

**Report on the Management and Organization of Oman
Telecommunications Company SAOG**

First: Principles and Foundations of Organization

The Oman Telecommunications Company SAOG (Omantel) is committed to the highest standards of the Code of Corporate Governance. In pursuit of this goal, the company has applied the various principles of the Code of Corporate Governance with regard to the appointment of members of the Board of Directors, ensuring the adequacy and efficiency of Internal Controls in all aspects of the Company's operations and transparency in all business dealings.

Second: Disclosure Policy:

The company is committed to CMA's standards and guidelines on disclosure of material information. The board has approved the new disclosure policy issued by CMA.

Third: Board of Directors:

1) **Composition of the Board of Directors:**

The Board of Directors of the Company is composed of nine members, seven of them representing the government share, among them the Board Chairman. The other two members were elected by the private sector shareholders at the General Meeting held on 1 September 2005. The make-up of the Board is now in the following order:

Name of Board Member	Date of Appointment/Election	Membership Duration	Position	Type of Representation	Membership of other Committees	Membership of Boards of other Joint Stock Companies	Whether Attended last AGM
H.E Eng. Sultan bin Hamdoon Al-Harthy	22/10/2005	3 Years	Board Chairman w.e.f 10/10/2007	Independent, representing Govt. Share	1	-	No
Mr. Abdulkader Askalan	10/10/2007	3 Years	Deputy chairman w.e.f 12/11/2007	Independent, representing Govt. Share	1	1	NA
H.E Saud bin Nasser Al-Shaikili *	22/10/2005	3 Years	Board Chairman Up to 9/10/2007	Independent, representing Govt. Share	-	-	Yes
H.E Mohammed bin Nasser Al-Rasbi *	22/10/2005	3 Years	Deputy Chairman Up to 9/10/2007	Independent, representing Govt. Share	1	-	No

Name of Board Member	Date of Appointment/ Election	Membership Duration	Position	Type of Representation	Membership of other Committees	Membership of Boards of other Joint Stock Companies	Whether Attended last AGM
H.E. Sheikh Saud bin Suleiman Al-Nabhani *	22/10/2005	3 Years	Member	Independent, representing Govt. Share	-	-	No
Eng. Mohamed Hamed Al-Maskari	10/10/2007	3 Years	Member	Independent, representing Govt. Share	1	-	NA
Dr. Salim Sultan Al-ruzaiqi	10/10/2007	3 Years	Member	Independent, representing Govt. Share	1	-	NA
A.rahim Salem Al-Harmi	10/10/2007	3 Years	Member	Independent, representing Govt. Share	1	-	NA
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	22/10/2005	3 Years	Member	Independent, representing Govt. Share	2	3	Yes
Mr. Saud bin Ahmed Al-Nahari	1/9/2005	3 Years	Member	Independent	2	2	Yes
Mr. Abdullah bin Masoud Al-Harthy	1/9/2005	3 Years	Member	Independent	1	2	Yes
Dr. Gerhard Wittkemper	18/12/2007	3 Years	Member	Independent, representing Govt. Share	-	-	NA

* Represents government members who have been replaced by new members on 10th October 2007.

2- Profile of Directors and Executive management

H.E Eng. Sultan bin Hamdoon Al-Harthy

H.E Eng. Sultan Al Harthy is the Undersecretary of Heritage in the Ministry of Culture & Heritage. He worked for different government organizations and his last position was Secretary General of Tender Board. He holds a Master's degree in Architecture.

Mr. Abdul kader Askalan

Mr. Abdulkader Askalan is the Chief Executive Officer of Oman Arab Bank and has vast experience in banking sector. He is a board member of Oman International Development & Investment S.A.O.G.

Eng. Mohamed Hamed Al-Maskari

Mr. Mohamed Al Maskari is the Director General of Knowledge Oasis Muscat, and has a vast work experience in the field of management and information technology for more than 12 years.

Dr. Salim Sultan Al-Ruzaiqi

Dr. Salim Al Ruzaiqi is the Executive President of Information Technology Authority. He has more than 18 years of experience. He holds a Doctorate in the field of information and communication systems.

Abdulahim Salem Al-Harmi

Mr. Abdulraheem Al Harmi is the Director General of Civil Aviation Meteorology in the Ministry of Transport and Communications. He holds a Master's Degree in Business Administration.

Mr. Mehdi bin Mohammed Jawad Al-Abduwani

Mr. Mehdi Al Abduwani is the Director General of Development Planning in the Ministry of National Economy. He holds a Bachelor's Degree in Economics and post-graduate diploma of Development Planning Techniques (DPT). Mr. Mehdi is a board member in three other Joint Stock companies. These are:- Oman International Bank, Computer Stationery, Oman Cement (resigned from the last company board on October 2007).

Mr. Saud bin Ahmed Al-Nahari

Mr. Saud Al Nahari is the Chief Executive Officer of Port Services Corporation. He has more than 28 years of work experience. He holds a Post-graduate Diploma in port management. Mr. Saud is a board member in two other joint stock companies which are Oman United Insurance and Al Hassan Engineering.

Mr. Abdullah bin Masoud Al-Harthy

Abdullah Al Harthi has more than 10 years of work experience especially in the banking and financial sectors. He holds a Bachelor degree in financial management and Masters Degree in Business Administration. He is a board member in two other joint stock companies which are Majan College and Oman Fiber optic Company.

Dr.Gerhard Wittkemper

Dr. Gerd is an international telecom expert who worked for several multi national companies like Booz Allen and Hamilton, Mckinsey and Procter & Gamble. His last position was Senior Vice President of Booz Allen Hamilton Europe. He has a Doctorate in Nuclear Physics.

Dr. Mohammed Ali Mohammed AL Wahaibi

He is the Chief Executive officer of the company. He has a Doctorate in Information System Risk Management from University of Sunderland. Dr. Mohamed Al Wohaibi has vast experience in Telecom and Information Technology.

Mohsin Hassan Ramadhan Al Raisi

He is the Deputy CEO Network & Technology of the company. He has vast experience in the Telecom Industry. He holds a Bachelor's Degree in Electrical Engineering.

3- Procedures and Conditions for the Selection of Board Members:

The appointment of the members of the Company's Board of Directors representing the government share shall be subject to the same procedures followed in the appointment of board members representing the government share in other companies. As for members of the Board representing the private sector, they will be elected at the General Meeting by following the procedures laid down in the Commercial Companies Law and the Executing Decisions.

4- Meetings of the Board of Directors:

The Board of Directors held 11 meetings during the period (1/1/2007 – 31/12/2007). These were in the following order:

S L	Name	Number of Meetings & Dates Held										
		1 27/2/07	2 13/5/07	3 22/5/07	4 19/6/07	5 12/8/07	6 26/8/07	7 17/9/07	8 23/9/07	9 12/11/07	10 25/11/07	11 30/12/07
1	H.E Eng. Sultan bin Hamdoun Al-Harthy	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes
2	Abdulkader Askalan	NA	NA	NA	NA	NA	NA	NA	NA	Yes	Yes	Yes
3	H.E Saud bin Nasser Al-Shaikili (Up to 9/10/2007) *	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	NA	NA	NA
4	H.E Mohammed bin Nasser Al-Rasbi (Up to 9/10/2007) *	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	NA	NA	NA
5	H.E Sheikh Saud bin Suleiman Al-Nabhani (Up to 9/10/2007)*	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA	NA
6	Eng. Mohamed Hamed Al-Maskari	NA	NA	NA	NA	NA	NA	NA	NA	Yes	Yes	Yes
7	Dr. Salim Sultan Al-ruzaiqi	NA	NA	NA	NA	NA	NA	NA	NA	Yes	Yes	Yes
8	A.rahim Salem Al-Harami	NA	NA	NA	NA	NA	NA	NA	NA	Yes	Yes	Yes
9	Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
10	Mr. Saud bin Ahmed Al-Nahari	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
11	Mr. Abdullah bin Masoud Al-Harthy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
12	Dr.Gerhard Wittkemper	NA	NA	NA	NA	NA	NA	NA	NA	NA	No	Yes

* Represents governments members who have been replaced by new members on 10 October 2007

Fourth: The Committees stemming from the Board of Directors:

The Executive Committee:

A. Committee Composition:

The Executive Committee held 9 meetings during 2007. These were in the following order:

Srl	Name	Number of Meetings & Dates Held										
		Position	1 7/1/07	2 25/1/07	3 24/3/07	4 28/3/07	5 11/4/07	6 21/4/07	7 26/6/07	8 5/12/07	9 26/12/07	
1	H.E Eng. Sultan bin Hamdoun Al-Harthy	Chairman (w.e.f 12/11/2007)	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	H.E Mohammed bin Nasser Al-Rasbi	Member (up to 9/11/2007)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	NA
3	Mr. Mehdi bin Mohammed Jawad Al-'Abdwani	Member (Up to 9/10/2007)	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
4	Mr. Saud bin Ahmed Al-Nahari	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Dr. Salim Sultan Al-Ruzaiqi	Member (w.e.f 12/11/2007)	NA	NA	NA	NA	NA	NA	NA	Yes	Yes	Yes

B. The Committee's terms of reference:

- To review the Company's business plan.
- To study the Company's annual budget and submit their recommendations to the Board.
- To study and approve new tariffs.
- To study and approve the proposed changes to company policies.
- To take action on the matters submitted by the Board or Chairman of the Board.
- To take an action on urgent matters submitted by Company's CEO and which fall within the committee's authority.
- To decide on matters that require board approval.

The Audit Committee:

B) Committee Composition:

The Audit Committee held 7 meetings during 2007. These were in the following order:

SL	Name	Number of Meetings & Dates Held							
		Position	1 21/2/ 07	2 26/2/07	3 28/4/ 07	4 8/5/0 7	5 7/8/0 6	6 10/11/0 7	7 25/11/0 7
1	Mr. Mehdi bin Mohammed Jawad Al-'Abdwani	Chairman	Yes	Yes	Yes	No	No	Yes	Yes
2	Mr. Abdulkader Askalan (w.e.f 12 November 2007)	Member	NA	NA	NA	NA	NA	NA	Yes
3	Eng. Mohamed bin Hamed Al Maskari (w.e.f 12 November 2007)	Member	NA	NA	NA	NA	NA	NA	Yes
4	Mr. Saud bin Ahmed Al-Nahari (upto 11 November 2007)	Member	Yes	Yes	Yes	Yes	Yes	Yes	No
5	Mr. Abdullah bin Masoud Al-Harthy (upto 11 November 2007)	Member	Yes	No	Yes	Yes	Yes	Yes	No

C) The committee's terms of reference:

1. Considering the name of the auditor in the context of their independence (particularly with reference to any other non audit services), fee and terms of engagement and recommending its name to the board for putting before AGM for appointment.
2. Oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors. They may appoint external consultants if the need arose.
3. Oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.
4. Serving as a channel of communication between external auditors and the board and also internal auditors and the board.
5. Oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.
6. Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. They should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.
7. Oversight of financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Accounting Standards (IAS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.

8. Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the company, if any.
9. Reviewing proposed specific transactions with related parties for making suitable recommendations to the board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the board.

HR Committee:

A. Committee Composition

The HR committee has been formed on 12/11/2007 and held 2 meetings during the year 2007. These were in the following order:

Srl	Name	Number of Meetings and date held		
		Position	1 4/12/07	2 8/12/07
1	Mr. Saud bin Ahmed Al-Nahari	Chairman	Yes	Yes
2	A.rahim Salem Al-Harami	Member	Yes	Yes
3	Mr. Abdullah bin Masoud Al-Harthy	Member	Yes	Yes

B. The committee's terms of reference:

- To review factors and developments which require an amendment to the Organizational Structure of the Company
- To review the structure and the level of salaries and compensation before submission to the Board of Directors
- To review and recommend strategic plan and policies relating to Human Resources
- To review the plan of succession at the executive management level

Fifth: Remunerations

Fees for attending the meetings of the Board of Directors and the committees stemming from it are paid in the following manner:

Meetings of the Board of Directors:

Chairman and Members RO 500

Meetings of the Committees stemming from the Board:

Chairman and Committee Members RO 400

1) The following table shows the details of the financial allocations paid to members of the Board of Directors during 2007:

Name of Board Member	Sitting fee (RO)	Other Expenses (RO)*	Total (RO)
H.E Eng. Sultan bin Hamdoun Al-Harthy	6,800	-	6,800
Mr. Abdul Kader Askalan	1,000	-	1,000
H.E Saud bin Nasser Al-Shaikili (Up to 9/10/2007)	3,500	4,827	8,327
H.E Mohammed bin Nasser Al-Rasbi (Up to 9/10/2007)	6,300	-	6,300
H.E Sheikh Saud bin Suleiman Al-Nabhani (Up to 9/10/2007)	4,000	-	4,000
Eng. Mohamed Hamed Al-Maskari	1,000	-	1,000
Dr. Salim Sultan Al-Ruzaiqi	1,400	-	1,400
A.rahim Salem Al-Harmi	900	-	900
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	8,500	1,164	9,664
Mr. Saud bin Ahmed Al-Nahari	10,000	1,164	11,164
Mr. Abdullah bin Masoud Al-Harthy	7,400	-	7,400
Dr.Gerhard Wittkemper	500	-	500
Total	51,300	7,155	58,455

* Other expenses represents travel on duty expenses.

2) Director Remuneration:-

Details	Amount in (R.O)
Total Director remuneration recommended for the Financial Year 2007	114,000
Total Director remuneration paid to members on previous year (2006)	84,000

3) The following table shows the details of the financial allocations paid to the executive management (top five) during 2007:

Item	Salary and other allowance (R.O)	Bonus (R.O)	Social Security Cost (R.O)	Other Expenses (R.O)	Total (R.O)
Total	286,685	170.141	25,517	29,352	511,695

* Other expenses represent travel on duty.

4) All work contracts are in conformity with the requirements of the Omani Labour Law.

Sixth: Details of Non-compliance by the Company;

The Board is pleased to confirm that there were no penalties imposed by the CMA or MSM.

During the year TRA has made a claim of RO 1,855 million for delay in payment of frequency rent charges. The company intends to discuss with TRA on this claim.

During the year 2005 TRA had claimed RO 1.751 million for delay in payment of equipment license fees for the period 2004 to 2005.

Seventh: Channels and Methods of Communication with Shareholders and Investors:

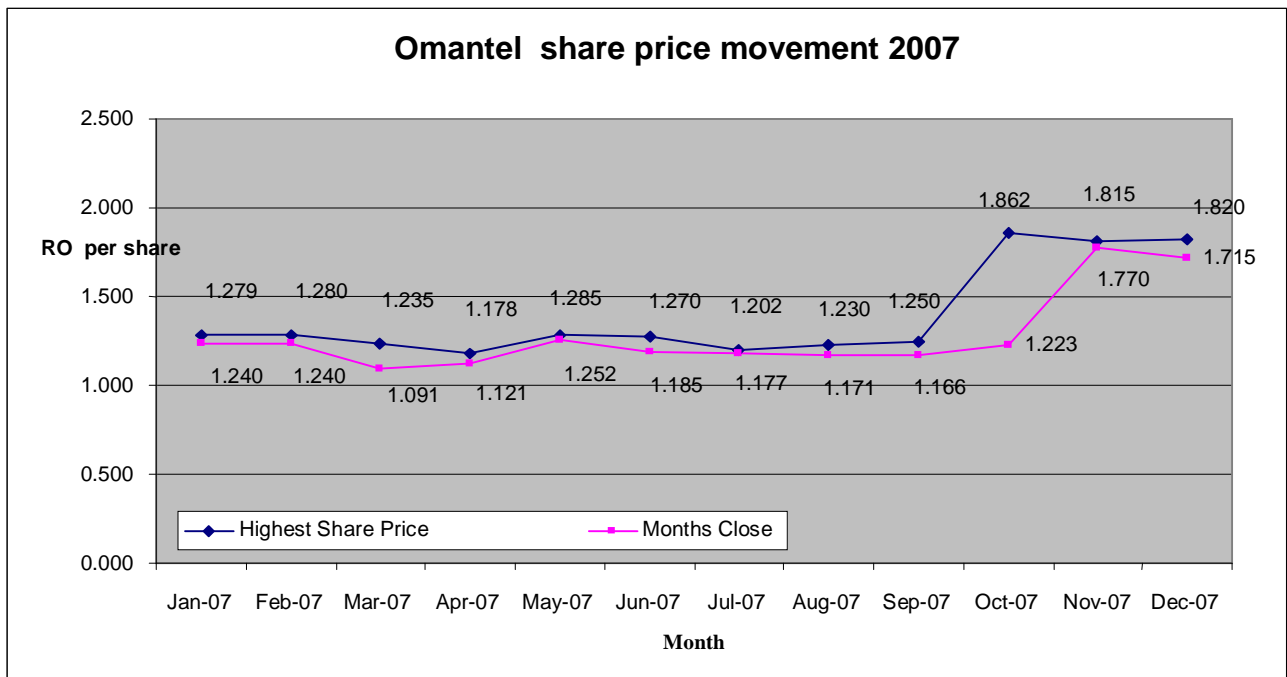
- The Company's quarterly financial reports are published in the local newspapers and are also uploaded to the website of Muscat Capital Market. In addition, the shareholders are notified of the details of the financial results by sending them to the shareholders at their request.
- The Company has a website which includes the Company's profile and the services offered by it. This website is constantly updated.
- The report of the Company's management and governance constitutes a part of its Annual Report.

Eight: Details of Market Shares:

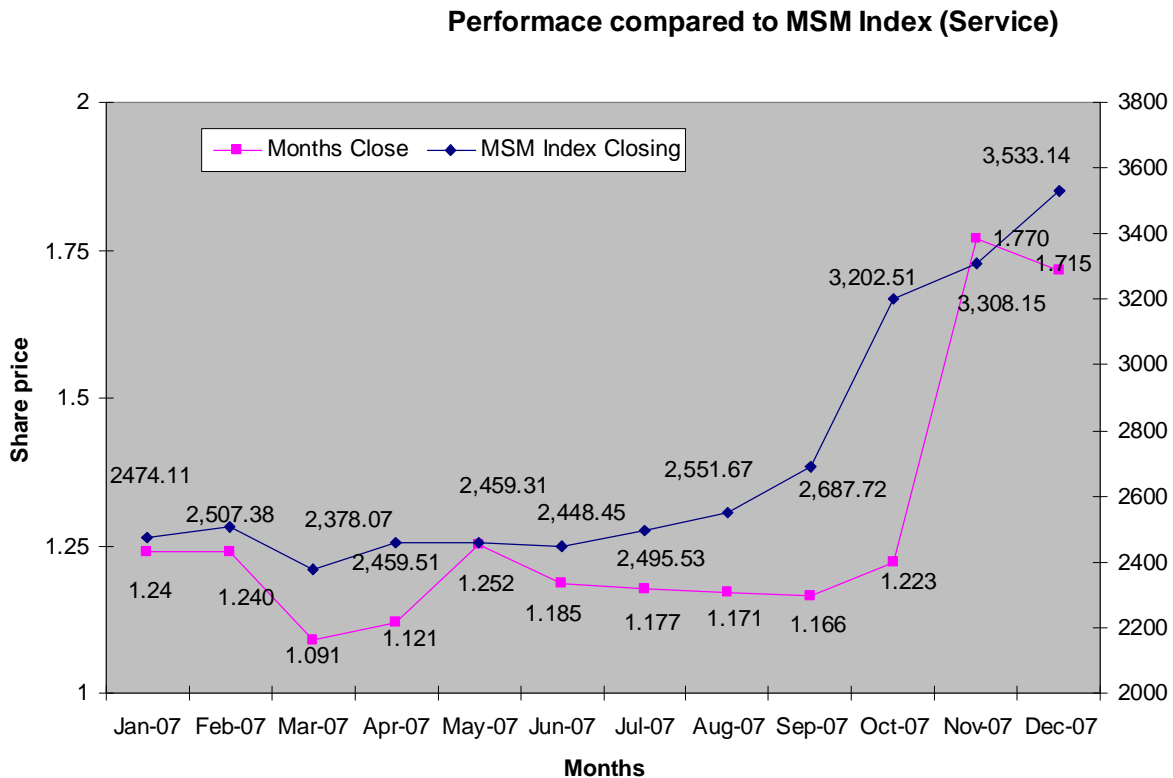
A) Details of Prices for Traded Company Shares:

Following are the details of the Company's shares traded on the Muscat Securities Market (MSM):

Month		Highest Share Price	Lowest Share Price
January	2007	1.279	1.225
February	2007	1.280	1.227
March	2007	1.235	1.064
April	2007	1.178	1.036
May	2007	1.285	1.100
June	2007	1.270	1.141
July	2007	1.205	1.166
August	2007	1.230	1.155
September	2007	1.250	1.130
October	2007	1.862	1.205
November	2007	1.815	1.715
December	2007	1.820	1.710



B) Comparison of Share Price with MSM Index (service):



C) The Company does not have any securities or financial instruments transferable to shares issued to the general public or investment establishments or any segment of investors.

D) The Board of Directors and the Audit Committee continuously study operating policies and business-related risks from time to time and then take appropriate measures pertaining to such policies.

Ninth: Distribution of Company Shares Ownership:

The following table illustrates the distribution of ownership of the Company's shares:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	19,750
2	501 – 1000	7,993
3	1001 – 5000	8,770
4	5001 – 10000	694
5	10001 – 15000	265
6	15001 – 20000	117
7	20001 – 50000	259
8	50001 – 800000	212
9	800001 – 1000000	7
10	1000001 – 15000000	32
11	15000001 and above	2
Total		38,101

Tenth: Professional Background of External Auditor:

Deloitte Touche Tohmatsu is an organization of member firms devoted to excellence in providing professional services and advice. Deloitte is focused on client service through a global strategy executed locally in nearly 140 countries. With access to the deep intellectual capital of 150,000 people worldwide, our member firms, including their affiliates, deliver services in four professional areas: audit, tax, consulting, and financial advisory.

Deloitte & Touche in the Middle East is the oldest and largest indigenous professional services firm with more than 1,500 people serving businesses and governments in 14 countries through 25 offices. The Oman Practice currently has three Partners and over 50 professionals.

The total audit fee paid/payable to the external auditor for the company including the subsidiary for the financial year 2007 is as follows:

Audit fee	RO 37,500
Quarterly Review fee	RO 20,250
Corporate governance Report	RO 1,500
Tax	<u>RO 2,000</u>
Total	<u>RO 61,250</u>

Eleventh: Acknowledgement by the Board of Directors:

The board of directors acknowledges:

- Its liability for the preparation of the financial statements in accordance with the applicable standards and rules applicable in the Sultanate of Oman.
- The review of the efficiency and adequacy of internal control system of the company and compliance with internal rules and regulations
- That there are no material things that effect the continuation of the company and its ability to continue its operations during the next financial year.