



ГРУППА КОМПАНИЙ ГАРО

Approved by the Resolution # 2
dated April 29, 2010,
by the Board of Directors

The Code of Business Conduct and Corporate Ethics of The Group of GARO Companies

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Professional honor

Business activity

Group of GARO Companies principles adherence

The statements set forth above determine the operational rules of the Group of GARO Companies and specify who we are and how we work in not-so-simple social and economic environment of the reforms implemented in our country.

These statements are simple and understandable in their essence, but making them a practical core of activities for each employee of the GARO Group takes much hard work and a change of mentality – that is, the way of thinking, the world perception and inner drive of every one of us as an individual and of the GARO Group as a team.

Anatoly Alexeev

Chair of the Board of Directors

Group of GARO Companies

Director General

ZAO "Industrial group GARO"

Business atmosphere in the Group of GARO Companies

Accuracy of data presented to the mass media

All GARO Group employees are required to help the Director General, his deputies and other officers to fulfill their responsibilities to establish and maintain adequate and effective disclosure controls and procedures, by providing reliable and accurate information and by otherwise supporting appropriate disclosure practices. These controls are designed to provide assurances to the Group and its share-holders that disclosures of material information related to the Group in its periodic reports filed with, or submitted to, the state authorities and other data presented to the mass media are full, fair, accurate, timely and comprehensible.

What does it mean for all of us and every one of us personally?

At the GARO Group, we make every effort to report important news as completely, fairly, broadly, clearly and promptly as possible. Whatever we report to shareholders, state regulators, employees, and the general public has always been true and will continue to be this way. Apart from anything else, it is required by law.

- Selective disclosure – that is, giving material information to some outside parties over others – is strictly forbidden.
- Communication with the mass media, the investment community and the public is the responsibility of designated spokespersons of the GARO Group.

Accuracy and integrity of books and records

All books, records and accounts of the GARO Group must accurately represent the transactions. All assets and liabilities of the GARO Group must be recorded in the regular books of account. No undisclosed or unrecorded funds or assets are allowed. No deliberately false or forged entries may be made. No payment may be made, or purchase price agreed to, with the intention or understanding that any part of the payment is to be used for any purpose other than those described in the document supporting such payment.

This policy is not limited to accounting and auditing personnel. It applies to all employees, including anyone who negotiates or authorizes sales and purchase contracts, submits expense reports, or prepares or pays invoices.

What does it mean for all of us and every one of us personally?

Good, ethical business practices dictate that our books and records contain factual and correct information – in short, that the information is indeed what we say it is.

We need to follow all government laws and regulations concerning books, records and accounts.

Keep in mind that incomplete or misleading records can subject the GARO Group to lawsuits, fines or even employee imprisonment. It can also damage the business reputation of the GARO Group, and that damage can be hard to repair.

- It is everyone's responsibility to keep and submit accurate records.
- Submitting deliberately false, altered or inflated reports, invoices or contracts is a serious offense, with serious penalties.

Fair dealing

The GARO Group shall engage only reputable, qualified individuals or firms as consultants, agents, representatives or distributors under compensation arrangements that are reasonable for the services performed. Any such engagement should be formalized in a written agreement.

The GARO Group expects its employees and agents alike to conduct business with integrity. Ignorance of that standard may not be deemed an acceptable excuse for improper behavior, nor is it acceptable for improper behavior to be rationalized as being in the Group's best interest. No act of impropriety advances the interest of the GARO Group. You should deal fairly with the Group's

customers, suppliers, competitors and our own employees. You must not take unfair advantage of others through manipulation, concealment, abuse of privileged information, misrepresentations of material facts or any other unfair-dealing practice.

What does it mean for all of us and every one of us personally?

The GARO Group is committed to working with suppliers and other partners who share our desire to act ethically and responsibly.

Whether we are dealing with outside parties or with fellow GARO employees, it is our duty to be fair and to conduct business with integrity. It is a duty that extends to the way we treat our competitors, as well.

Healthy competition is one thing. Showing favoritism to friends, engaging in questionable business practices and entering into "sweet-heart" deals are quite another. They can poison a company's work climate and, therefore, have no place at GARO.

- Operating in a fair and decent manner is not always easy, especially if it means losing a customer or missing a sales opportunity.
- Put yourself in the other person's position. Act the way you and your company would want to be treated.

Opposition to money laundering

Money laundering is the conversion of money or property gained from illegal activities into money that appears to have been legally earned. It is the GARO policy to comply fully with all applicable anti-money laundering laws currently in force in the Russian Federation and in all other countries where the GARO Group does its business. It is the Group's policy to conduct business only with clients who are engaged in legitimate and lawful business activities, and to engage in transactions with funds that are derived solely from lawful activities and legitimate sources. The GARO Group shall have no involvement in any activity that facilitates money laundering or funds terrorism or any other criminal activity.

What does it mean for all of us and every one of us personally?

We do business throughout the Russian Federation as well as outside its borders. As a result, the range of our customers, suppliers, partners and other related parties is very wide.

Recent geopolitical events and terrorist activities, along with widely publicized cases of fraud, racketeering and other illegal acts, have put an added spotlight on the dangerous consequences of money laundering. As a result, you are urged to:

- Listen to your intuition. If you encounter questionable requests or transactions, alert your supervisor.
- Be watchful of one-time requests or favors, such as a one-time wiring of funds to an unauthorized account, or a request to bypass a payment policy or procedure of the GARO Group.

Equal employment opportunity laws and personal diversity

In compliance with the employment policies of the GARO Group, its employees must conform with the laws of the Russian Federation regulating employment and labor.

The GARO Group believes that every employee has the right to work in an environment free of discrimination, and it is the policy of the Group to maintain a work environment free from discrimination or harassment of any type.

Respect, dignity, opportunity – these are what every individual deserves, and what every GARO Group employee expects. Our goal is to create and maintain an environment that fosters collaboration, interaction, tolerance and respect. And we are committed to a work environment that is free of harassment and intimidation.

The GARO Group values diversity in its workforce. Without doubt, the wide expertise and experience of our employees in various areas make the GARO Group stronger. This diversity certainly increases the Group's efficiency and is a real advantage as compared to our competitors.

It's our duty to follow all applicable laws in hiring, labor relations and all other human resources matters. It's also good business.

In the GARO Group, the career development, salary raise, promotion, premiums and professional growth opportunities are based on the person's operations outcome and his/her personal involvement – that is, such opportunities are awarded depending on the person's actual performance.

Health, safety and environment issues

According to the policy of the GARO Group, all of the Group's personnel shall be provided with a safe and healthy work environment. All employees are required to comply with all applicable occupational health and safety laws and with the Group's regulations and programs that address health and safety.

The GARO Group recognizes and believes in the importance of safeguarding natural resources and the global environmental heritage. The Group believes that environmental goals can and should be consistent with economic health.

The GARO Group pledges to protect environmental quality and human welfare in our communities; and to implement environmentally sound policies designed to prevent, mitigate and, where appropriate, remedy impacts on the environment of the community.

The GARO Group can best meet its commitment to the environment, our employees and our neighbors by following these principles of conduct:

- Conserve energy and natural resources through prudent use and reuse, where appropriate.
- Work hard at continually eliminating waste and pollution at its source; otherwise reduce, reuse and recycle.
- Properly dispose of or effectively process any waste not economically reused.
- Design, operate and assess our facilities, ensuring protection of safety and health of our employees and our neighbors, including contractors and others who visit facilities of the GARO Group.
- Make hygiene, safety and environment a priority in developing new products and processes.
- Recognize, anticipate, respond to and communicate significant environmental aspects/impacts in a timely manner to employees and community to deal with concerns regarding products and operations of the GARO Group.
- Participate in the public debate on regulatory issues to the end of accomplishing sound and economic regulatory theory.
- Manage all operations in a lawful manner and meet other relevant and appropriate requirements with regard to environment, safety and health.
- Periodically audit and assess our performance against stated goals and the principles of our regulatory management system.

What does it mean for all of us and every one of us personally?

Each of us can make a difference at the GARO Group, in large or small ways. Paying attention to health and safety issues, avoiding wasteful practices, operating in a way that protects the environment – these and related matters are everyone's concern. And everyone benefits - in terms of health, comfort, efficiency and productivity - when we are diligent about following smart practices.

Remember that common sense goes a long way in maintaining a safe and healthy work environment ... and so does being alert. A second of inattention or carelessness - on or off the job -

can change a life forever. There is no place for a passive, neglectful or inconsistent approach to something as important as our health, our safety and the environment.

In fact, at the GARO Group, we believe it is good business to treat the air, water and other natural resources with care.

- To help ensure everyone's safety, report even such small things as a burned-out light bulb in the stairway. Tell a supervisor about a hazard on the plant floor or in the office.
- Conserve, recycle and reclaim everything, whether it is paper, glass, plastic, office supplies, water or energy. Be a good steward of the GARO Group, community and natural resources.
- Look out for one another - and for the people and generations who will succeed us.

Prohibition against retaliation

The GARO Group prohibits reprisals for good-faith reporting of actual or possible violations of this Code, or for participating in investigations or proceedings involving this Code. Retaliation in any form against any Group personnel who report a possible violation of this Code, or who assist in the investigation of a possible violation of this Code, is itself a violation of this Code and will be cause for appropriate discipline. In certain circumstances there may be criminal penalties for retaliation, including fines and imprisonment.

What does it mean for all of us and every one of us personally?

Freedom to voice one's concerns and to be heard is an important part of the GARO Group culture. Yet it is not always easy to lodge a complaint or "blow the whistle" on behavior that violates GARO policy. But remember the following:

- The GARO Group strongly urges the reporting of all suspected violations of the Code of Business Conduct and Ethics.
- It is wrong to punish or in any way mistreat someone who has registered a complaint or flagged unethical behavior. In fact, there are serious penalties for doing so.
- To the extent possible, information regarding the investigation of illegal, improper or other unethical activities is kept confidential.

Protection of the GARO Group assets

Protection and proper use of the assets of entities within the GARO Group

You should protect the assets of the GARO Group and ensure their efficient use. Theft and waste have a direct impact on the Group's profitability. All GARO Group assets should therefore be used only for legitimate business purposes. By way of example:

- Do not make personal use of the GARO Group assets that creates any additional costs for the Group, interferes with work duties or violates any Group policies.
- Do not allow the GARO Group property to be used to carry out illegal acts.

What does it mean for all of us and every one of us personally?

It is against this Code – and against the law – to steal, tamper with or destroy assets of the GARO Group. It is likewise against the Code – and the law – to use Group property for illegal purposes.

Remember that the misuse and theft of assets belonging to the GARO Group are not victimless actions. In fact, everyone pays - not just the Group, but also fellow employees, customers and others.

- Treat GARO Group assets as you would your own. Protect them, conserve them and make the most of them.
- Listen to your instincts. If you have doubts about what you are tempted to do or what you have been asked to do, question the appropriate person.

Conflict of interest avoidance

You must avoid conflicts between your personal interests and the interests of the GARO Group. You must disclose any activities, financial interests or relationships that may present an actual or potential conflict of interest. You should therefore avoid any investment, interest or association that interferes with, or might interfere with, the objective or independent exercise of your best judgment or with the performance of your responsibilities in the best interests of the GARO Group. Specifically, you should:

- Deal with all suppliers, customers, competitors, other employees and all other persons doing business with the GARO Group in a fair and objective manner without favor or preference based upon personal financial considerations;
- Not accept from or provide to any supplier, customer or competitor any gift, entertainment or other benefit, including payments or loans, except as expressly permitted under this Code;
- Not have any financial interest in or hold any employment or managerial position with any firm or corporation that is a competitor of, or that does or seeks to do business with the Group, if that interest or position might influence any decision in the performance of your duties; and
- You must not seek or accept, or offer or give, any payments, fees, loans, services or gifts from or to any person or firm as a condition or result of doing business with the GARO Group. The Group's policy does not prohibit gifts of nominal value, normal business meals and entertainment, the exchange of customary reciprocal courtesies between employees of the GARO Group and their business associates, and similar customary and reasonable expenditures to promote general business goodwill.

The expenditure for, or receipt of, gifts and entertainment that are more than nominal in value must be authorized in writing by your supervisor.

The policies regarding gifts and entertainment do not apply to sales contests and incentive trips for the benefit of the GARO Group. An officer of the Group must authorize such programs in writing. All such contests and incentive trips are to be conducted fairly and in accordance with

applicable laws and are subject to the Group's policies related to the approval of business-related expenses.

With respect to gifts to and entertainment of government officials or employees, this policy is subject to the provisions of "Governmental Payments" described herein.

The GARO Group objective is to compete in the marketplace by providing superior products and services at competitive prices. No payment or anything of value in any form shall be given directly or indirectly to anyone anywhere in the world for the purpose of obtaining or retaining business, or to obtain any other favorable action.

What does it mean for all of us and every one of us personally?

The watchword here is judgment. The Code requires each of us to behave in a way that stands up to scrutiny. We're expected to be aboveboard, evenhanded, fair and consistent in our dealings with fellow employees, suppliers of goods and services, customers and others with whom we do business.

For example, it stands to reason that receiving or giving gifts of more than a nominal value can change a business relationship, resulting in generation of indebtedness and favoritism feelings. For many reasons, it is smart to avoid such situations.

If you have questions about a business or outside activity, feel free to talk about them with your supervisor or the GARO Group attorney. Keep in mind that many outside activities and affiliations are allowable, so long as you have informed the Group about them and received your supervisor's approval.

- Avoid any business activity or relationship that violates standards of fairness.
- Our loyalty should be to the GARO Group only.
- Disclose any interests or activities that might conflict - or appear to conflict - with your job or with the GARO Group business interests.
- If offered gifts or entertainment by a supplier, check with your supervisor to see if it is appropriate to accept.
- Avoid even the slightest appearance of conflicts of interest.
- If you have any questions, do not hesitate to raise them.

Corporate opportunities

You must not take for yourself opportunities that are discovered through the use of the GARO property, information or your position, for personal gain or to compete with the GARO Group. It is your obligation to advance the Group's legitimate interests when the opportunity to do so arises and not to participate in activities adverse to the Group's interests.

What does it mean for all of us and every one of us personally?

The message here is similar to that found in the rest of this guide. As GARO Group employees, we are expected to maintain high standards of conduct. That includes not taking personal advantage of opportunities we might come upon in the course of doing business.

Those opportunities can take a variety of forms, including use of GARO property and exploitation of one's job or authority.

- Remember that our loyalty should be to the GARO Group alone.
- It is wrong to compete against the GARO Group in any way.
- Do not take personal advantage of information you are exposed to as a result of your position with the GARO Group.

Confidential and inside information

When you are trusted with confidential knowledge and information about the GARO Group, you are expected to keep that information in confidence. Disclosing such information could hurt the GARO Group or give an unfair or illegal advantage to competitors, investors in our stock or

others. You should guard against improper or premature disclosure of confidential information to outsiders or to employees who do not require the information to perform their jobs.

Confidential information can include information about employees, products, technology, financial matters, customers, suppliers and competitors; long-term plans; production and trade secrets; business plans including potential acquisitions and divestitures; manufacturing systems and procedures; research and development work; and computer data that is not published or in the public domain. The use of confidential information for personal gain by an employee or anyone else goes against these guidelines and, in many cases, can be against the law.

Communication with the media, the investment community and the public is the responsibility of designated spokespersons within the GARO Group.

The GARO Group provides electronic communication tools to improve productivity and enable employees to produce efficient, high-quality work. Electronic communications include all aspects of voice, video and data communications such as voice mail, e-mail, EDI (Electronic Data Interchange), fax, Internet and on-line services. Because these technologies allow for quick dissemination of information to a large audience, you must guard against the circulation of confidential information through any electronic communication. Electronic communications practices are outlined in the GARO Policies, Practices and Procedures Manual.

You should guard against accidentally revealing confidential information by avoiding discussion of the GARO Group matters in public or working on confidential papers in public places such as buses, trains or airplanes.

GARO Group trade names and logos should be used only in accordance with the GARO policies and only as authorized for legitimate business of the GARO Group.

What does it mean for all of us and every one of us personally?

Just about everyone at every company has access to confidential information. And just about every employee can be considered a company insider. That is why it is so important that each employee of the GARO Group be aware of the potential misuse and abuse of sensitive material.

It is sometimes easy to lose perspective about what is, and what is not, confidential and inside information. A seemingly innocent statement - for example, a comment to your neighbor about your company's great quarterly results, before those results have been made public - can subject individuals and the business to serious penalties.

Similarly, what might appear to be a "safe" use of GARO information - such as sharing the strategic plan of the GARO Group with a consultant before that person has signed a confidentiality agreement - can hurt a number of parties, including fellow employees, shareholders and customers.

- The stakes are high. Know the laws and how they apply to you.
- Take special care of sensitive GARO material, making sure it is properly protected. Consider the consequences of leaving private records out in the open, or forgetting to "password protect" certain electronic files.
- Be careful about engaging in business discussions in a public place, such as a restaurant, a train or a restroom. You never know who might overhear you.
- Be careful when discussing confidential information on a cell phone. When possible, use a landline.
- Refer media inquiries to the management team of the GARO Group.
- Understanding the policy of the GARO Group, showing good judgment and acting in a principled way are the best protections of the confidential information.
- If you are in doubt about matters dealing with sensitive GARO information, check with your supervisor or the legal department.

Competing internationally

Competition laws

The GARO Group maintains a policy of compliance with applicable laws governing dealings with competitors. In order to avoid activities that could be interpreted as violations or result in allegations of a violation of competition laws, you should not engage in practices prohibited by the GARO policy, including the following activities:

- Reaching an understanding or making an agreement with competitors to limit competition by setting price levels or terms or conditions of sale, limiting production or establishing joint procedures relating to distribution, sales territories or customers.
- Making unauthorized arrangements or contracts that involve exclusive dealing, tie-in sales or other restrictive agreements with customers or suppliers. Certain arrangements, such as GARO dealers' lists of calls, and sales territories for representatives, which are approved by the Group, may, of course, be entered into, but arrangements or programs not currently being used by the Group should be approved prior to use, with the advice of the Group's attorneys. Also, differences in price and other terms of sale between customers, as well as quantity discounts may not comply with the law and should not be entered without the advice of GARO attorneys.
- Hiring competitors' employees to obtain confidential information, or urging competitors' personnel or customers to disclose anything that could be regarded as confidential information, may also violate the law. Please contact the legal department prior to hiring an employee from a competitor or entering into discussions with competitors' personnel.

On occasion, you may have the opportunity to communicate with competitors. While chance meetings may be seen as opportunities to learn more about our competition, employees are cautioned to exercise judgment in what they discuss. Any discussion or communication of any kind with a competitor that relates to pricing, production, customer information, marketing, inventories, product development, sales goals, market studies and other proprietary or confidential information is prohibited. Sharing this kind of information may be illegal and could subject the employee and the GARO Group to civil or criminal penalties. Purchases from and sales to competitors are allowed if done in accordance with GARO policy. Antitrust Compliance manuals are available from the legal department.

What does it mean for all of us and every one of us personally?

It is a truism that merits repeating: in business, as in other areas of life, it is important that everyone adhere to the same rules and to the same ethical standards.

Of course, in reality this is not always the case. In the highly competitive environments where we conduct business – both in Russia and abroad – it is not uncommon for companies to seek unfair or illegal advantage over other parties. That is why the state has rules prohibiting unfair competitive practices, including antitrust.

- There is a big difference between healthy and unhealthy competition.
- Our business dealings with competitors, customers, suppliers and other parties must always comply with the Ethics Code of the GARO Group.
- Unauthorized special arrangements with any outside parties are forbidden.
- Companies and individuals involved in hindering competition are subject to substantial penalties.
- Rules pertaining to competition and antitrust are complex. You are urged to contact the legal department when any questions arise.

Working with state authorities

Governmental payments

You must not directly or indirectly give, offer or promise any form of bribe, gratuity or kickback to any official or state employee, local or municipal official or employee.

It is the policy of the GARO Group to comply in all respects with the United States Foreign Corrupt Practices Act (FCPA) and with all other laws applicable to payments to government officials. It is the GARO policy that no GARO personnel may directly or indirectly pay, give or offer money or anything else of value to any foreign government official, employee or representative, or to any foreign political party, or candidate for, or incumbent in any foreign political office, in order to assist in obtaining, retaining or directing business.

Political activities and financial contributions

We encourage all employees to participate fully in the political process, as individuals, and to make voluntary contributions to candidates of their choice.

GARO financial contributions, either direct or indirect, to political parties or candidates for federal, state or local office are illegal and are strictly prohibited.

Employees who participate in political activities must make it clear that they do not act or speak for the GARO Group. The Group cannot and will not endorse any political candidates or parties.

What does it mean for all of us and every one of us personally?

When it comes to government involvement, the GARO Group encourages employees to be active in their political process. The Group only asks that such participation be done on personal time; that no GARO resources are involved; that the name of the Group of GARO Companies is not used; and that GARO endorsement is not implied.

- Payments to or from any government official are forbidden.
- Report any instances of pressure to give gifts or make donations in exchange for favorable business decisions.
- Keep your political activities separate from your work life.
- If you're in doubt about any government transactions or political activities, please check with the legal department and the management team of the GARO Group.

Code compliance and violations reporting

You are expected to comply with this Code and all other policies and procedures of the GARO Group in all respects. To the extent legally permissible under local laws, any employee who submits a Compliance Certificate containing a false statement or material omission, or who knowingly violates this Code, or knowingly permits a subordinate to do so, shall be subject to disciplinary action, including demotion or dismissal. From time to time the GARO Group may require you to sign additional certificates covering the policies set forth in this Code.

Matters raised in this Code will be discussed in periodic compliance review briefings. Each employee is expected to attend such briefings.

If you become aware of any acts or transactions that may be in violation of this Code, you are expected to properly disclose such information. If you believe this Code may have been violated, you should raise the issue immediately with your supervisor. If the issue is not resolved or you are not comfortable raising the issue with your supervisor, you may contact the senior officer or GARO legal department.

Confidentiality and anonymity regarding those who make compliance reports and those potentially involved are maintained to the fullest extent possible.

Code requirements waivers

Any waiver of this Code for directors or senior officers of the GARO Group may be made only by consent of the Group's Board of Directors. Any waiver of this Code for executive officers or directors may be made only by the Board of Directors.

Questions about situations not discussed in this document should be addressed to your supervisor, the legal department or the human resources department of the GARO Group.

The Code of Business Conduct and Ethics of the Group of GARO Companies is not intended to confer contractual rights of any kind upon any employee or other person identified therein, or to create contractual obligations of any kind for the GARO Group. Because the Group's goals related in the Code of Business Conduct and Ethics are subject to change, the Group retains the right to change the Code of Business Conduct and Ethics in its sole discretion, at any time, with or without notice.

Group of GARO Companies

Veliky Novgorod

Russian Federation