

GLOBAL COLORS LLC

ANNUAL MANAGEMENT REPORT BY THE BOARD OF DIRECTORS

The Board of Directors presents the annual report and audited financial statements of the Company for the year ended 31 December 2020.

Basis of preparation of the annual Financial Statements of the Company

The balance sheet and the income statement as well as the annual report of our Company for 2020 have been drawn up and submitted in line with the principles determined by the Russian Accounting Standards.

Pursuant to the regulations, our annual report shall present the work and transaction flows of our Company pertaining to the respective financial year as well as the financial status thereof in all aspects by protecting the rights and the interests of our Company; enable our shareholders to have access on any information regarding the financial status of our Company completely and properly; evaluate the general properties of our Company's financial performance and financial status as well as the basic risks encountered by it and propound, through accounting and financial reporting data, that the activities and the services of our Company are performed in most efficient, reliable and uninterrupted manner.

Principal activities and nature of operations of the Company

The principal activities of the Company, which are unchanged from last year, are the production of chemicals, wholesale trade, retail trade, providing services for business, foreign economic activities and international trade.

Continuity of activity

These financial statements have been prepared based on the business continuity principle, which assumes that the Company will normally continue its activity in the foreseeable future without entering into a state of liquidation or significant reduction of the activity.

To assess the applicability of this presumption, management analyzes forecasts of future cash inflows. Based on these analyzes, the management believes that the Company will be able to continue its activity in the foreseeable future and therefore, the application of the principle of continuity of activity in the preparation of the financial statements is justified.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are quite satisfactory, continuing the positive trend.

The Turnover in 2020 was increased by 21.06 % to 1531.9 million RUB from 1265.3 million RUB in the previous year. The Profits before taxes decreased slightly from 252.3 million RUB in 2019 to 242.8 million RUB in 2020 and the Net Profits to 192.2 million RUB from 198.1 million RUB in the year before. It happened due to the fact that in 2019 we had currency gains in comparison with 2020 we received currency losses.

That was the best year of the Company in terms of turnover and profitability so far. The Company increased its market share in pursuing its target to become the second biggest manufacturer in Russia.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed here below:

Foreign exchange currency risk

The Company is exposed to the fluctuations of the local currency exchange rate.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to trade receivables: This is managed based on established policies, procedures and controls relating to customer credit risk management.

Credit limits are established for all customers based on internal ratings. Credit quality of the customer and outstanding customer receivables are assessed and regularly monitored. The Company does not hold collateral as security.

Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

Dividends

The dividend distribution policy of the Company is defined in the articles of association. The dates as well as the manner and method of dividend payments to the shareholders are resolved by the general board. The general board may delegate the authority to determine the date, percentage and method of dividend distribution to the board of directors.

Share capital

The Share capital in 2020 was increased by 109% to 441 905.2 million RUB from 211 350.2 million RUB in the previous year.

Organization and development of internal control within the Company

The purpose of internal control is to ensure the coherence of objectives, to identify the key success factors and to communicate to the Company's management, in real time, the information regarding the performances and perspectives.

The control activities are an integral part of the management process through which the Company aims to achieve the proposed objectives.

The control aims at applying the norms and procedures of internal control, at all hierarchical and functional levels: the decisional authority regarding the definition on hierarchical levels of the approvals, the evaluation of the operational performances, the security of the assets, the separation of the functions.

Board of Directors

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are the same.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

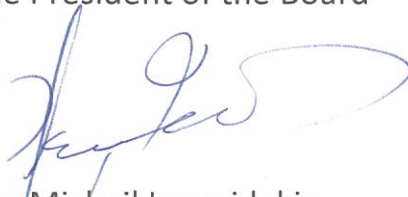
Events after the balance sheet

In December 2019, the new SARS -COV-2 virus appeared in China and the COVID-19 disease caused by the new coronavirus began to spread worldwide. On March 11, 2020, the World Health Organization declared a pandemic of coronary heart disease 2019 (COVID-19). Subsequently, countries - to reduce the spread of the virus - began to take measures, such as the prohibition of international business and tourism travel, the restriction of social and labor travel within countries, the closure of businesses, etc.

As far as the Company is concerned, its production has continued normally until today. The demand for its products has remained stable until today, despite the pandemic, because the sector of plastics industry we are addressing, has not been significantly affected. Overall, from the beginning of the year 2021 until the end of March, the sales volume of the Company has increased by 5.4% compared to the same period of 2020, while the profits of the period have also increased. The demand for our products and the existing orders for the next two months are at normal levels for the season.

Therefore, according to the current circumstances, the effects of the pandemic are not expected to have an impact on the continuation of business activities and the financial results of the Company, unless a new wave of the disease later or a sudden and unexpected situation, change the current picture. The Management monitors with special attention the developments. Also, none of the noticeable effects is considered as a later corrective event of the financial statements of 31.12.2020.

The President of the Board



Mr. Michail Lempidakis

March 9th, 2021