Management Discussion and Analysis report for the year 2017.

Our leading principle is to preserve our customers at the heart of our operations, integrate their requirements into our products and serve them with great value and constant increase in customer satisfaction.

We are a well-established player in the Middle East, with significant opportunities for growth. Being at the forefront of lightweight technology within the region, we offer attractive, flexible and augmented solutions to all customers.

During 2017, our Company invested heavily on production-related machinery, representing a recent historical high expenditure. The strategy behind this year's plant renovation is in line with our principle of providing continuous customer satisfaction. We are gearing the plant towards uniquely pursuing the specific requirements of our customers.

Majan Glass has always been associated with the best machinery suppliers in the word. Investments done in 2017, included a cold repair for one of the two natural gas-fired furnaces which resulting in enhanced sustainability and reduced energy consumption. Additional investments in forming technology have enhanced the range of products and flexibility offered to customers. Cold end investments included latest inspection machines and upgrades of existing inspection equipment. We now offer high speed, consistently high quality glass on the larger triple gob forming lines and smaller runs on the smaller lines, in a wide range of sizes.

As well as investing a significant amount on manufacturing and ancillary equipment this year, the Company also invested in training, specialist recruitment, advanced mould designs and manufacture, material specifications advancements, improved packaging and talent acquisition.

Our focus is and always will be customer satisfaction.

Collectively, these upgrades will further safeguard our quality standards, while such added-value capabilities as labelling and printing are enriched. When the latest investment phase has been completed, Majan Glass will continue to focus on output optimisation, cost leadership, quality and flexibility.

2017 highlights:

Compared to the prior year 2016, our Volume Sales decreased by 0.84% versus our Sales Revenue decrease of 10.6%. The reason for this was related to product mix, selling smaller sized and lightweight bottles in 2017, generating a lower revenue per bottle.

Excise tax applied in the region for carbonated energy and soft drinks has resulted in cautious and very conservative demand by some of our customers. Additionally, the volatile global economic environment have also influenced consumer's demand in the region.

Production for year 2017 decreased by 5.63%. The key factor affecting the production is the planned shutdown of Furnace 1 for overhauling and repair, notably extending the future life of the furnace. This resulted to 45 days of not any production on the largest furnace, out of two furnaces operating. Additionally, as the furnace life has reached its end, reduced output was mandatory right from the start of the year.

However, in Q4, post rebuild of Furnace 1 and major maintenance performed, there has been a significant improvement in the operating efficiencies resulting in production of 85 million bottles as against 69 million bottles in Q4 2016, a 24% increase as compared to same period in year 2016. The same is also recognized as the highest production in any quarter for the last three years.

We also focused on reconfiguring our customer base, produce to order and safeguarding the highest quality standards.

In addition, we will continue to grow our business, enhancing our product portfolio, expanding our customer base and geographic footprint and offering attractive, flexible and augmented solutions to all customers.

We remain dedicated on innovation, cost leadership, efficiency improvements and world-class quality.

Following our quest and commitment to overall QUALITY, across all functions and departments we have taken a significant step in implementing our QU.E.S.T. methodology and standards.

This methodology concentrates on 4 main pillars and standards.

Quality, **E**fficiency, **S**afety and **T**raining. At the center of our QU.E.S.T. standards is Customer Satisfaction being our leading principle.

In 2017 we have been re-certified with The Quality Management System (QMS) ISO 9001:2008 valid until September 2018 and with Food Safety Management System (FSMS) ISO 22000:2011 valid until June 2019.

Our Omanization levels remained very high throughout this year, honoring our commitment to support the local community.

The progress we have made would not have been possible without the firm commitment of our people. I would like to take this opportunity to thank each one of our employees for their hard work and embracement of our leading principle and QU.E.S.T. Methodology standards.

Furthermore, I would like to express gratitude to our Board of Directors' for their seamless and valuable strategic input. The Board is armored with a substantial diversity level of Directors. Drawing on their expertise and varied background and their effective process and corporate governance management, each and every member of the Board safeguards a solid strategic counsel and direction alignment, creating a whole that is literally greater than the sum of its parts.

I remain confident that all Majan Glass team members will further facilitate the efficiency and effectiveness of our business model and secure executional excellence in implementing our strategy for the future.

Detailed discussion on Financial and operational performance:

The following is the summary of financial and operational results up to the end of year 2017:

Particulars	**Year2017**	**Year2016**	**Variance %**
Sales in million bottles	203.269	204.983	-0.84%
Sales Revenue **Amount in RO**	6,643,990	7,430,277	-10.58%
Production in million bottles	239.006	253.260	-5.63%
Profit/(Loss) before Tax & Accelerated Depn	(780,409)	(906,442)	13.90%
Accelerated Depreciation **Amount in RO**	578,610	780,686	25.88%
Profit / (Loss) Before Tax **Amount in RO**	(1,359,019)	(1,687,128)	19.45%
Provision for Taxation **Amount in RO**	(216,413)	(199,375)	8.55%
Profit / (Loss) After Tax **Amount in RO**	(1,142,606)	(1,487,753)	23.20%

Analysis of segment wise performance for year 2017:

Sales Volume for the year 2017 were at 203.269 million of Empty Glass Containers as against Sales Volume of 204.983 million during year 2016, a decrease in sales volume by 0.84%.

The key reasons affecting the sales volume are:

a. Lower production output due to limitations of the production up to Q3 2017.

b. Consumer's demand influenced by global economic and regional challenges.

Sales Revenue recorded at RO 6.644 Million versus RO 7.430 Million during year 2016, a decrease in sales by 10.58%.

The key reasons affecting the sales revenue are:

a. Product mix, selling smaller sized and lightweight bottles in 2017.
b. Excise tax applied in the region for carbonated soft drinks and energy drinks has resulted in cautious and very conservative demand by some of our customers.
c. Focused on reconfiguring our customer base, produce to order and safeguarding the highest quality standards.

Geographical segment	2017 Sales RO	2016 Sales RO
Domestic	2,262,531	2,150,665
Exports	4,381,459	5,279,612
Total	**6,643,990**	**7,430,277**

Production for year 2017, was 239 million of Empty Glass Containers against production of 253 million during year 2016 (decrease in production by 5.63%).

Key factors affecting the production are:

a. Reduced production in Q3 2017 due to planned shutdown of Furnace 1 for overhauling and repair, notably extending the future life of the furnace, resulting to lower production during August and September 2017. This resulted to not any production for 45 days on the largest furnace, out of two furnaces operating, affecting the production and cost absorption adversely.
b. Lower production output in 1st half of year as the furnace life has reached its end.
c. Implementation of Overhauling of production lines and other support equipment during the extended project work, resulting to extended downtime in order to perform these overhauls.

During our last Quarter, Q4, post rebuild of Furnace 1 and major maintenance performed, there has been a significant improvement in the operating efficiencies resulting in production of 85 million bottles as against 69 million bottles, a 24% increase as compared to previous period in year 2016. The same is also recognized as the highest production in any quarter for the last three years.

Earnings before Interest, Depreciation, Tax, and Amortization (EBIDTA) is RO 608K for the period ended 31 Dec 2017 as against RO 341 K same period last year.

The impact of Electricity tariff increase as announced by Majan Electricity Company S.A.O.C. at the beginning of this year is unavoidable and resulted to an additional RO 219K cost in current period ended 31 December 2017 versus same period, in 2016.

Major maintenance projects were carried out resulting to higher maintenance costs.

Net Loss before tax for the year is RO 1,359K as against a Loss before tax of RO 1,687k in the previous year 2016.

Net loss after Tax for the current year is RO 1.143K as against Loss after tax of RO 1.487 K for the same period in the previous year 2016.

Omani Quality Mark

Among other industry related certifications the Company bestowed upon Omani Quality Mark since the year 2009 till date.

Industry structure and development

The glass container sector produces over 40 billion glass containers annually for soft drinks, food and the beverages industry. Supplementary market segments for glass containers other than soft drinks, food and beverages, include medicine and health, toiletries, cosmetics, chemical, household and industrial products.

Future Outlook

With the implementation of the turnaround project our company is equipped with upgraded and latest technology for producing quality bottles with NNPB light weighting technology in the majority of its production lines. International customers have shown their interest to enhance the relationship with the company as a result of our technological and quality improvements which have been implemented.

We expect operational improvements including increased output and increased efficiency. Our furnace rebuild has been completed giving us a positive and continuous uninterrupted production output.

Faced with the challenges of recent escalating freight costs, the introduction of regional VAT and excise tax for carbonated beverages and lower consumer demand, we are prepared to tackle the pressure drawing from within, while also observing opportunities such as a shift from PET to glass packaging for water bottles and business growth from African markets.

Growth will come hand-in-hand with our customers and while regional demand is stable, our objective is to increase our geographic footprint further.

Employment status

Employees	**Year 2017**	**Year 2016**	**Year 2015**	**Year 2014**	**Year 2013**	**Year 2012**	**Year 2011**
Omani	83	83	62	67	79	64	65
Expatriates	169	165	163	164	161	149	125
Total	**252**	**248**	**225**	**231**	**240**	**213**	**190**

The Company is committed for recruiting and providing training to Omani employees so as to enable them to undertake responsibilities in various areas of Operations and Administration. The Omanisation percentage as at the end of 31 December 2017 was 32.94%. However, during the course of the year Omanization percentage hovered at around 35 %. The Company has been organizing various training programs to increase the knowledge of employees on various relevant areas of operation.

Litigations

There are no pending litigation cases against the company.

Acknowledgements

The Company would like to express its sincere gratitude to His Majesty Sultan Qaboos Bin Said Al Said and his Government for their continuous assistance and kind support extended to the Company over the years.

The Company also recognizes continuous support, confidence and commitment from its Shareholders, Customers, Suppliers, Bankers and also the efforts of its Employees.

An Annexure to the director's report has been enclosed herewith-containing information about last five year's sales, profits, dividends, net equity etc.

Gerasimos Varvias

Chief Executive Office

Date: 14 February, 2018

Place: Sohar