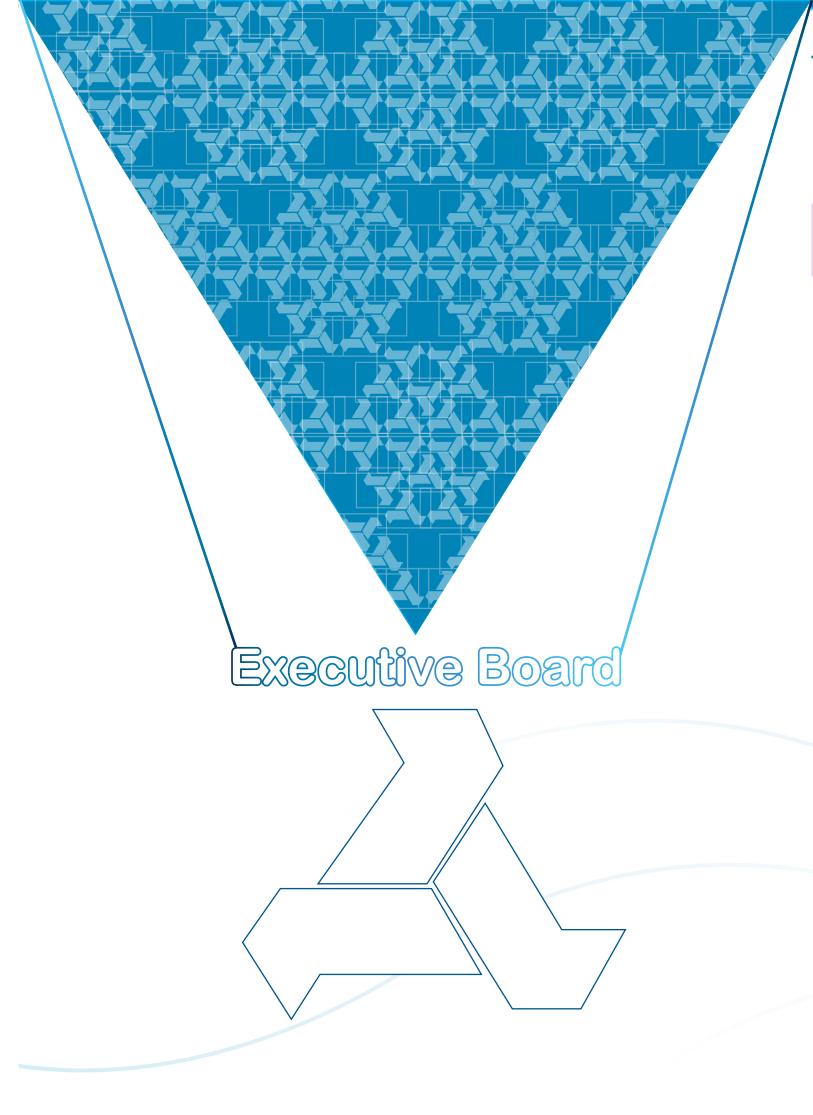
IDRO is proud to have been a major contributor to some of Iran's mega national projects, (especially in the energy sector) and shall undoubtedly, play an even greater role in contributing towards the development of Iran's energy sector in the future. So far, the development of Phases 17 and 18 of South Pars Gas Field (located in the Persian Gulf) worth US\$3.6 billion, have enjoyed a 90.73% progress and Phase 14 of the same field with investments of US\$5.2 billion experienced a 53.84% progress during the same period. In commissioning these projects, IDRO has emphasized on manufacturing vital oil and gas equipment indigenously.

In the renovation of production sector, we currently have 5 projects valued at US\$641.5 million. In spite of the existing limitations, our export volume reached US\$89 million. Furthermore, in continuing to execute the overall policies set forth by Article 44 of the Iranian Constitution which stresses upon the privatization of the state-owned companies, we handed over 958 million shares worth US\$111 million of our companies to the private sector.

I consider our human resources to be our most valuable asset. Hence, our main strategy in this regard, is to pay a special attention towards human resources and their development, whilst optimizing the potentials of our personnel. Therefore, in order to ensure of their development, we allocated 21,788 man/hours of training to our staff, during the reporting period.

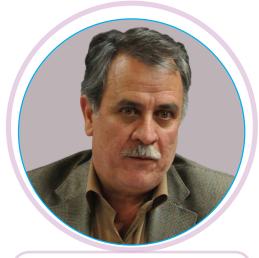
To conclude, I believe that all of IDRO's achievements are due to the hard work of our personnel at executive levels and within IDRO's subsidiary companies. Therefore, I would like to take this opportunity to express my deepest gratitude to them and I am confident that any possible challenges we might face as a consequence of future transformations in IDRO, shall be overcome with the hard work, support and wisdom of my dear colleagues.

Seyed Reza Norouzzadeh Chairman & Deputy Minister





Seyed Reza Norouzzadeh Chairman & Deputy Minister



Hassan Abooei Mehrizi Non-executive Member



Mahdi Bazaargan Non-executive Member



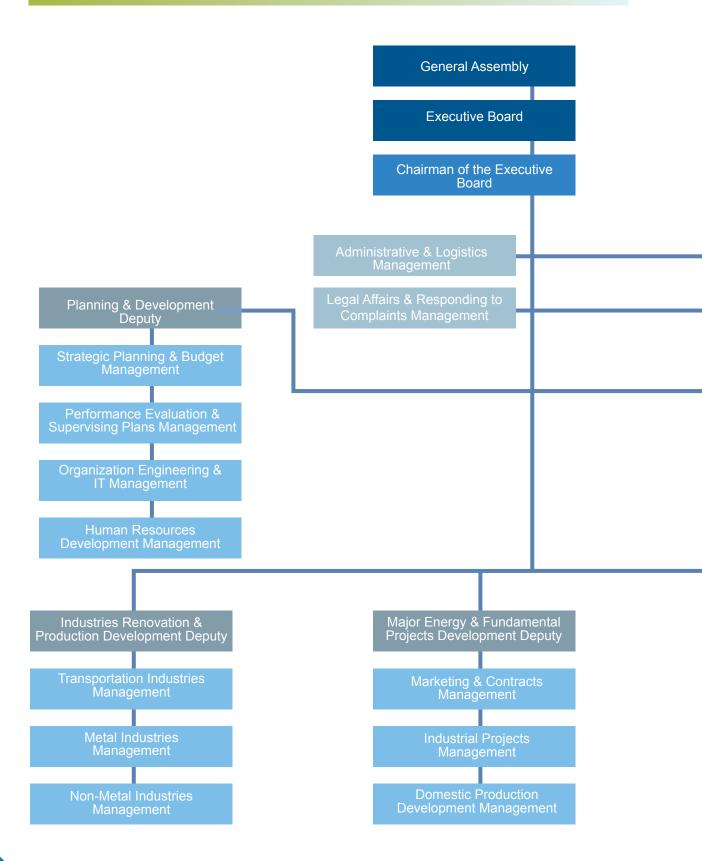
Ali Akbar Saberi Zafarghandi Non-executive Member

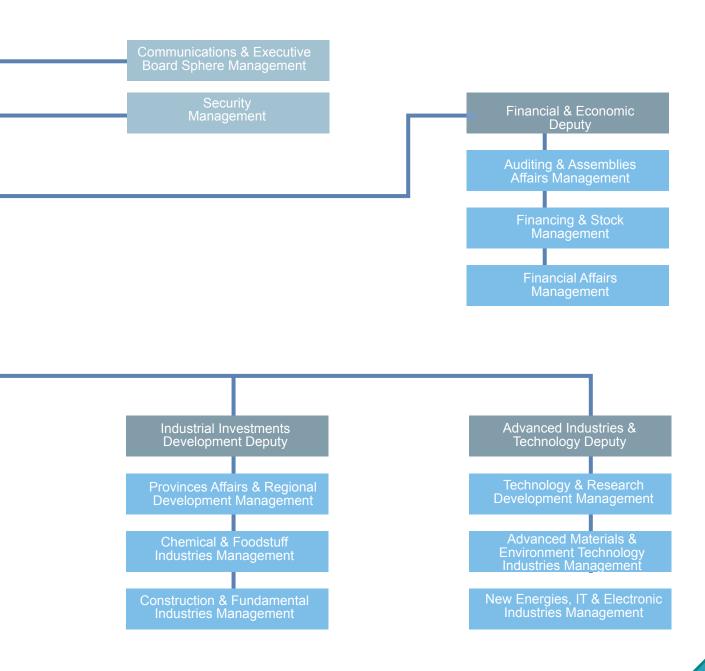


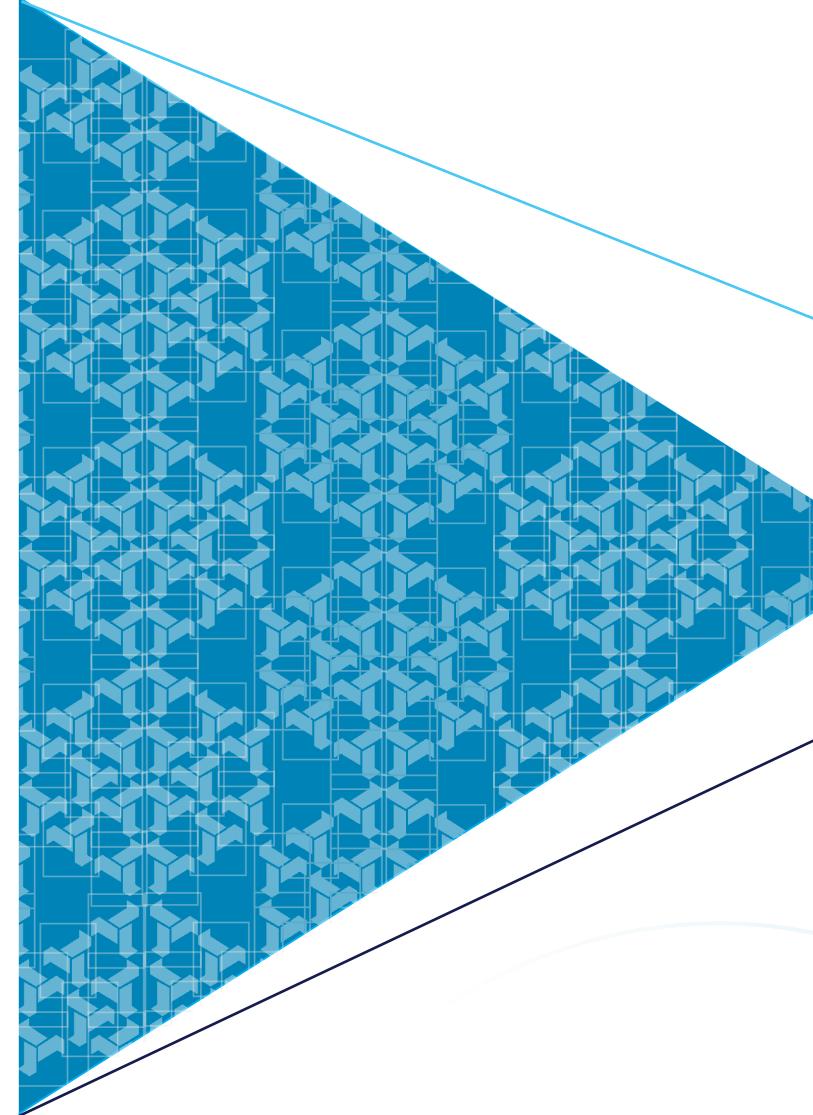
Valiollah Afkhami Rad Non-executive Member



## **Organizational Chart**









### **Master Plan Statement**

#### **Industrial Development And Renovation Organization Of Iran**

The Industrial Development & Renovation Organization of Iran (IDRO) was established in 1967 as a developmental, comprehensive, and independent institute with a specific law that aims to accelerate industrialization of the country through helping development and renovation of industries.

This organization created and launched key and heavy industries, which were considered to be necessary for the country at that period, and the private sector was reluctant to establish them due to lack of finance, high risk, long-term return and etc.

It has been responsible for laying the groundwork and encouraging the private sector to make capacity and develop industry. In other words, it allowed the private sector to develop by creating and launching industrial units and divesting to the private sector.

All the measures of IDRO during recent years and its extensive services to the country's economy show that undoubtedly a considerable portion of the infrastructure of some industrial clusters created in the country owe to the effective activities of this organization. Reviewing the organization's activities indicates that it has had many roles during several decades in industry sector:

**1st Decade:** Developmental institute, establishing heavy and new industries and renovating old industries;

**2nd Decade:** The entrepreneurial role of the units, which were mainly in heavy industries field;

**3rd Decade:** The effective role in applying manufacturing capacities and domestic industrial potentials by entering general contracting field and executing and managing industrial mega projects, especially in oil, gas, and petrochemical fields;

4th Decade: Following the developmental role with a focus on enabling the private sector through partnership in investing industrial plans and developing high tech;

**5th Decade:** With a view to a change in the conditions of the country's industry, it is necessary to revise the organization's mission to better respond the industrial development requirements; After studying and analyzing the previous and present conditions of the organization, a general revision was carried out in the vision, mission, goals, and strategies of IDRO to provide a new attitude.



IDRO's Headquarters Building



They led to "IDRO's master plan statement", which is explained subsequently. In the next step, we discuss whether the country needs a developmental organization like IDRO. The IDRO's objectivity clause will be specified after making answer of the question clear. The remaining sections discuss the methodology to formulate vision, mission, and values, explain each of them, and discuss goals and strategies.

### **IDRO's Master Plan**

### Mission

We are a developmental organization with an economic approach. We help the state and support private sector by focusing on the integrated management of development and renovation of specified industries through mobilization of resources and procuring accelerated, balanced and competitive requirements of industrial development in the global arena.



#### Vision

Pioneer in changing Iran into the hub of industry and innovation in the region on accordance with Iran's vision at 2025 in specified industries.

### **Values**

IDRO is an effective, up-to-date, dynamic, smart, and responsive organization that enjoys clear procedures, administration health, and professional ethics.

#### Goals

- 1- Accessing a central role in the country's industrial development
- 2- Enabling private sector

- 3- Developing specified industries and realizing key objectives in the industries
- 4- Linking specified industries to global value chain
- 5- Establishing a balanced regional development



### **Strategies**

- 1- Acquiring a value-oriented chain approach;
- 2- A selective approach in industrial development;
- 3- Acquiring contingency approach and minimum intervention;
- 4- Active interaction with beneficiaries and effective institutions;
- 5- Business match making & Establish Networks;
- 6- Active participation in modifying industry finance system;
- 7- Diversification using organization finance methods;
- 8- Demand-orientation in technology development;
- 9- Cooperating with Strategic partnership;
- 10- Leadership of Mega projects;
- 11- Active pre-empt and intervention in region-oriented focused industries;
- 12- Scientific Management Development & Promotion;
- 13- Organization agility;

## **Our Human Resources**

At IDRO, we firmly believe that human resources are the most important asset of this organization and hence, we are very particular in selecting suitable candidates with the right experiences and qualifications. Thus, 75% of our personnel, whose number is 371, have at least bachelors degree or higher.

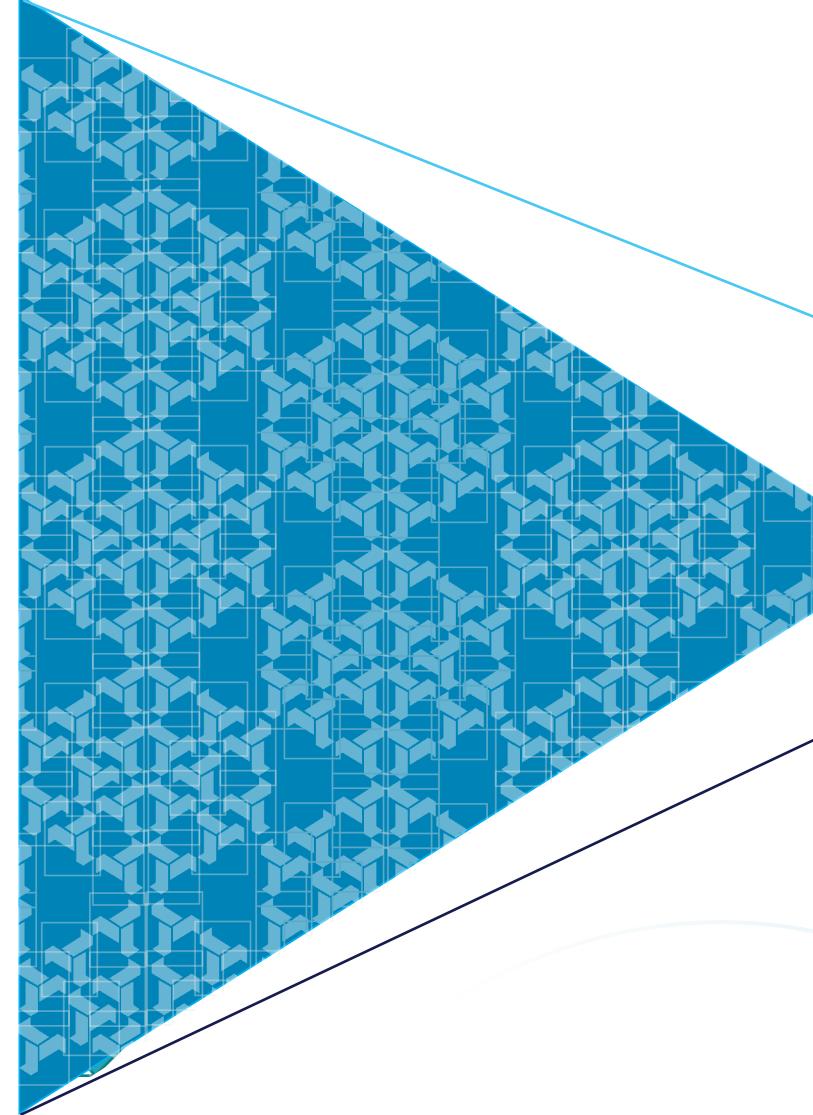


### **Management & Human Resource Development**

One of the missions of Industrial Development Organization of Iran (IDRO) is to impact on the scientific development of the country. Hence, the following measures have been taken in this regard.

- Providing financial and intellectual support by holding 10 conferences and seminars and reporting on:
  - The National Corporate Governance Conference
  - The National Human resource Valuation Conference
  - The Fifteenth Marine Industries Conference
  - The Ninth Human Resource Development Conference
  - The Fourth Two-Year Chemo Metrics Conference
  - The Third International and Seventh National Technology Management Conference
  - The Eleventh International Management Conference
  - The Ninth International Project Management Conference
  - The Third Conference of Value Adding Management of Knowledge, Innovation & Intellectual Capital
  - The Sixth Financing System Development Conference
- Holding the Fifteenth Learning, the Ninth Human Resource Development as well as the Eleventh International Management Conferences
- Assessing the human resources of four companies, namely: Haft Tappeh Sugar Cane Industries, Industrial Projects Management of Iran and Magfa as well as the Industrial Management Institute based on the Human resource Excellence Model
- Evaluating the 49 financial productivity and 135 human resource indexes of nine companies.
- Providing 52 articles on IDRO's experiences at 8 human resource conferences and 49 articles on IDRO's experiences at ten international management conferences.
- Assessing managers' performances and reporting on individual feedbacks to managers as a self-assessment measure.
- · Designing and implementing a development

- centre for employees at the executive level.
- Organizing 21,788 man/hours of training for managers and experts at the executive level and for the managers at IDRO's subsidiary companies (including 7,823 man/hours of training sessions within the Organization and 8,705 man/hours training sessions outside the organization and 5,260 man/hours of training sessions through sending bulletins and articles).
- Preparing the instruction for encouraging knowledge seekers, preparing the preliminary knowledge outlook, mission and knowledge strategies draft, designing the Organization's preliminary Knowledge Management Model and preparing the timetable for implementing knowledge management within hi-tech industries.
- Supporting university thesis (one case at masters level and another case at PhD level).



Jack Time Industries Covered by IDRO



IDRO mainly focuses on hi-tech industries, general contracting, auto manufacturing, as well as marine industries.

### **Auto Manufacturing Industry**

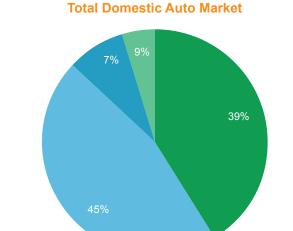
The auto industry in Iran, was initially founded in the late 1950s, during which period, this industry has grown to become one of Iran's leading industries. Being the principal player in Iran's passenger vehicles, lorries, buses and minibuses manufacturing industries and a significant organization within the auto industry in general, IDRO is determined to increase its productivity, whilst minimizing expenses and improving efficiency, quality as well as after sales services.

#### **IDRO & Iran's Auto Market**

The number of vehicles (light and heavy) sold in Iran was 814,272 units during the reported period.

IDRO currently owns 15.17% and 35.76% of Iran Khodro and SAIPA companies respectively, which together control approximately 84% of Iran's total market share.

The following pie chart demonstrates IDRO's market share within Iran's auto market



Iran Khodro Company
Other Companies

Saipa Group

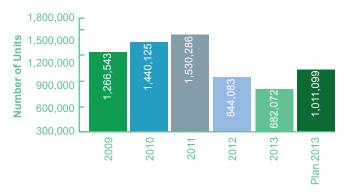
Imports

Some of the measures taken with regard to production in the auto manufacturing sector during 2013 are:

- Realizing of 68% of passenger vehicles and pickups production plans,
- Realizing of 34% of commercial vehicles production plans,



The number of vehicles (light and heavy) units manufactured by IDRO's subsidiaries during the mentioned period reached 682,072. The following chart reflects upon IDRO Group's light and heavy vehicles manufacturing performance in the previous five years.













### Iran Khodro Industrial Group

Iran Khodro Industrial Group, which currently employs 50,921 employees, is the largest auto manufacturing group in Iran. During the previous Iranian fiscal year ended March 20<sup>th</sup> 2014, the revenues of this group came close to US\$4.5 billion and its assets amounted to US\$6.2 billion.

Today, with over five decades of invaluable experience (established in 1961), Iran Khodro Industrial Group manufactured over 367 thousand units in 2013.

The passenger vehicles manufactured by this company are: Samand (national Iranian automobile), Soren, Peugeot 206, Peugeot 206 Sedan, Tondar 90 (L90), Peugeot Pars, Peugeot 405 GLX, Peykan Pickup, Suzuki Vitara, Runna and Dena. Other types of heavier vehicles such as busses and minibuses are also manufactured by Iran Khodro Industrial Group.

During the recent years, Iran Khodro has intensified its co-operations with its supplier companies on every level. Suppliers are now involved in the development of new-generation vehicles at a very early stage. Sapco, the main subsidiary of Iran Khodro, has now taken on the role of leading development and production packages of suppliers.

The following bar chart demonstrates Iran Khodro Group's production performance in the previous five years.



### **SAIPA Group**

SAIPA Group was initially established in 1966, under the name of Societe Annonyme Iranienne De Production Automobile (Iranian Citroen Automobile Manufacturing Company). Today, from its humble beginnings and as a result of decades of experience, SAIPA has emerged as a multi-brand, multibillion dollar, diversified holding company.

The products of this group encompass every major market segment in both the passenger car sector and commercial vehicles. The passenger cars produced by SAIPA Group include: SAIPA X111, X131, X132, X141, X151, Tiba, Tondar 90 (L90), Renault Megan and Qashqai. Heavier vehicles produced include: Nissan Pickup, lorries, busses such as minibuses as well as coaches. A total of 36,022 people were employed by SAIPA Group at year-ended 2013.

During 2013, production of light and heavy vehicles reached over 314 thousand units. Furthermore, the turnover of SAIPA Group was

US\$3.1 billion and total assets were more than US\$4.6 billion in 2013.

The following bar chart demonstrates SAIPA Group's production performance in the previous five years.







### **Infrastructure Industry & Machinery**

One of the ways IDRO contributes towards the industrialization of Iran, is to play an active role in the advancement manufacturing capabilities of the country.

IDRO's involvement in the production of key infrastructure related products and machinery such as metal pipes, casting parts, along with construction of industrial units such as steel mills, demonstrates the important contributory role of this organization plays within Iran's industrial capabilities.

#### **Performance**

IDRO's performance in the field of infrastructure and machinery during the reported period, is illustrated next.

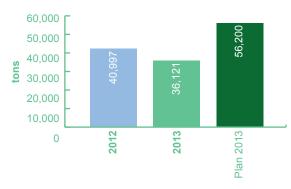
## **Related Companies**

# **Esfarayen Industrial** Complex

Located in the city of Esfarayen in North East of Iran, Esfarayen Industrial Complex (EICo) is one of IDRO's newly-formed manufacturing plants specialized in the production of heavy casting and forging parts. The main units of the complex are ingot, melting, press forging and casting.

During the reporting period, this company produced 36,121 tons of steel sections. Furthermore, this company embarked on an expansion project with investments in the amount of US\$52.9 million. This project has currently experienced a 72.83% progress.

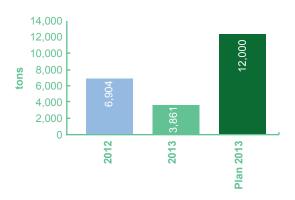
#### **Production of Steel Sections**



### Lule Gostar Esfarayen

This company is the only manufacturer of seamless tubing and casing pipes in Iran. The production attainable capacity volume of Lule Gostar Esfarayen (LGE) Company is 35,000 tons per year.

#### **LGE Production Performance**





### **Production of Casting Parts**



# Machine Sazi Tabriz Group (MST)

Machine Sazi Tabriz Group (M.S.T.) with more than four decade production background of various machine tools and presentation of regular after sales services on country level. It has effective presence in field of manufacturing, sales and after sales services plus training of various CNC machines.

The main products range consist of CNC and universal milling, CNC Vertical and Horizontal milling, CNC and universal lathes, Grinding, Drilling Machines Vertical and Horizontal machining center.

During 2013, MST which currently employs 745 people, manufactured 1,203 various units of lathe machines. In addition, MST exported its products to Turkey, Germany, Iraq, Malaysia and Azerbaijan.

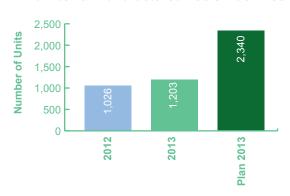


Esfarayen Industrial Complex

# Machine Sazi Tabriz Foundry Company

With over 40 years of experience in ferrous alloy casting, Machine Sazi Tabriz Foundry Company is one of the largest companies of its kind in Iran. This company manufactures iron cast parts weighing from 100 grams to 10 tons. Products range includes grey iron, ductile iron, high alloy chromium irons as well as forged parts.

#### **Number of Manufactured Tools Machines**









### **Related Subsidiary Companies**

IDRO's marine industries operations are carried out by Iran Shipbuilding & Offshore Industries Complex Company (ISOICO). ISOICO's scope of activity covers: shipbuilding, ship repair, construction of marine installations and structures, as well as offering technical and engineering services in the mentioned related specialized fields of activity. Established in 2007 Azim Gostar Hormoz Company is also involved in constructing ship building plants vessel repair workshops. Finally, Darya Danesh Fanavar Pars is involved in the manufacturing of marine diesel engines.

## **Ship Building & Marine Structure Construction**

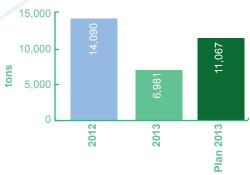
ISOICO has been successful in signing a contract with the Islamic Republic of Iran Shipping Lines (IRISL) to produce six container ships. The first ship was manufactured in Germany and has already been delivered to IRISL. Furthermore, ISOICO has constructed Iran's first container ship named Iran-Arak. It was launched in 2009, in a southern port located in the province of Hormozgan. The mentioned ocean liner weighs over 7,000 tons and is capable of transporting 30,000 tons of cargo or 2,200 TEU.

Iran-Shahre Kord is identical to Iran-Arak and both ships have been manufactured by ISOICO for Iran Shipping Lines. This project was concluded during 2013. Other, ongoing ship building projects include:

- Construction of the Iran-Kashan Container Ship which has so far experienced a 90.90% progress, with US\$31 million of investment;
- Construction of Iran-Fahim Oil Tanker which has so far experienced an 83.49% progress, with US\$29.8 million of investment.

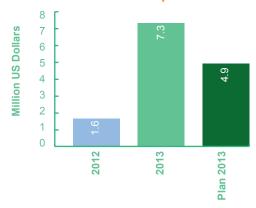
The following bar chart demonstrates ISOICO's ship building performance during the reported period.

**Ships & Vessels Constructed** 



The following bar chart demonstrates ISOICO's vessel repair performance during the reported period.

**Vessels Repaired** 



Referring to the marine structure construction, ISOICO has been involved in the development of Phase 14 of the South Pars Gas Field. More details in this regard shall be provided in the Industrial Project Development section of this report.

# Construction of Two dry Docks for Ship Repair & New Building

Azim Gostar Hormoz Company, has been involved in the construction of two dry docks which are for repairing and new building of LNG carriers and VLCC tankers in Bandar Abbas Port. This project which commenced in 2006 with the objective of repair and new building of big size ships and penetrating into this lucrative market



both on domestic, regional and international levels, has created employment opportunities for 5,124 people (3,196 jobs were created directly and 1,928 jobs were indirectly created, thanks to this project). This project requires investments amounting to some US\$443 million. It was also decided that the required budget should be financed by IDRO (major part) and the Islamic Development Bank (minor part).

Consequently, the implementation of this project was commenced in accordance with a predetermined timetable. This project, which includes two dry docks with the following specifications, experienced a 82.43% progress by the end of the reporting financial period:

- First dock, designed at 375 x 80 x 14 M dimensions
- New dock, at 475 x 80 x 14M dimensions

# **Manufacturing Marine Diesel Engines**

Light and heavy marine diesel engines are manufactured by, Darya Danesh Fanavar Company, which commenced its operations as of 2012. IDRO has a 49% stake in this company and the remaining shares are owned by the private sector.

This company has embarked upon a marine engine manufacturing project worth US\$16.7 million which has experienced a 61.7% physical progress. The main objective of this project is to mass produce 900 horse power marine engines (an upgraded version of the Mercedes Benz car engine model, which shall be adapted to serve marine purposes). This product is to be manufactured in accordance with the latest global standards.



### **Hi-tech Industries**

IDRO's strategy regarding hi-tech industries is to create and develop economically viable related projects and to support innovative and applied research for the purpose of assisting knowledge-based private companies involved in this sector to become more competitive and to become capable of entering into venture with the private sector.

Through its Hi-tech Industries Development Deputy, which is in charge of managing hi-tech industries operations, IDRO also undertakes joint and innovation R&D efforts with universities and other academic institutions and engages in joint investment with the private sector in order to develop know-how or purchase new technologies. Following the notification of Article 44 of the Iranian Constitution, IDRO concentrated more of its resources toward investing developing hi-tech industries within the underdeveloped regions of Iran. In this regard, some of the most important objectives of IDRO include:

- Developing entrepreneurship with the aim to support innovation and new ideas in hi-tech industries
- Creating small-scale business entities within universities and research centres
- Creating conditions for investment in hi-tech related industries
- Investing in hi-tech industries by entering into partnerships with the private sector and those who have know-how
- Creating viable business opportunities relating to hi-tech industries.

The fields of hi-tech activity in which IDRO is involved, include: biotechnology, nanotechnology, ICT, micro-electronics, new materials, robotics, mechatronix and new energies.

#### **Investments in Hi-tech Industries**

I. Development of modern know-how which demonstrate viability for investment purposes:

In developing modern know-how, we have utilized the capabilities of research and scientific centers as well as industrial innovators in defining and investing in various research and innovation projects. These projects, which concentrate on all sorts of fields of study, ranging from agriculture, to ethanol production from sugarcane, reverse engineering, biology, auto manufacturing, mechanics etc., aim to create small business development centers (SBDCs) and to develop innovation within the R&D centers of companies. Total value of the above research projects during the reported fiscal period amounted to approximately US\$23.6 million.

The following table provides a breakdown of the said projects.

Project Field	Number of Projects	Project Value (million US\$)
Innovation	17	21.2
SBDCs	15	1.1
R&D	2	1.3
Total	34	23.6





The mentioned projects are in a number of specialized fields, some of which are explained in the following table.

Innovation Projects	Contract Value (million US \$)	Physical Progress
Launching and pilot production of one barrel per day of gas to liquid (GTL) for three months	0.7	% 98
Implementing the national robotic project (humanoid robot)	1.1	% 58.78
Carrying out research, developing know-how and constructing a semi-industrial 4 megawatt turbine with capability of simultaneous production of heat and electricity	3.9	% 70
Carrying out research and construction of a 10,000 liter methanol production unit, from sugar cane bagasse	2.1	% 85.5
Improving the hybrid bus, carrying out performance and quality tests in accordance with commercialization standards and obtaining approvals from reliable organizations	0.8	% 44
Manufacturing detergent industrial enzymes	1.6	% 24
Designing and applying intelligent vehicle communication systems	2.2	% 76
Designing and manufacturing a Tokamak machine	1.9	% 50
Manufacturing of three different models of hybrid vehicles	3.6	% 74.5
Know-how developing and construction of a reverse (osmosis membranes) thermal module for the purpose of treating sea water on an industrial pilot scale with a 5,000 (module) per annum	1.8	% 44

During the reporting period 2 R&D projects were implemented. The first project involved the construction of a vertical machining centre (VMC850) prototype and the second project is related to a gantry machining centre (DMC1,000) prototype.

Furthermore, another 15 research projects (worth US\$679 thousand) concluded during the same period. Some of these projects include: developing technical know-how, design and construction of semi-industrial antioxidants extracted from green tea and designing and developing the technology of manufacturing cantilever beam, using the MEMS method. Furthermore, another 4 research projects worth over US\$557.7 thousand were undertaken during the reported period.

#### II. Commercialization of research outcomes and investment in hi-tech industries:

Under this category, IDRO aims to translate research ideas and know-how into applicable commercial ventures. In this context, this organization assesses the possibility of investment in such projects in participation with the owners of ideas and technologies in the field of hi-tech industries. Some of IDRO's activities in this regard during the reported period include:

- Identifying and researching 42 investment opportunities
- Drafting 11 pre-feasibility studies
- · Drafting 9 business plans
- Establishing 3 companies active in producing skin disease medicine, hemodialysis machines as well as antibodies.

The following table reflects upon of the projects which have been ratified during the reporting period.



Date of Ratification	Project	Amount (million US\$)
15.06.2013	Manufacturing instrumentation systems	13.6
19.08.2013	Reviewing the industrial solvents manufacturing project	63
09.03.2014	Reviewing the industrial enzymes project used for cattle, poultry and marine life feed	19.6
Total		96.2

### III. Supervision of projects:

Under this category, IDRO supervises over project managers which include external specialized and its own subsidiary companies. Furthermore, IDRO guides and supports the progress of projects until utilization. One of the measures taken in this regard during the reported period is: pursuing the implementation of 8 investment projects worth US\$192.3 million.

Project	Investment (million US\$)	IDRO's Share (%)	Physical Progress (%)
Magnesium Die-Casting	7.9	40	96
Industrial Solvents Production	63	42	82.5
Hi-Tech Carbon Fiber Production	33.6	49	80
Construction of 7 Bio Implant Centers	34	40	39.96
Hemodialysis Machines Manufacturing	0.9	49	-
Skin Disease Medicine Production	1.4	49	-
Antibodies Production	23.6	40	-
Manufacturing of Gas Turbines	27.9	49	-
Total	192.3		



A newly manufactured turbine



Carbon fiber production line



IDRO has been a major contributor to Iran's industrial projects development since its establishment. The implementation of mega national projects has been among major fields of activity of IDRO and its subsidiary companies.

In recent years, IDRO has played a major role in the development of Iran's energy sector, which needless to mention is the main source of Iran's revenue. The mega national projects, in which IDRO has lately taken part in, are mainly located in the South Pars Gas Field.

Phases 6, 7 & 8 of South Pars Gas Field





#### South Pars Gas Field

Located in one of the world's most strategic and energy rich regions, the South Pars Gas Field which is jointly owned by Iran and Qatar, is located 100 km from Iran's southern coast in the Persian Gulf. According to the International Energy Agency (IEA), this field which holds over 50 trillion cubic meters of natural gas and some 50 billion barrels of condensates, is the world's largest gas field.

The estimated reserves in the Iranian section are 500 trillion cubic feet (14.2 trillion cubic meters) of gas in place and approximately 360 trillion cubic feet (10.2 trillion cubic meters) of recoverable gas which accounts for 36% of Iran's total proven gas reserves and 5.6% of the worlds proven gas reserves. The Iranian section also holds 18 billion barrels of condensate in place of which some 9 billion barrels are believed to be recoverable.



### **Implemented Projects in South Pars Gas Field**

#### **Phase 1 Gas Refinery**

Phase 1 was developed to produce 1 billion cubic feet of natural gas, 40,000 barrels of condensate, 1,500 tons of LPG plus 200 tons of sulphur per day. The onshore portion of this project, amounting US\$300 million was executed by a consortium of IDRO and the South Korean company ,Daelim. As a contractor, IDRO was involved in the fields of engineering, procurement and construction of a gas refinery.

#### Phases 6, 7 & 8 Gas Refinery

Phases 6 to 8 were developed to produce lean gas for re-injection into Aghajari Oil Field, and heavy gas and condensate for export. These phases involved construction of three offshore platforms in addition to the onshore facilities. Statoil developed the offshore platforms while Petropars Company developed the land based facilities through a joint venture between Toyo and JGC from Japan, Daelim from South Korea and IDRO.

This project comprised of engineering, procurement and construction (EPC) for three gas trains in the Assaluyeh region. The initial value of the contract was US\$1.2 billion. However, following some expansion, the said amount increased to US\$1.8 billion.

Phases 6, 7 and 8 were projected to produce 172 thousand barrels of gas condensate, 4,290 tons of liquid propane and butane as well as 370 million cubic feet of ethane gas to be feed to the Assaluyeh petrochemical units per day. The extra 3.64 billion cubic feet per day of gas was to be injected into the Aghajari Oil Field wells.





# **Projects at Hand**



### **South Pars Phase 14 Development Project**

Phase 14 of South Pars Gas Field is composed of both offshore and onshore sections. The offshore section comprises forty four wells, four platforms, two 32 inch sub-sea pipelines and two 4.5 inch pipelines designed for transferring mono-ethylene glycol (MEG) and the onshore facilities include a gas refinery. The products of this project are 50 million cubic meter/day of refined natural gas as well as an annual 1.1 million tons of liquid petroleum (LPG) dedicated for exports, 77 thousand barrels/day of gas condensates and 400 tons/day of sulphur for barrels exports and one million tons/annum of ethane gas used as feed for petrochemical plants. The capacity of this phase is predicted to be two billion cubic feet/day. The value of this project is US\$5.2 billion with a progress of 53.84% by the end of the reported period.

The contractor of the project is a consortium comprised of eight domestic companies, including IDRO as the leader. The names and the respective shares of the mentioned eight companies are stated in the following pie chart:



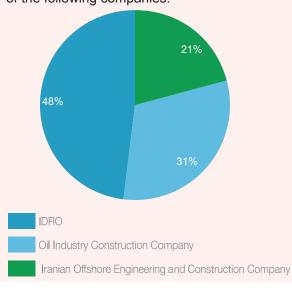


### **South Pars Phases 17 & 18 Development Project**



Phases 17 & 18 of South Pars Gas Field

This project including both onshore and offshore portions aims at reaching a daily capacity of 50 million cubic meters of sweet gas which is to be transferred to the nationwide gas network. 80 thousand barrels /day of gas condensates, 400 tons / day of sulfur, one million tons / annum Ethan gas and 1.05 million tons / annum of LPG. The contract was signed on March 15th 2005 between NIOC and a consortium consists of the following companies:



The initial value of the above contract was US\$2.1 billion. However, this amount later increased to US\$3.6 billion. IDRO is responsible for leading this project, which has so far experienced physical progress of 90.73%.

#### **Other Activities**

Other activities of IDRO in industrial projects development include:

- Identifying four consultants which specialize in fields of borehole, well heads, instrumentation and control as well as process packages.
- Carrying out joint studies with the Micro-Electronic Research Institute in the field of designing and manufacturing control valves.
- Auditing the projects being implemented by general contracting companies based on auditing checklists on two occasions.
- Identifying national and regional tenders, carrying out market research in the field of oil, gas and petrochemicals.



IDRO plays a significant role in promoting and supporting private industrial investment in Iran and acts as a kind of investment incubator. The trend in Iran's Fifth Economic, Social and Cultural Development Plan (this plan continues the trend of the Forth Economic, Social and Cultural Plan) is towards the shrinkage of state enterprise. The government has accordingly paved the road for further participation of private entrepreneurs and investors by making pertinent adjustments in the rules and regulations. In conformity with the state policy, IDRO has aligned its development plans so that it may contribute towards the growth of the private sector and to offer its support.

In order to implement the above policies, IDRO follows the strategy of entering into joint partnerships with the private sector (having a minority ownership of maximum 40%, leaving the management at the hands of the private sector partners) in various industrial projects. If the new company develops according to plan, IDRO typically transfers (sells) its 40% stake after 3 years of commercial operation to the private sector partner.

In executing the above strategy, IDRO has during the reported period, concentrated on investing in hi-tech industries, other industrial sectors located in the under developed regions of Iran as well as investments in construction and renovation projects.



### **Private Sector Investment Projects**

IDRO is currently involved in 3 different joint-venture projects with the private sector. The details of these projects are outlined in the following table.

Project	Investment Volume (million US\$)	IDRO's Share	Physical Progress (%)
Manufacturing Marine Engines	16.7	49	61.7
Manufacturing Base Isolators	4.6	35	18
Construction of a Rolling Line, a Conveyer Belt, Sized Alloy Bars & Coils	21.2	40	
Total	42.5		



### **IDRO's Investment Projects (without the private sector)**

Another three projects with a credit line in the amount of US\$189.9 were implemented solely by IDRO and without any participation from the private sector. Finally, two construction projects were completed during the reporting period. The fist project involve the construction of 2,900 housing units in the newly built city of *Parand* and the second project is the construction of three schools in the earthquake stricken East Azerbaijan Province. During the reporting period, 51 feasibility studies in a wide variety of manufacturing fields such as: producing paper from stone, surgery strings, malt extract, naturally made edible dyes, canned fish, syringes, etc. Another 9 pre-feasibility studies in various production such as fiber cement boards, dairy proteins, food supplements, etc. have been implemented.

Investments in 6 approved projects amount to just over US\$248.7 billion. The breakdown of these investments is demonstrated in the following table.

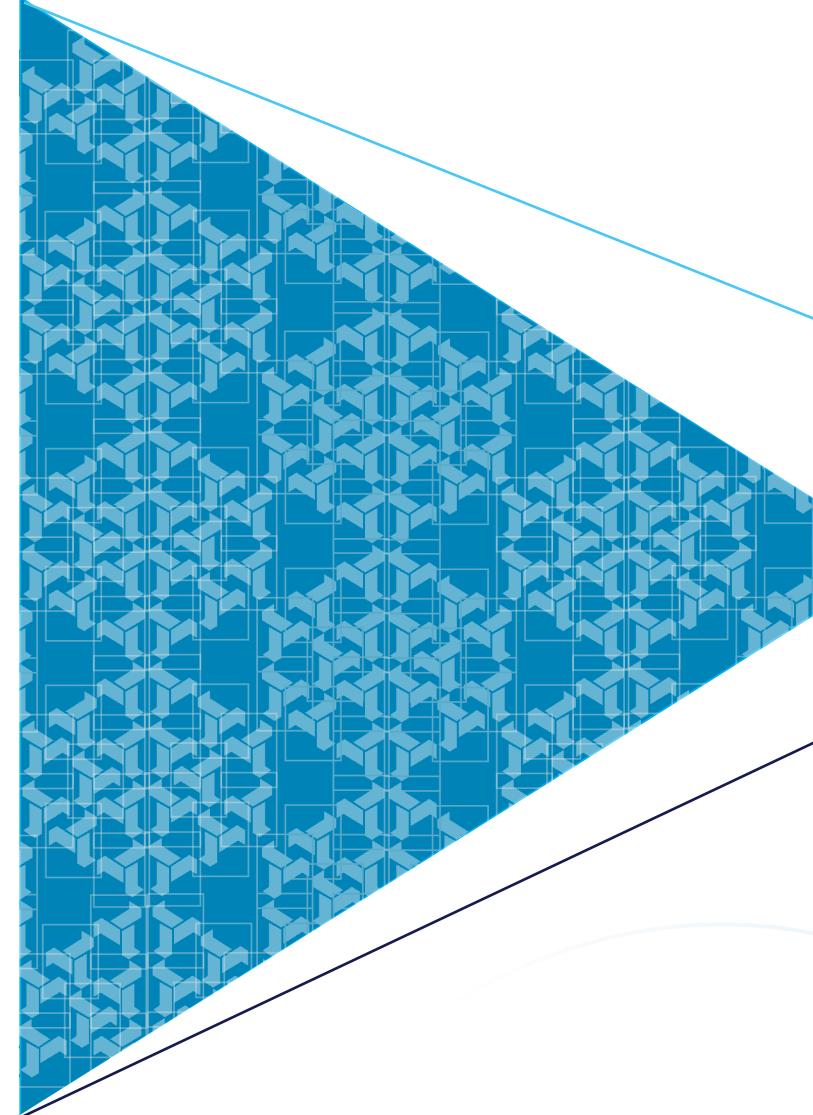
Project	Investments (million US\$)
Construction of a Rolling Line, a Conveyer Belt, Sized Alloy Bars & Coils	21.2
Glass Fiber	117.8
Pro-biotic Cattle Feed Supplements	26.8
Dairy Proteins & Lactose Derivatives	38.5
Edible Dyes & B Carotene	18.4
Food Supplements & Omega 3 Oil	26
Total	248.7

IDRO has also established three companies which are active in the fields of the production of Bioethanol, starch and plant polymer, glass fiber, as well as membrane.

### **Renovation Projects**

Having recognized that in order to retain their competitiveness and to optimize their existing potentials, its companies need to renovated at times, IDRO allocates a considerable portion of its resources towards such needs. The following table reflects upon IDRO's performance in terms of renovating its subsidiary companies during the reporting period.

Renovation Projects	Investment Volume (million US\$)	Physical Progress	Current Situation
Constructing a date packaging line at the Balouch Industries Development Company	3.8	100	
Renovating the Haft Tappeh Sugar Cane Plantation & Industries Company	4.8	100	Completed
Renovating the Yasouj Food & Sugar Products Company	4.2	100	
Researching, analysing and implementing productivity projects and preparing feasibility studies and revising the expansion documents of various industries	0.8	46.6	
Construction of dry docks in two phases	179.7	82.45	Under Construction
Completing the Esfarayen Industries Company project in two phases	52.8	72.83	
Total	246.1		





International Activities



### **Exports**

Considering Iran's intention to reduce its dependency and reliance on oil exports, IDRO has set its strategy to increase compatibility and its share within the global markets. Regarding the measures taken in recent years, IDRO has identified and tackled the problems facing exports.

The subsidiary and affiliated companies of IDRO continuously export goods and equipment including: automobiles and cast parts in a number of countries such as Iraq, Venezuela, Turkey, Egypt and Azerbaijan.

Total export value of IDRO's group in the year ended March 20<sup>th</sup> 2014, was US\$88.6 million.

The following pie chart demonstrates the contribution share of the subsidiary companies in IDRO's export performance:

65.4

9

25.6

Saipa
Iran Khodro
Esfarayen Industrial Complex

The breakdown of exports is shown in the following table.

Company	Export Value (thousand US Dollars)
Saipa	57,963
Iran Khordo	22,669
Esfarayen Industrial Complex	7,978
Total	88,610



#### STATEMENT OF FINANCIAL POSITION

ASSETS	Mar.20,2014 \$ 000	Mar.20,2014 Millions of	Mar.20,2013 Rials
Current assets:			
Cash	238,671	5,991,126	7,041,592
Notes& accounts receivable	1,038,154	26,059,739	26,807,434
Advance payments	68,852	1,728,322	655,606
Other current assets	6,482	162,704	155,746
Total current assets	1,352,159	33,941,891	34,660,378
Non current assets:			
Long term investments	520,197	13,057,991	13,119,516
Fixed assets	7,689	193,005	194,440
Other assets	143,076	3,591,505	3,447,723
Total non current assets	670,962	16,842,501	16,761,679
TOTAL ASSETS	2,023,121	50,784,392	51,422,057

<sup>\*</sup> Exchange rate for items in financial statements is 25,102 Rls, per USD at balance sheet date, Please note, fixed assets stated in the balance sheet are based on costs at a date which during previous periods were earned at exchange rates mainly lower than rate of balance sheet date; therefore, the above USD amounts do not necessarily reflect present value of fixed assets.



### STATEMENT OF FINANCIAL POSITION

	Mar.20,2014	Mar.20,2014	Mar.20,2013
LIABILITIES & SHAREHOLDERS` EQUITY	\$ 000	Millions of	Rials
Current liabilities:			
Trade accounts payable	81,812	2,053,653	5,280,381
Other accounts & notes payable	9,811	246,289	244,368
Advances received	18,681	468,923	809,329
Short term loans	1,319	33,112	191,357
Total current liabilities	111,623	2,801,977	6,525,435
Non - current liabilities:			
Accounts & notes payable	98,361	2,469,058	2,358,657
Loans	43,389	1,089,154	1,342,308
Provision for staff termination benefits	3,041	76,331	62,568
Total non-current liabilities	144,791	3,634,543	3,763,533
Shareholders` equity:			
Capital stock (17 billion shares, par value of Rls, 1,000)	677,237	17,000,000	17,000,000
Legal reserve	56,943	1,429,382	1,413,715
Other reserves	837,604	21,025,542	18,312,113
Funds and stocks received from government	96,593	2,424,674	2,236,653
Retained earnings (losses)	98,330	2,468,274	2,170,608
Total shareholders` equity	1,766,707	44,347,872	41,133,089
TOTAL LIABILITIES & SHAREHOLDERS` EQUITY	2,023,121	50,784,392	51,422,057



#### STATEMENT OF PROFIT OR LOSS

	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
Dividends	3,684	92,475	1,978,277
Sale of investments	(19,416)	(487,385)	(345,328)
Other revenues	(3,501)	(87,876)	
Total revenues	(19,233)	(482,786)	1,632,949
General and administrative expenses	(14,159)	(355,426)	(258,617)
Other operating revenues	432	10,852	72,024
Operating income	(32,960)	(827,360)	1,446,356
Financial expenses	(8,260)	(207,354)	(183,873)
Other non-operating revenues	53,703	1,348,047	1,859,156
Income before tax	12,483	313,333	3,121,639
Tax	0	0	0
Net income	12,483	313,333	3,121,639
Retained earnings at beginning	37,909	951,597	292,321
Prior year adjustments	48,562	1,219,011	(740,536)
Adjusted beginning retained earnings	86,471	2,170,608	(448,215)
Income available for appropriation	98,954	2,483,941	2,673,424
Appropriations:			
Legal reserve	(624)	(15,667)	(113,715)
Training reserve	0	0	(389,101)
Total appropriations	(624)	(15,667)	(502,816)
RETAINED EARNINGS (LOSS) AT YEAR END	98,330	2,468,274	2,170,608

### IDRO CORPORATION

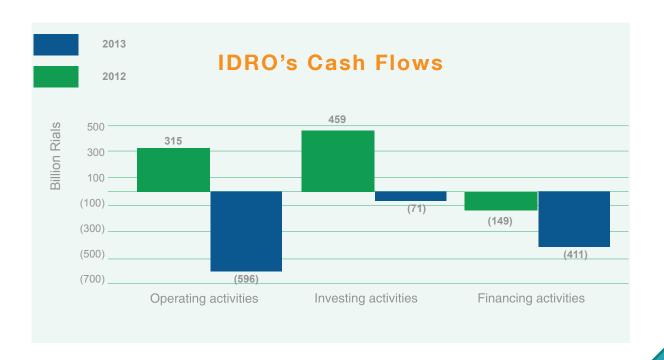
### STATEMENT OF COMPREHENSIVE INCOME

	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
Net income	12,483	313,333	3,121,639
Currency conversion reserve	115,213	2,892,072	4,551,114
Comprehensive income of financial year	127,696	3,205,405	7,672,753
Prior year adjustments	48,562	1,219,011	(740,536)
COMPREHENSIVE INCOME	176,258	4,424,416	6,932,217



#### STATEMENT OF CASH FLOWS

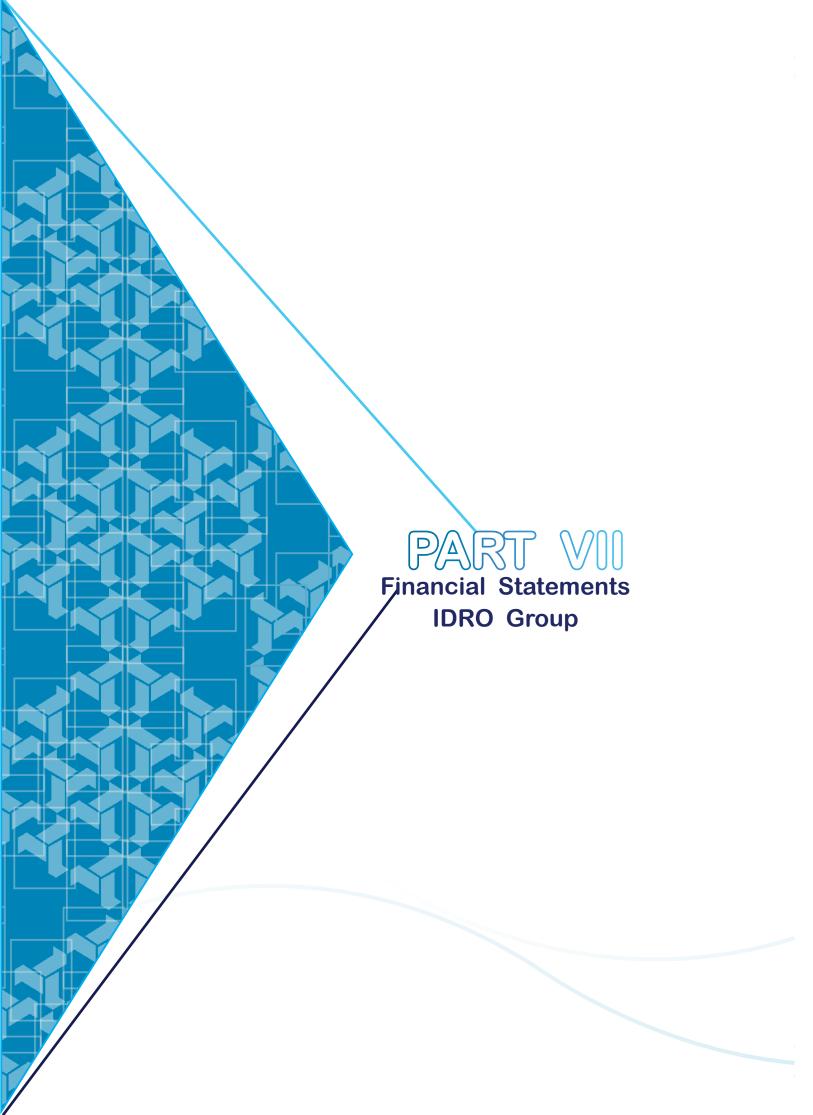
	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
<b>Cash Flows From Operating Activities:</b>			
Operating income	(32,960)	(827,360)	1,446,356
Depreciation of fixed assets	176	4,420	5,510
Increase in termination payment provision	548	13,763	5,765
Decrease (Increase ) in accounts & notes receivable	43,096	1,081,784	(6,094,694)
(Increase) in other assets	(277)	(6,958)	0
Decrease (increase) in prepayments & letters of credit	(41,297)	(1,036,633)	292,657
Increase (Decrease) in accounts & notes payable	(131,222)	(3,293,924)	3,551,526
(Decrease) in advances received	(23,394)	(587,221)	(280,175)
Other non- operating income	18,428	462,572	1,388,255
Currency conversion reserve	143,141	3,593,115	0
Net Cash Flows Provided By (Used for) Operating Activities	(23,761)	(596,442)	315,200





#### STATEMENT OF CASH FLOWS

	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
Return on Investments & Interest Paid:			
Interest received on bank deposits	28,352	711,708	898,491
Interest paid for loans	(8,260)	(207,354)	(183,873)
Net Cash Provided from ROI & Interest Paid	20,092	504,354	714,618
Tax Paid	(1,437)	(36,083)	(46,982)
Cash Flows From Investing Activities:			
Net cash provided by sale of (paid for acquisition) investments	6,104	153,216	335,341
Acquisition of fixed assets	(120)	(3,005)	(3,083)
Decrease (increase) in other assets	(8,819)	(221,369)	126,815
Net Cash Flows Used For Investing Activities	(2,835)	(71,158)	459,073
Cash Flows From Financing Activities:			
Repayment of loans	(16,389)	(411,399)	(149,382)
Net Cash Flows Used For Financing Activities	(16,389)	(411,399)	(149,382)
Net increase (decrease) in cash	(24,330)	(610,728)	1,292,527
Cash at beginning of the year	280,519	7,041,592	3,970,515
Currency rate fluctuation	(17,518)	(439,738)	1,778,550
CASH AT YEAR END	238,671	5,991,126	7,041,592





#### STATEMENT OF CONSOLIDATED FINANCIAL POSITION

ACCETO	Mar.20,2014	Mar.20,2014	Mar.20,2013
ASSETS	\$ 000	Millions of	Rials
Current assets:			
Cash	305,523	7,669,235	13,074,746
Short - term investments & deposits	9,085	228,042	175,366
Notes & accounts receivable	962,762	24,167,261	24,127,618
Inventories	300,099	7,533,074	4,688,966
Letters of credit	8,094	203,169	226,818
Advance payments	225,705	5,665,654	4,449,238
Other current assets	295,990	7,429,946	4,968,417
Total current assets	2,107,258	52,896,381	51,711,169
Property & equipment at cost:			
Land	104,671	2,627,454	2,586,845
Buildings & structures	114,961	2,885,745	2,826,223
Equipment & fixtures	107,451	2,697,223	2,613,533
Vehicles	5,984	150,199	146,195
Other fixed assets	304,365	7,640,198	6,300,080
Accumulated depreciation	(122,333)	(3,070,793)	(2,764,594)
Net property & equipment	515,099	12,930,026	11,708,282
Consolidation goodwill	23,278	584,312	620,861
Long - term investments	283,838	7,124,904	7,133,549
Other assets	166,000	4,166,928	4,016,307
Total non current assets	988,215	24,806,170	23,478,999
TOTAL ASSETS	3,095,473	77,702,551	75,190,168



#### STATEMENT OF CONSOLIDATED FINANCIAL POSITION

LIADII ITIES AND SUADEUOLDEDS' FOURTY	Mar.20,2014	Mar.20,2014	Mar.20,2013
LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 000	Millions of	Rials
Current liabilities:			
Short term loans payable	79,542	1,996,651	1,879,447
Trade notes & accounts payable	246,622	6,190,713	8,512,088
Other accounts payable	272,720	6,845,813	6,159,432
Advances received	480,800	12,069,043	11,727,255
Income taxes payable	1,435	36,031	33,178
Total current liabilities	1,081,119	27,138,251	28,311,400
Non - current liabilities:			
Loans payable	140,304	3,521,901	3,635,184
Notes & accounts payable	105,268	2,642,427	2,518,802
Other liabilities	32,436	814,233	757,339
Total non - current liabilities	278,008	6,978,561	6,911,325
Shareholders equity:			
Capital stock (17 billion shares, Par value of Rls, 1,000)	677,237	17,000,000	17,000,000
Capital decrease in process	(2,816)	(70,685)	(70,685)
Legal reserve	58,102	1,458,472	1,441,860
Other reserves	1,005,805	25,247,725	20,015,691
Funds and stocks received from government	96,593	2,424,674	2,236,653
Retained earnings (losses)	(97,950)	(2,458,750)	(641,107)
Minority interests	(625)	(15,697)	(14,969)
Total shareholders`equity	1,736,346	43,585,739	39,967,443
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	3,095,473	77,702,551	75,190,168



#### STATEMENT OF CONSOLIDATED PROFIT OR LOSS

	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
Net sales	153,996	3,865,607	3,288,131
Cost of sales	(140,851)	(3,535,632)	(3,242,080)
Income of construction contracts	694,610	17,436,082	6,936,417
Cost of construction contracts	(677,456)	(17,005,498)	(6,812,534)
Gross income	30,299	760,559	169,934
Income (losses) from investments & sale of investments	(88,589)	(2,223,749)	(3,614,752)
Selling, general and administrative expenses	(39,365)	(988,141)	(710,731)
Other operating income(expenses)	(19,233)	(482,783)	574,332
Operating (losses)	(116,888)	(2,934,114)	(3,581,217)
Financial expenses	(19,539)	(490,456)	(552,338)
Net other non-operating revenues	72,419	1,817,831	2,115,103
Income (loss) before taxes	(64,008)	(1,606,739)	(2,018,452)
Income taxes	(753)	(18,895)	(14,023)
NET INCOME BEFORE MINORITY INTEREST	(64,761)	(1,625,634)	(2,032,475)
Minority interest	(29)	(726)	(822)



#### STATEMENT OF CONSOLIDATED RETAINED EARNINGS

	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
Retained earnings:			
Beginning balance	(26,599)	(667,677)	2,703,952
Adjustments	(5,119)	(128,495)	(770,830)
Net income	(64,761)	(1,625,634)	(2,032,475)
Profit available for appropriation	(96,479)	(2,421,806)	(99,353)
Appropriations:			
Transfer to legal reserve	(662)	(16,613)	(117,161)
Transfer to other reserves	0	0	(389,101)
Dividend proposed	(0)	(2)	(4)
Budget Law deductions	(1,667)	(41,854)	(56,287)
Total appropriations	(2,329)	(58,469)	(562,553)
RETAINED EARNINGS (LOSSES) AT YEAR END	(98,808)	(2,480,275)	(661,906)
RETAINED EARNINGS (LOSSES) AT YEAR END- Minority interest	(858)	(21,525)	(20,799)
RETAINED EARNINGS (LOSSES) AT YEAR END-Parent company	(97,950)	(2,458,750)	(641,107)

# IDRO CORPORATION and CONSOLIDATED SUBSIDIARIES

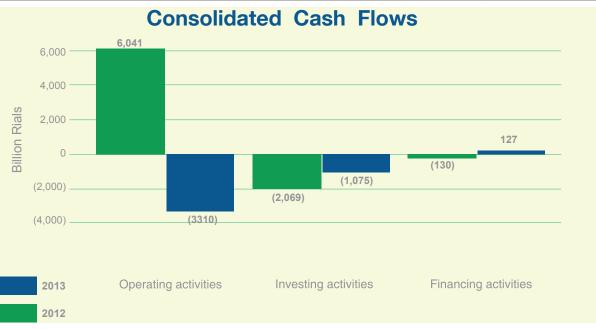
#### STATEMENT OF CONSOLIDATED COMPREHENSIVE INCOME

	Mar.20,2014	Mar.20,2014	Mar.20,2013	
	\$ 000	Millions of	Rials	
Net income (loss)	(64,761)	(1,625,634)	(2,032,475)	
Currency conversion reserve	115,213	2,892,072	4,551,114	
Comprehensive income (loss) of financial year	50,452	1,266,438	2,518,639	
Prior year adjustments	44,879	1,126,549	(770,830)	
COMPREHENSIVE INCOME (LOSS)	95,331	2,392,987	1,747,809	
Minority interest	(30)	(750)	(834)	



### STATEMENT OF CONSOLIDATED CASH FLOWS

	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
Cash flows from operating activities:			
Operating income (loss)	(116,888)	(2,934,114)	(3,581,217)
Depreciation of fix assets	12,245	307,374	339,547
Depreciation of goodwill	1,456	36,549	36,548
Increase in termination payment provision	2,267	56,894	94,409
Changes in current assets & liabilities:			
Decrease in trade notes & accounts receivable	10,287	258,229	7,836,592
Decrease (Increase) in inventories	(113,302)	(2,844,108)	1,707,776
(Increase) in advance payments& letters of credit	(31,873)	(800,085)	(1,948,243)
(Increase) in other current assets	(98,062)	(2,461,529)	(6,305,780)
Increase in trade notes & accounts payable	(70,843)	(1,778,295)	677,912
Increase(decrease) in advances received	3,783	94,973	519,931
Other non-operating income	143,141	3,593,115	6,663,637
Currency conversion reserve	125,945	3,161,459	0
Net Cash Flows Provided by Operating Activities	(131,844)	(3,309,538)	6,041,112





### STATEMENT OF CONSOLIDATED CASH FLOWS

	Mar.20,2014	Mar.20,2014	Mar.20,2013
	\$ 000	Millions of	Rials
Return on Investments & Interest Paid:			
Interest received on bank deposits	31,620	793,712	898,491
Interest paid for loans	(19,539)	(490,456)	(476,157)
Net Cash Flows From ROI & Interest Paid	12,081	303,256	422,334
Tax Paid	(15,643)	(392,682)	(21,728)
Cash Flows From Investing Activities:			
(Acquisition) of fixed assets	(60,931)	(1,529,482)	(467,305)
Net cash provided by sale of investments	3,997	100,336	320,641
Proceeds from sale of fixed assets	196	4,931	14,341
(Acquisition) other assets	(11,189)	(280,884)	(1,937,022)
Net Cash Flows From Investing Activities	(67,927)	(1,705,099)	(2,069,345)
Cash Flows From Financing Activities:			
Loans received	25,182	632,118	474,479
Repayment of loans	(25,026)	(628,197)	(604,084)
Increase in long-term notes & accounts payable	4,925	123,625	0
Net Cash Flows Provided by Financing Activities	5,081	127,546	(129,605)
Net increase (decrease) in cash	(198,252)	(4,976,517)	4,242,768
Cash at beginning of the year	520,865	13,074,746	7,019,682
Currency rate fluctuation	(17,090)	(428,994)	1,812,296
CASH AT YEAR END	305,523	7,669,235	13,074,746