

NOTICE FOR RECALLING APPLICANTS TO PURCHASE THE SHARES OF IRAN AIR "HOMA" & PUBLIC DIVESTITURE OF THE SHARES "THROUGH THE OTC"

In the execution of the regulations related to General Policies of Principle (44) of the Constitution and the ratifications of the ministers board and divesting board, Iranian Privatization Organization is considering divesting the shares of Iran Air - Homa through the public recalling, to the applicants whom public authority is confirmed by IPO (according to the strategic customers bylaw), observing other conditions stated hereunder, with the preferential shares (in accrue case) having been deducted:

Name of the Firm	Firm's Size	No. of Divestible Shares				Capital (million Rials)	Base Value of each Share (Rials)	Total Base Value of Divestible Shares(Rial)	Deposit for Participating in Tender (Rials)	Conditions of Installment Selling			Shareholders & Percentage of their Ownership	Firm's type of activity
		Divestible Shares as Block	Preferred & Installment Shares	Total	Total Percentage					The least percent of cash prepayment	Payment period (year)	Maximum deadline to pay the cash part of price (working days)		
Iran Air - Homa	Very Large	195,359,251	*	195,359,251	50%+1 share	3,907,185	73,711	14,400,125,750,461	432,003,772,514	20	8	20	<ul style="list-style-type: none"> Roads & Urban Development Ministry 70% Justice Shares Provincial Investment Companies 30% 	Buying, selling & leasing of aircraft, engines & the by-products, Charter flights, Transportation of passengers, cargo & mail & etc.

1. Transaction Conditions:

- 1.1. The above price is the base shares price. Undoubtedly, the highest proposed price shall form the transaction price.
- 1.2. The deadline is 30 days after the first ads. (Until Tuesday 24, Apr. 2012) to send the request of purchasing the shares of Iran Air - Homa and to state about their financial and technical power with the related documents (including the name of the company, activity issue, recorded capital, date and place of the record, the last balance sheet, and the profit and loss account, ownership composition with the percentage of shares, board of directors' members with their office background, investment rate of the company in other companies or projects separately) to the IPO, considering the base price of the shares and the following conditions.

* Note: Transfer of the shares shall be carried out according to the mutual contract. Applicants may receive agreement model, notarized power of attorney, guideline of monitoring mode after divesting and executive guideline of the selection way of strategic customers and obtaining management competency that are available at Farabourse Iran Company. As far as the IPO is concerned, participation in tender means enjoying the

necessary knowledge and acceptance to adhere to the contents of the same. The purchasers are obliged to adhere to the provisions of these documents.

- 1.3. In order to receive the Letter of Introduction to visit the firm, applicants may refer to the Supply & Marketing Affairs Office located at the new building of the IPO, 5th floor, 10th Nasr building, No. 15, Mahestan St., Iran Zamin St., Phase 1, Shahrake Qods, Tehran. Also they may refer to Farabourse Iran Company for the financial information and for more information they may call no. 021-88083640.
- 1.4. On installment transactions, it is permitted to buy in cash. In installment transactions, individuals must pay the cash part and the installments according to the information in the above table.
*Note: In installment transactions, the interval among installments is 6 months and the interest rate of sales is 15%.
- 1.5. In installment transactions, observing the paragraph 1-7, the shares certificates equivalent the remained installment of traded shares shall be kept by the IPO as Collateral, until the payment of the shares' price is completed. At least equivalent to 50% of remaining debt of installments shall be received assurance documents.
- 1.6. The purchasers are bound to replace the governmental guarantee issuant in proportion with the purchased shares and to pay the company's debt to the Mother Specialized Company and governmental and nongovernmental bank system, which is registered on pricing report or divestible firm's offices. Releasing the shares is based on disburse of all the subject matters and liabilities. At least equivalent to 50% of remaining debt of installments shall be received assurance documents.
- 1.7. Monitoring mode after divesting the shares shall be according to the guideline of "monitoring mode after divesting the shares" by the Divesting Board (dated 1&8 of May 2010).
- 1.8. On the valuation of the shares of Iran Air - Homa, the value of the brand is 15000 billion Rials including 10,000 billion Rials for the value of its name and trademark and 5,000 billion Rials for the value of licenses, airport services concessions, technical and human resources.
- 1.9. The purchaser is responsible for any deficit on headings of assets and debt deficit such as the fraction of certain or uncertain tax reserves, social securities insurance, personnel's service redemption and the years of services, accrued interest and fines towards the bank and financial facilities on the report of auditor, controller and financial statements and they don't have any claim about the deficit or excess of the numbers. Also, IPO is not responsible for it at all. Meanwhile these cases are not included in paragraph (e) of Article (9) of the guideline "How to adjust divesting contracts" subject no. 223913 dated 07, Apr. 2009 and in case of ambiguity on accounts headlines, the purchaser may request the related documents.
- 1.10. According to the paragraphs of the auditor and the company's statutory auditor's reports and based upon the Note 2 of Article 34 of Homa Airline employment regulations, the company pays an annual 424 billion Rials for deficit of Pension premiums and pension payments to retirees (store on accounts). Therefore equivalent to 5,000 billion Rials will be determined for the company's current value of the obligations to supply the shortfall of the funds of Staff Pension Fund and it is regarded to the valuation of the company's shares and it's a part of the company's obligations.
- 1.11. On the valuation of the shares, for the value of the investment of the government on the amount of 2,814,662 million Rials including the amount of 1,996,437 million Rials for the excess value of the re-evaluation of Iran Airtour companies and Homa Hotels Group and 818,225 million Rials of the government payments from the foreign exchange reserves for buying the plane, Considering the removal of 2,020,178 million Rials for the book value of the investment on Iran Airtour and Homa Hotels Group, and also deduction of the difference between the value of re-evaluation and special book value on tow mentioned companies on 23,741 million Rials, its net is 794,484 million Rials.
- 1.12. The applicants who have received the confirmation from IPO may participate in purchasing the shares of Iran Air through the OTC.

- 1.13. The purchaser is responsible for obtaining the sufficient information about the financial, economic, technical and legal status of the divestible company, before the date of the transaction. After divesting, the purchaser has no right to any claim against the organization by virtue of the lack of information about the financial, economic, technical and legal statements and documents and the last status of the accounts and the declared cases and the other information about the divestible shares and the related company.
- 1.14. Under Article 436 of Civil Law, on the supposition of being the defect, Iranian Privatization Organization is renounced from the defects and the purchaser has no right including the right of referring to the organization. The purchaser presents the offered price to purchase the shares during the competitive process based upon his authority. With participating in the tender, the purchaser deprives himself from all the powers, especially fraud even gross fraud. This matter will be inserted in the related contract.
- 1.15. The purchaser is bound to pay 300 billion Rials (the debt of the company) to the treasury.
- 1.16. In the execution of Article 49 of General Policies of Principle (44) of the Constitution, about subject to 47 and 48 of the law the purchaser is obliged to inquire from the Competition Council and present the result before signing the contract with IPO.
- 1.17. Before any changing on the company's name and logo, the purchaser is obliged to obtain the agreement of Civil Aviation Organization or other authorities.
- 1.18. Iran Airlines is not the owner of any field at the airports and merely it has the right to operate of some buildings and constructed installations on the country's airports based upon the bill of divesting and evacuation of the locations and places at the county's airports ratified on 1979 which the power of its executive bylaw is by Iran Airlines.
- 1.19. The purchaser must protect the current status of Institute of Retirement Fund, Health Insurance Fund and Homa Staff Saving Fund.
- 1.20. The name of Iran Airline is at the list of illegal boycott of United States and other members of European Union.
- 1.21. The purchaser is bound to retain human resources as 4,697 formal personnel and 3,600 contract one.
- 1.22. Financial supporting of the government to the Institute of Retirement Fund is based upon the financial statements ends to 20, Mar. 2010 and the purchaser is responsible to provide its deficit.
- 1.23. The purchaser is bound to continue the contracts and commitments until the end of stipulated time.
- 1.24. The purchaser is bound to observe the determined prices by the government about the services.
- 1.25. The purchaser is bound to observe all the laws and regulations determined by the Airlines companies.
- 1.26. The purchaser is bound to observe International and domestic legal commitment imposed by the supervision authorities in aviation.

2. Preferred and Installment Shares' Conditions (if someone be eligible for it):

By virtue of the bylaw of Note3, Article 20 of the Amendment Law of the Fourth Development and Implementation Plan regarding the General Policies of Article 44 of the Constitution of Islamic Republic of Iran; It shall be transferred maximum five percent (5%) minus one share equivalent 19,535,924 shares of the shares of divestible firm to the directors, the staff and the retired individuals of the same firm, observing other conditions stated hereunder:

- a. The employed directors and staff or the officers (the official or contract personnel) of divestible firms, and also directors and staff of divestible firms who are officers in other firms and they have at least one year of experience in the related field and also the divestible firm

have paid their insurance premium (even non-continued) in that period, possess the qualifications to receive the preferred shares. The directors and the officers, whom payment of the insurance premium or their superannuation payment are deducted from the source of mission, are not entitled to divest the shares. Each qualified individuals who are employed on those investee firms where more than 50 % of their investment belongs to the divestible firm can enjoy the preferred shares.

* **Note1:** Divesting the shares to the employed directors and staff has higher priority; after divesting the shares to them, in case there were divestible shares of firm, the above-mentioned shares will be sold to the of the same firm. The retired individuals are not permitted to use the benefits of justice shares and preferred shares simultaneously.

b. The amount of the allottable preferred shares to each qualified individuals is (maximum) tenfold of the six-month average of the applicants' last wages and benefits (based upon the legal ordinances) which will be sold at the base shares price and 10-year installments. Receiving the installments will be provide first from the allottable profits to the shareholders as the part of the debt of purchasers included in this bylaw and if paying the installments is not possible from the annual profit, the divested company must deduct equal to the debt of the staff during the maximum period of contract from their wages and benefits and pay it to the IPO. Obviously, in case of dismissal from service for any reason, the shareholders are obliged to pay the installments, personally.

c. Preferred share will be divested only by written request of the applicants. The qualified individuals must submit within 30 days after the publication of the first notice or sending a declaration letter of the conditions of purchasing the preferred shares from IPO to the divestible firm, their request to use the preferred shares along with the complete list of applicants' qualifications which certified by the related firm, the Justice Shares Secretariat and the corresponding branch of the Social Security Organization, as well as the contract sheets to the firms' divesting affairs office. In case there is received no application to purchase the preferred shares or after allocation of all of the requested shares up to the determined ceiling; observing the regulations, the remained shares will be added to the blocked divestible shares.

* **Note2:** The managing director's and the board of directors of the divestible firm are responsible for confirming the names and the amount of price cited in the Legal Ordinances of the personnel.

3. Financial or Non-financial Incentives and Discounts in the Block Controlled Shares:

3.1. The purchaser of the controlled shares of Iran Air - Homa (the least amount of the shares to determine the majority of the board of directors' members) who increase number of the staff of the firm to the extent more than what is recorded in the divesting document during the period of installment, or resort to train and recruitment of extra workforces of other privatized firms in their units, shall enjoy the financial or non-financial incentives as mentioned in the guideline number 63/2/206295 (dated 7, Apr. 2009) and the guideline of "monitoring mode after divesting the shares" by the divesting Board (dated 1&8 of May 2010), if they are qualified.

3.2. The qualified purchasers shall enjoy of three types of financial incentives separately: discount in the original transaction price, minimization of the benefit of sale by installment or time discount (it means reviewing on the contract time resulting from lengthening of during the repayment of the installments).

* **Note:** Granting the financial or non-financial incentives depends upon the presenting the written plan of the purchaser to maintain and increase the level of the current occupation and retraining the firm's staff. Also, using the financial incentives in paragraph (3-2) is possible provided that after divesting, the average annual of the firm's staff numbers increases with regard to the recorded number in the divesting document, considering the alternative people in lieu of the retired and severance compensations during the years after divesting, on condition that reducing the number of employees during the studied period does not never exceed ten percent 10%.

- 3.3. If the qualified purchasers of the controlled shares conclude the measures like the new investment, promotion of efficiency and productivity, production continuity and promotion of its level, promotion of technology and fixing the occupation level in the divestible firm shall be enjoyed the discounts of the guideline of " How to obtain commitments, insert provisions and grant discounts" by the divesting Board (dated 11, Mar. 2009).

4. Other Cases:

- 4.1. After receiving all the requests of the applicants during the deadline of paragraph 1-2, the shares offering of Iran Air - Homa will begin since (14, May 2012) at OTC, only by the applicants who have received the confirmation of first stage from IPO.
- 4.2. On OTC divestitures, the purchasers will be allowed to enter the purchase order to the trading system in the case that they settle 3% of the value of transaction shares based upon the base shares price of the advertised shares (in cash or bank guarantee) to the account of Central Securities Depository (CSD) of Iran as a deposit participating in the tender of OTC to guarantee the purchasers' liabilities unconditionally.
- 4.3. The IPO preserves the right to accept or reject all or any of the bids.
- 4.4. In case the winner of the bid fails to pay the cash part of the transaction price and to represent the guarantee documents (in installment transactions), within the deadline of the notification, the winner of the transaction must not have any claim about the deposit and as soon as possible their deposit shall be confiscated to the IPO benefit (after legal deductions).
- 4.5. The previous purchasers of installment block shares of IPO, who have not paid their installment based upon their contract, are not allowed to purchase the shares again or to attend in the tender bid till settling the previous debt.
- 4.6. Nongovernmental public institutions and subsidiaries and affiliated companies that are applicants to purchase the shares are bound to obey the subject of Article 6 of 4th Economic, Social and Cultural Development Plan and the regulations related to General Policies of Principle (44) of the Constitution and they must not include in it at the time of the transaction. The buyer is responsible for non-observance of it.
- 4.7. According to the Detection and notification of Passive Defense Organization, if the company's activity involves sensitive issues of security and classification is essential, on managing the company and administering the affairs the purchaser of the block and controlled shares is bound to observe and implement carefully the relevant regulations from the mentioned organization. Best observing of these regulations results they will be enjoyed from the financial and nonfinancial incentives.
- 4.8. The applicants undertake not to be prohibited in transactions and they must not include in the Article 24 of Law on Amendment of Articles of 4th Economic, Social and Cultural Development Plan of the Islamic Republic of Iran and Implementation of General Policies of Principle (44) of the constitution (ratified 21, July 2008).

IPO Website: www.ipo.ir