In the Name of God

Iranian Mines and Mining Industries
Development and Renovation Organization

Produced by:
Planning & Empowerment Deputy
(Economic & Investment Development Department)

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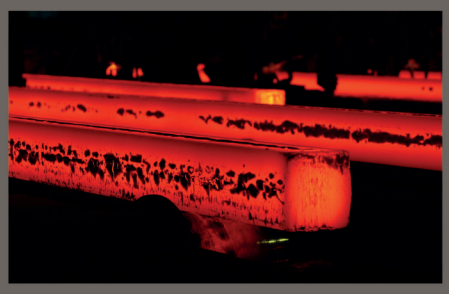
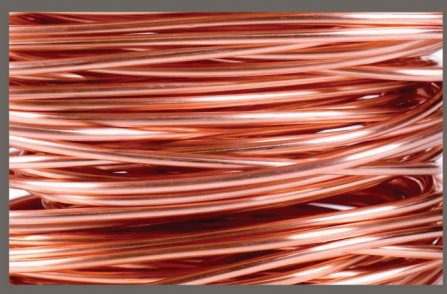
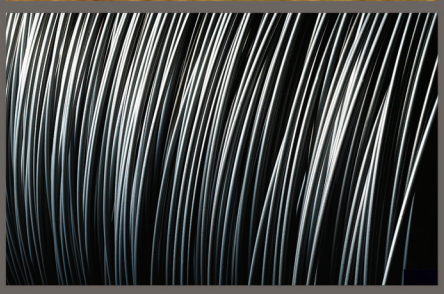
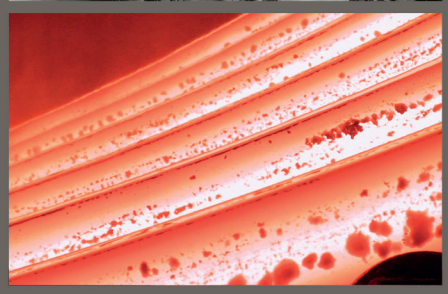
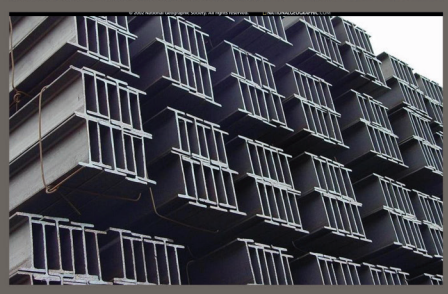




IMIDRO

Annual Report 2012-13



Part 1
IMIDRO at a Glance

Message of the Chairman

Executive Board

Global Steel Production Performance

Our Profile

Objectives

Strategies

IMIDRO’s Organizational Structure

IMIDRO’S Subsidiary Companies

Message of the Chairman

I am pleased to announce that we have been through yet another fruitful and effortful year. During 2012/13 the Iranian Mines & Mining Industries Development & Renovation Organization (IMIDRO) has taken effective steps towards its objectives and has made new efforts in contributing to Iran's growth, development and prosperity. Our production, sales and exports indicators which fortunately demonstrate a growing trend clearly support the above claims. Our global ranking in 2012 in terms of crude steel production was 15, in terms of iron ore production was 10, in terms of aluminum production was 22 and we were the 20th largest producer of copper cathode. We intend to reach annual production targets of 55 million tons of crude steel, 800 thousand tons of copper cathode, 1.5 million tons of aluminum, 5 tons of gold and 300 thousand tons of zinc by 2025.

Some of the main measures taken by this organization during the reporting period include: creating mining infrastructure, paying a special attention to value added and competitive advantages, implementing exploration projects and boosting the discovered mineral reserves, enhancing our safety and environmental performance, defining water projects in eastern Iran, reviewing and formulating energy consumption standards, increasing sales and exports volumes, privatizing our companies in compliance with Article 44 of the Iranian Constitution, encouraging private sector investments and foreign investment preferably in the form of joint-ventures as well as adjusting our human resource and production technology structures.

During 1392 (2013) which corresponded with the taking office of the new administration, we focused all our efforts towards completing our unfinished projects.

In addition, the works on seven steel projects with a total capacity of approximately 6 million tons/annum have currently been accelerated and all contractors are determined to complete most of the DRI and steel making units of the above-mentioned projects by 1395 (2016). In addition, numerous other projects such as the Zarshouran Gold Project are currently underway and are expected to be completed by mid 1393 (2014).In order to boost Iran's valuable mineral reserves, 200 thousand square kilometres of land throughout the country has been defined towards exploration operations, which commenced in the same year.

All of the measures taken so far and IMIDRO's future plans are within the framework of this organization's strategies. Iran is blessed with abundant mineral and energy resources,

together with a young, educated and experienced workforce. These attributes provide Iran with exceptional competitive advantages in mining industries. Iran has a number of expansion projects which shall further expand its production capacity.

In line with the policies of Article 44 of the Iranian Constitution, which stresses upon the privatization of the state-owned companies, we firmly believe that achieving compatibility and sustainable growth is not possible without the participation of the private sector. Therefore, we constantly support and strengthen this sector.
The role of the government of the Islamic Republic of Iran in the production of base metals is investment in the production of crude metals. However, by no means does this mean that investments of the private sector or foreign investment in this field are not welcomed. Unless the private sector demonstrates little desire to invest in the production of rolled metals due to the high investment volumes, technical complexities or late investment returns involved, the government does not directly involve its self in this sector. In such instances the government participates in joint-venture investments with Iran's private sector.

In order to attract private sector investment in its projects, IMIDRO invites privately owned companies to enter into joint-venture partnerships. Private sector stakes in these projects may vary in accordance with their wishes. Hence, IMIDRO cooperates with and supports the private sector in this way. Referring to foreign direct investment (FDI), this organization essentially supports those investors who transfer modern technologies and management skills while providing training to the local work forces, have access to the global distribution and sales network and have the financial banking to invest mega projects for which domestic funding is unavailable.

At IMIDRO, we follow our metal pricing strategy through the Tehran Metal Exchange (TME). We firmly believe that not only does this method stabilize the metal markets, but it also safeguards long-term interests of the manufacturers and consumers. Furthermore, the inclusion of foreign products in this market encourages domestic products to be channelled more towards with international prices, making Iran's mining and industrial activities more competitive. As a consequence of the ever increasing intensification of globalization, IMIDRO pays a special attention towards compatibility.

To conclude, I would like to take this opportunity to express my gratitude towards all of my dedicated and hardworking colleagues both in the executive sphere and in our subsidiary companies.

Wishing for a better and more promising future.

Mehdi Karbasian

Executive Board

Mehdi Karbasian
Chairman

Seyed Hossein Hashemi
Member

Jafar Sargheini
Member

Vajihollah Jafari
Member

Global Steel Production Performanc

In 2013 world steel demand grew higher than our previous forecasts due to a stronger than expected performance in the developed world in the second half of the year. In particular, the recovery in the United States gained strength. In addition the downturn in the EU bottomed out and we now expect that steel demand in the Eurozone will move into positive growth in 2014. On the other hand, many emerging economies continue to struggle with structural issues and financial market volatility. This, along with China's deceleration, is the reason for our slightly lower global growth rate forecast for 2014. In 2015, growth in most parts of the world will accelerate thanks to a continuing steady recovery in the developed economies and an improvement in the situation for the emerging economies. But China's steel demand will further decelerate and this will prevent the broad recovery momentum from registering a higher .global growth rate for 2015

Our Profile

In execution of Article 6 of the Law on centralization of industrial & mining activities and for the purpose of evaluating and determining the overall strategies and policies, executing the projects relating to the construction and the renovation of metal related industries, extraction and processing of mineral products as well as executing exploration projects, the Iranian Mines and Mining Industries Development & Renovation Organization (IMIDRO) was established and officially registered on 1380/12/02 (2001/05/02).

It was then decided that this organization is to be administered in accordance to the law of establishment of Industrial Development & Renovation Organization of Iran (IDRO) of 1346 (1967/68) and the articles of associations of this organization.

Based on the council of Minister's decree and in accordance to clause A of article 4 of Iran's 3rd Economic, Social and Cultural Development Plan Law, IMIDRO was defined as a specialized mother company of Ministry of Industries & Mines. IMIDRO is currently comprised of six industrial groups inlcuding steel, copper, mine cement and others which inlcude 21 companies in total.

Objectives

Our main strategic objectives are as follows:

- Entering into joint-venture investments in partnership Iran's private sector and foreign investors.
- Making Iran's mines and mining industries compatible.
- Achieving sustainable development of Iran's mines and mining industries.
- Increasing Iran's global share of production and exports of base metals.
- Paying a special attention towards environmental concerns and protecting natural resources.
- Increasing the share of mining and mining industries sector within Iran's GDP.
- Increasing the production volume of strategic products.
- Enhancing productivity.
- Optimizing the exploitation of mineral reserves.
- Increasing asset returns.
- Enhancing synergy within companies and the value chain of this industry.
- Improving the qualitative and quantitative outcome of operational processes.
- Developing and penetrating domestic markets by emphasizing on domestic requirements.
- Enhancing our research and development capabilities in designing and developing new products.
- Developing technological localization.
- Upgrading safety and hygiene levels.
- Training a specialized and effective workforce.
- Developing engineering and management consulting services.
- Creating easy and economic access to mines and mining industries transportation network.
- Ensuring of a constant, reliable and economic supply of energy.
- Supporting the necessary commercial and political support for asserting an effective presence within the global markets.

Mission Statement

The Iranian Mines and Mining Industries Development & Renovation (IMIDRO) is a holding organization active in the country's mine and mining industries sector has the following mission:

- Review, preparation and implementation of the projects in the fields of exploration, construction, development, equipping and renovation of Iran's mines and mining industries with a special regard to new and high risk technologies.
- Increasing effectiveness in policymaking, direction, support as well as development of the infrastructures in order to empower mine and mining industries sector.

Relying on knowledge-oriented management, dedicated and specialized staff, organizational credibility, endowed with rich and diverse mining minerals and full production chain, we attempt to enhance self-sufficiency and competitiveness as well as sustainable development, while paying attention to human dignities, environment protection and customer satisfaction.

IMIDRO is dynamic, efficient and effective organization in the mine and mining industries sector which operates in line with the Islamic Republic of Iran's Vision Document with a determining role in the country's economy in a such way to prolong sustainable development in the mine and mining sector, taking into account present and future economic, social as well as environmental requirements of the sector so that IMIDRO ranks among high ranking developmental organizations world-wide.

It is important to note that the main prerequisite to achieving the above-mentioned vision is to comply with our organizational values which are:

- Increasing private, corporative sector participations.
- Safeguarding human integrity and social justice.
- Paying a special attention towards the safety and health of our employees.
- Focusing on developing the lesser developed regions of Iran and on job creation.
- Respecting all beneficiaries and being a customer oriented organization.
- Paying a special attention towards preserving the environment, Iran's cultural heritage, mineral resources and energy for future generations.
- Respective material and non-material ownership.

Strategies

Our strategies regarding empowerment are as follows:

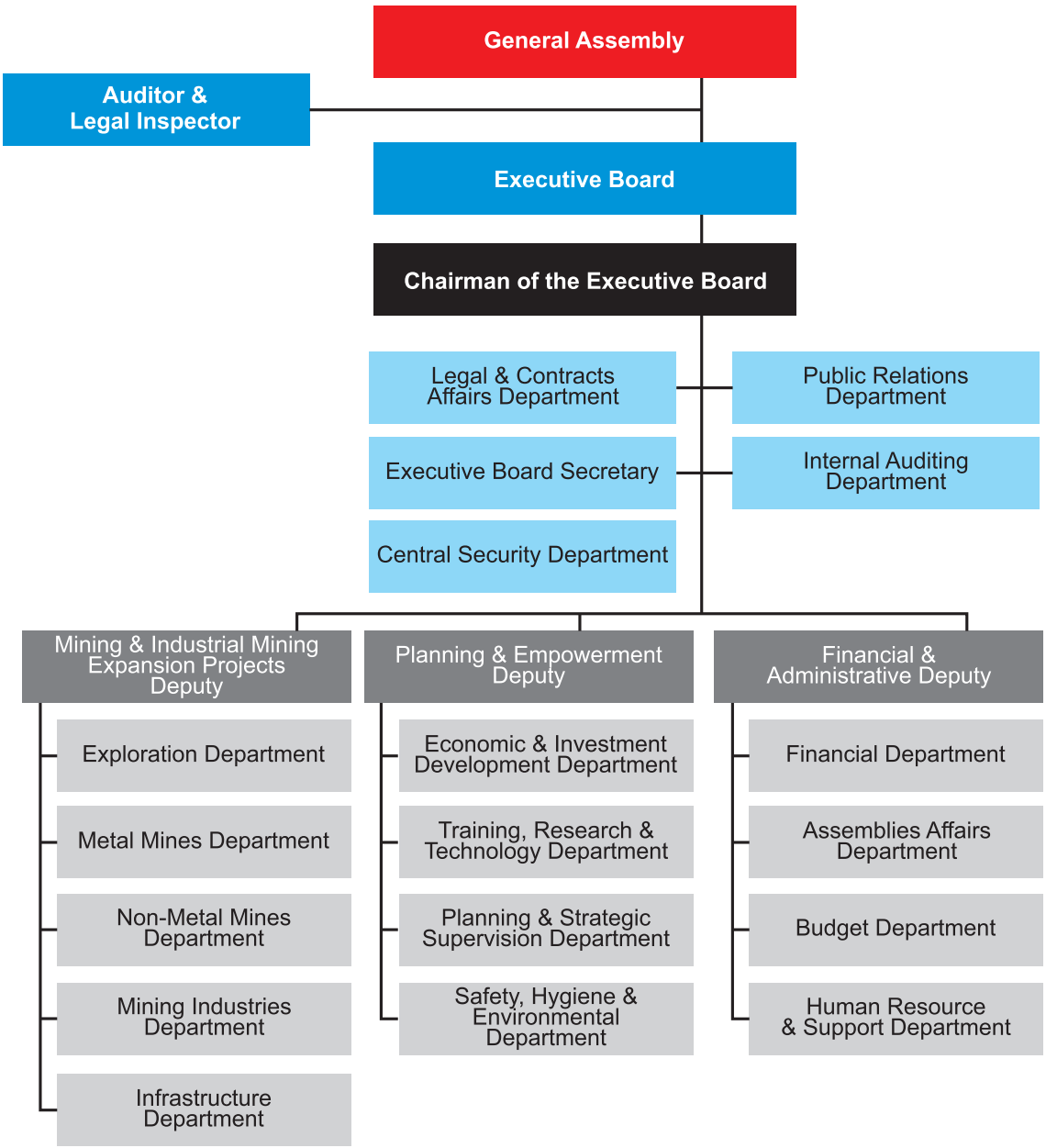
- Localization of technology and development of research
- Improving the capabilities of the production sector
- Developing the infrastructures
- Developing human resources
- Supporting the development of market strength
- Reinforcing financial capabilities as well as expanding investment
- Our strategies with regard to strategic guidance of the subsidiary companies include:

- Strategic marketing and market development
- Effective management of assets and resources
- Expanding the cooperation of the subsidiary companies for the purpose of increasing synergy
- Developing effective human resources
- Improving production capabilities as well as increasing compatibility

Our strategies regarding development and renovation include:

- Creating competitive advantage within Iran by introducing development and renovation projects
- Boosting the capabilities of executing the projects
- Boosting the capabilities of acquiring financial resources as well as attracting investment for projects
- Improving the utilization of the completed projects

IMIDRO's Organizational Structure



IMIDRO'S Subsidiary Companies

Steel Group	
Company	**Ownership Percentage**
National Iranian Steel Co. (NISCO)	100
Azarbaijan Steel Co.	100
Ahwaz Pipe & Rolling Co.	45.31
Esfahan Mobarakeh Steel Co.	20

Mine Group	
Company	**Ownership Percentage**
Iranian Mineral Production & Supplying Co. (IMPASCO)	100
Central Alborz Coal Co.	100
Eastern Alborz Coal Co.	100
Western Alborz Coal Co.	100
Tabas Coal Co.	100

Cement Group	
Company	**Ownership Percentage**
Ehdas Sana'at Co.	100
Takapou Industries Establishment & Design Management Co.	35

Aluminum Group	
Company	**Ownership Percentage**
South Aluminum Co.	49

Copper Group	
Company	**Ownership Percentage**
Shahre Babak Copper Co.	100
National Iranian Copper Industries Co. (NICICO)	19.29

Other Companies	
Company	**Ownership Percentage**
Mining Activities Investment Insurance Fund	100
Persian Gulf Mining & Metal Industries Special Zone	100
ASCOTEC	100
ICS	100
Iran Rolling Trading Services Development Co.	96.5
Bauxite Utilization Economic Co.	49
Mineral Hi-Tech Processing Research Institute	Under Liquidation

Part 2
IMIDRO's Groups

Mine Group

Steel Group

Copper Group

Aluminum Group

Cement Group

Performance

Research & Localization Measures

Human Resources

Mine Group

Iran's iron ore reserves are estimated to be 2.7 billion tons which is 8% of total global reserves. Furthermore, this country possesses 11 million tons of zinc reserves which accounts for 4% of world's total reserves. In addition, Iran is estimated to have 300 tons of gold reserves which are approximately 1% of global reserves.

Having produced 32 million tons of iron ore in 1391 (2012) Iran became the tenth largest producer of iron ore in the world. Finally, Iran produced 831 thousand tons of coal concentrate during the same period. The main objective of this group is to explore, equip, and exploit Iran's major mines. This group is the domestic producer and supplier of coke and iron ore to the steel plants. In addition, the Mine Group produces other mineral required for making steel including, limestone, dolomite, sandstone and quartzite.

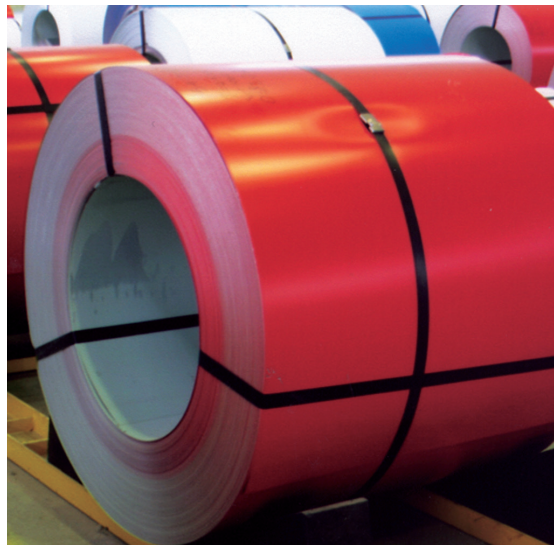
This group is comprised of the following companies:

- Iranian Mineral Production & Supplying Co. (IMPASCO). This company has the Sabzevar Chromite, Angouran Lead and Zinc, Moute Gold, Asfordi Phosphate as well as Pirbekran Iron Ore mines.
- Central Alborz Coal Co.
- Eastern Alborz Coal Co.
- Tabas Coal Co.

In addition to the mentioned companies, there are a number of ongoing expansion projects in this group, some of which include:

- Sangan Pelletizing Project with a 5 million ton/annum capacity.
- Bafgh Agglomeration Plant.
- Chahoon Sechahoun Pelletizing Plant with a 5 million ton/annum capacity.
- Phase II of Zarshouran Gold Mine.
- Phase II of Sangan Concentrate Project with a 2.4 million ton/annum capacity.
- Savadkouh Coke Making Plant with a 300 thousand ton/annum capacity for producing metallurgy coke.
- Khomroud Coke Plant with a 400 thousand ton/annum capacity for producing coke concentrate (producing 750 thousand tons/annum of crude coke).
- Kahnouj Titanium Project.
- Khour Potas Project.
- Processed Coal IV with an annual production capacity of 750 thousand tons of crude coal and 450 thousand tons of coal concentrate.

Steel Group

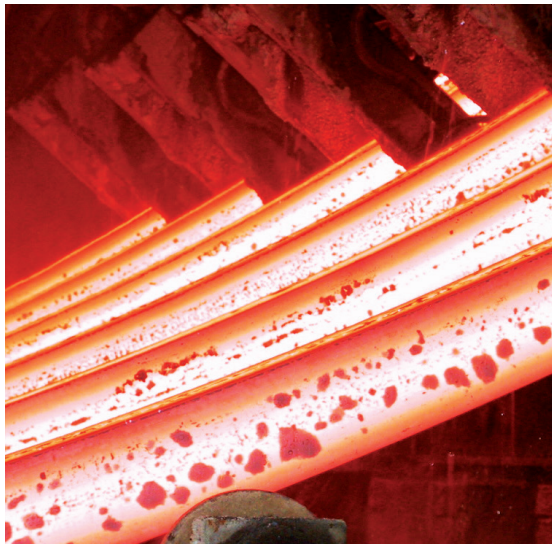


The products of this group include: flat, hot and cold roll, galvanized and crude steel products, all of which conform to international and national standards.

IMIDRO which represents Iran in the Global Steel Community became the 15th largest steel producer in the world in 2012. During 1391 (2012) Iran produced 13.4 million tons of crude steel and 12.3 million tons of final steel products.

The Steel Group is comprised of the following companies:

- National Iranian Steel Co. (NISCO) - This company has defined seven steel projects with the objective of increasing Iran's steel production capacity. Having required finance in the amount of US$1.86 billion, these projects are currently under construction. At least two of the mentioned projects (DRI) are expected to be commissioned by 2014 and the remaining



DRI projects should be concluded by 2015. By 2016 all of these projects are expected to be launched with full capacity. The main projects of this group are comprised of seven provincial projects including the Sabzevar, Baft, Shadegan, Neiriz, Miyaneh, Ghaenat and Sepiddasht Steel Projects. Once launched in the next three years, these projects are expected to boost Iran's annual crude steel production capacity by 6 million tons.

- Azarbaijan Steel Co.
- Ahwaz Pipe & Rolling Co.
- Mobarakeh Steel Co. (MSCO)

The expansion projects of this group include: completing the production capacity, of Esfahan Steel Company (ESC), Mobarakeh Steel Company (MSCO) as well as Electro Graphite Project (electro graphite is a raw material required by the steel industry).

Copper Group

Iran's copper reserves, which account for 4% of the world's total reserves, amount to approximately 2,600 million tons. According to the reviews made, Iran is situated on the global copper belt which stretches from northwest to southeast of this country.

Copper cathode production in 1391 (2012) amounted to 213 thousand tons and Iran became the 20th largest producer of copper cathode in 2012.

National Iranian Copper Industries Company (NICICO) is the leading company in this group. This company is engaged in exploration, extraction and exploitation of Iran's copper mines. This company is also involved in the production, distribution and sales of beneficiated products of copper ore and copper metal both domestically and overseas. Furthermore, the scope of activities of NICICO includes entering into partnerships and attracting investments in projects relating to copper industries as well as carrying out all financial, commercial, industrial and mining operations and services within Iran or abroad, which directly or indirectly relate to all or each of the above-mentioned scopes of activity.

The expansion projects in this group include: Sarcheshmeh and Songun Expansion and Beneficiation Projects, Chehel Koureh Copper Project, Khatoun Abad and Shahr Babak (Meydouk) Copper Melt Expansion Projects.

Aluminum Group

In 1391 (2012) Iran's aluminium production reached 335 thousand tons making this country the 22nd largest producer of aluminium in the world.

This group includes Iran Aluminum Co. (IRALCO), Almahdi Aluminum Co. and Hormozgan Aluminum Project (Hormozal).

Iran Aluminum Co. (IRALCO)

The establishment of this company was first decided and ratified by the Government in 1346 (1967/68) and the building construction and installation of equipment began two years later. In 1971/02 with two production lines and an annual capacity of 45,000 tons, this plant was finally utilized. Following the Islamic Revolution another three production lines were added to the existing lines. The initial production capacity reached 120 thousand tons/annum. Products include: T-bars thousand pound ingots, casting alloys, such as: slabs, and billets etc. As a company which is concerned with the protection of the environment, IRALCO began the construction of an aluminium plant equipped with 200 ka technology in 1381 (2002). This plant was launched five years later.

IMIDRO's projects which are on this group's agenda include: alumina production projects from Nephelyn Syenite Sarab, Almahdi Anode Production, Jajarm Aluminium Plant Construction, South Aluminium, Masjed Soleiman Aluminium, Guinea Bouxite, Iran Aluminium Anode Production, Persian Gulf Alumina, Iran Aluminium Alumina Production.

Almahdi Aluminum Co.

This company was established with an initial capital of US$5.1 billion and with the objective of producing 110 thousand tons of aluminum/annum, which could then be increased to 330 thousand tons/annum. By the end of 1381 (2002) 120 pots were launched boosting production capacity to 55 thousand tons/annum. Later during the 1383 (2004) and 1384 (2005) periods, another 120 boilers were constructed and hence, this complex reached its forecasted nominal annual capacity of 110 thousand tons (Phase I). By May 2006 construction work on Phase II also known as the Hormozgan (Hormozal) Aluminum Project was commenced. Initial investments of this project amounted to Rls8,000 billion (including 800 Euros and Rls2,000 billion). The main objective of this project was to launch 228 pots with annual capacities of 148 thousand tons. It is noteworthy that this project was constructed as a joint-effort between Iranian specialists and a foreign contractor completed within 40 months in Spetember 2009.

Cement Group

Iran currently has an annual cement production capacity of 70 million tons/annum. IMIDRO's Cement Group is operated by the Ehdas Sanat Company (ESC) which was established in 1365 (1986/87), with the objective of setting up cement plants in the deprived regions of the country, boosting the Country's cement production capacity as well as creating employment. Indeed, by establishing and utilizing 12 cement plans with 13 production lines, this company has been successful in increasing Iran's annual production capacity by 11.3 million tons. Furthermore, the ESC has a cement export terminal in Bandar Imam with an annual capacity of one million tons.

This company is also implementing the Cerro Azul Cement Project in Venezuela. This project which is expected to be completed by July 2014, aims to export technical and engineering services to Venezuela.

Performance

Production Performance of the Subsidiaries in 2012/13

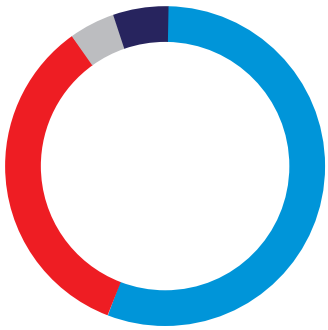
Product	Production Quantity (thousand tons)			
	Performance of 2011/12	2012/13		Plan of 2013/14
		Performance	Budget	
Crude Steel	12,827	13,422	14,455	15,260
Final Steel Products	11,746	12,285	11,652	11,980
Copper (Cathode)	235	213	225	225
Aluminum	327	335	405	375
Coal	942	831	1,370	1,370
Iron Ore	28,266	32,138	29,800	31,000

Comparative Sales Performance of Subsidiaries in 2012/13

Group	Performance of 2011/12		***Performance of 2012/13		% Change in 2012/13 in Comparison with 2011/12	
	Quantity (thousand tons)	Value (billion Rls)	Quantity (thousand tons)	Value (billion Rls)	Quantity	Value
Steel	14,303	51,393	15,094	78,699	6	53
*** Copper**	222	34,626	181	47,525	-18	37
**** Aluminum**	334	0	301	0	-10	0
Mine	26,132	5,467	31,568	6,367	21	16
Cement	0	404	-	40	-	-
Other	0	360	-	7,701	-	-
Total	**-**	**92,250**	-	**140,331**	**-**	**52**

* Copper Group total sales are sum of cathode and castings. Therefore the Rial value includes all copper products.
** Aluminum Group total sales are sum of aluminum ingot. Therefore the Rial value includes all aluminum products.
*** Production quantity related to all subsidiary units and sales value calculated based on considering IMIDRO's quota percentage.

Sales Breakdown of Subsidiaries in 2012/13



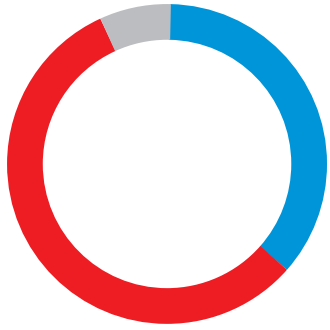
Steel Group	56%
Cement Group	0%
Copper Group	34%
Mine Group	5%
Other Companies	5%

Comparative Export Performance of Subsidiaries in 2012/13

Group	Performance of 2011/12		Performance of 2012/13		% Change in 2012/13 in Comparison with 2011/12	
	Quantity (thousand tons)	Value (million Dollars)	Quantity (thousand tons)	Value (million Dollars)	Quantity	Value
Steel	768	539	893	543	16	1
Copper *	56	1,074	51	839	-9	-22
Aluminum	148	391	140	310	-5	-21
Mine	1,824	216	827	99	-55	-54
Cement	-	-	-	-	-	-
Total	**-**	**2,220**	-	**1,791**	**-**	**-19**

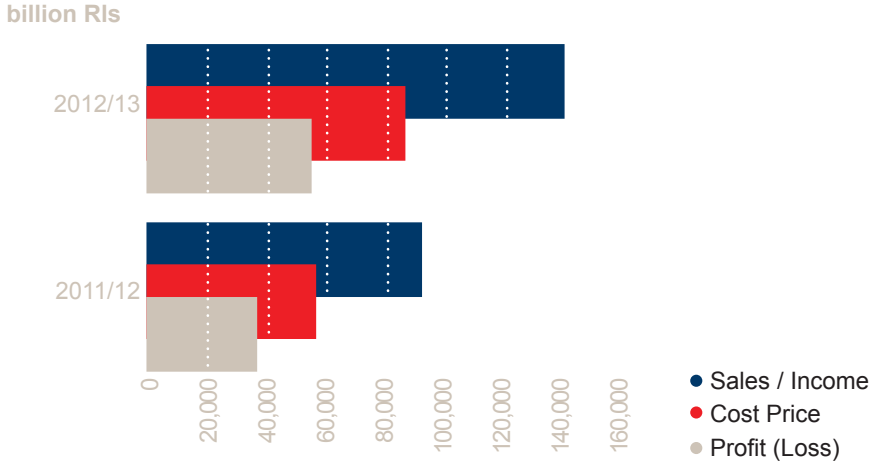
* Copper Group export tonnage is the sum of cathode and castings but the Dollar value includes all copper products.

Export Breakdown of Subsidiaries in 2012/13

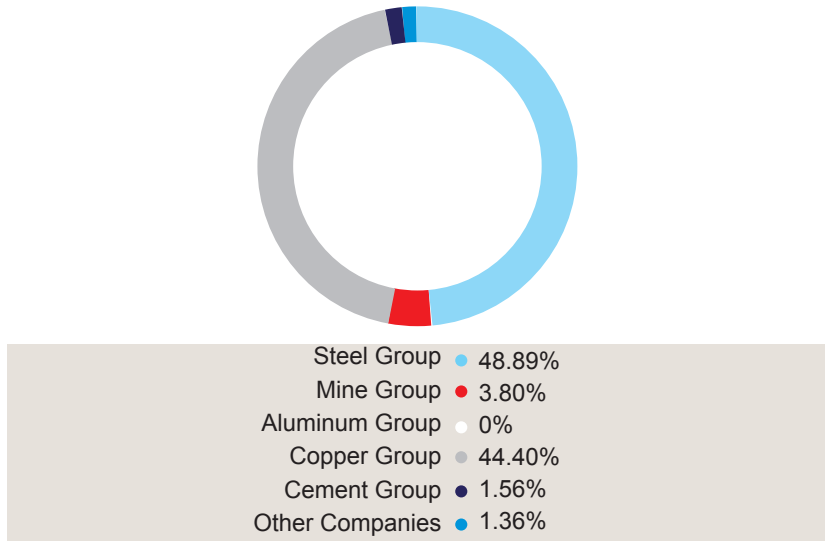


Steel Group	37%
Copper Group	56%
Mine Group	7%

Comparative Profit (Loss) of Affiliated & Subsidiary Companies



Gross Profits of Subsidiaries in 2012/13



Investments in Projects

Investments and expense performance of the Organization's direct projects until the end of 2012/13:

Industry	No.	Total Investments		Total Expense Performance		Balance of Investments Required for Finishing the Projects	
		Rials (billion Rls)	Forex (million USD)	Rials (billion Rls)	Forex (million USD)	Rials (billion Rls)	Forex (million USD)
Steel	8	18,249	1,281	11,633	0	6,616	1,281
Aluminum	4	2,895	1,702	408	0	2,487	1,702
Mine	4	6,818	258	1,694	7	5,124	251
Fundamental	2	5,965	1,875	1,234	0	4,731	1,875
Total	18	33,927	5,116	14,969	7	18,958	5,109

Research & Localization Measures

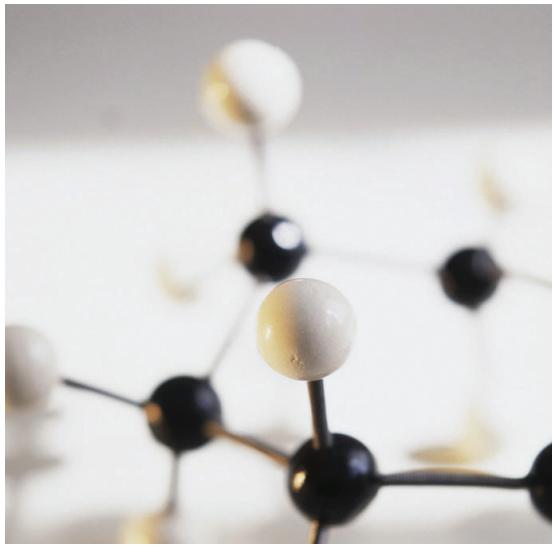
Having recognized the importance and necessity of localization of technologies as a basis for sustainable development, IMIDRO has allocated a considerable portion of its resources towards research and technology localization.

During 1391(2012/13) alone IMIDRO invested Rls218.44 billion in 225 research and localization projects. Another Rls99 billion was spent at IMIDRO's executive sphere mainly on seminars, capital equipment, and personnel research expenses etc.

The following table demonstrates the breakdown of localization and research expenses within IMIDRO's executive sphere and its subsidiary companies.

Research and Localization Expenses of IMIDRO & Affiliated Companies

	Parent Company or Management	Amount (million Rials)
1	IMIDRO's Research Management	99,150
2	IMPASCO	17,500
3	Khouzestan Steel Company	18,766
4	Esfahan Steel Company	27,401
5	MSCO	27,612
6	NISCO	1,295
7	Iran Alumina Company	61
8	NICICO	19,030
9	Minerals Processing Research Centre	7,629
	Total	**218,444**



Our Exploration Activities Performance

In order to ensure that our mining industries continue to enjoy a reliable and continuous supply of raw material for years to come, we constantly invest in, and encourage exploration activities. During the reported fiscal period, this organization has invested Rls369 billion in the exploration projects of university graduates and 184,900 meters of drilling has been carried out.

The above exploration activities have led to the increase of Iran's known reserves of iron ore, coal and copper.

Human Resources

Number of Personnel Working in Affiliated Companies

Description	2011/12	2012/13
Steel Group	39,204	39,762
Copper Group	4,825	4,537
Aluminum Group	6,283	6,497
Cement Group	76	72
Mine Group	11,587	11,274
Other	135	941
Total	**62,110**	**63,083**

Part 3
Financial Statements