



THE ALLIED DEFENSE GROUP

The Allied Defense Group, Inc.

Code of Ethical Conduct

Adopted by the Ethics & Governance Committee
of the Board of Directors

Updated August 2005

Dear Employees & Affiliates of the Allied Defense Group,

The Board of Directors believes that the honest and ethical manner in which we conduct ourselves with our suppliers, customers, co-workers and competitors is essential to our company's success. Everyone associated with the Company must understand our commitment to business ethics and operate with integrity, regardless of position or location. To this end, we, with Management, have developed the Code of Ethical Conduct which sets forth guidelines for the conduct of our business.

We expect you to familiarize yourself with the standards set forth in the Code of Ethical Conduct. If you have any questions about the Code, do not hesitate to discuss them with your local management or General Counsel (James Baker).

We take this Code of Ethical Conduct very seriously and expect your full support. It is imperative you comprehend each component of the Code, as any violations of the Code may be subject to disciplinary actions up to and including dismissal.

Sincerely,

Dr. Jay R. Sculley
Chair, Ethics & Governance Committee
Board of Directors, The Allied Defense Group

John J. Marcello
Chief Executive Officer & President
The Allied Defense Group

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INTRODUCTION

The Allied Defense Group (Allied) is dedicated to a high moral and ethical standard of conduct and will carry out its business with honesty, integrity, and a strong commitment to compliance with all applicable laws and regulations.

This Code of Ethical Conduct is based on Allied's commitment to meet its obligations to all who have a personal, professional, or financial stake in what Allied does, including stockholders, employees, suppliers, host communities and nations, and the industries it serves. Some obligations are direct and obvious, such as striving to provide superior products and services for its customers and increasing value for its stockholders. Other obligations stem from the Company's firm policy of complying with all applicable laws and regulations.

This Code summarizes the ethical principles that should govern all Allied Defense Group subsidiaries, employees and officers, as well as consultants and others who act on behalf of Allied, in their daily work. This Code does not cover every possible subject or situation. It is not intended to provide all-inclusive solutions. The Code recognizes that some employee conduct is governed by union contract or applicable governmental requirement. All such employees nonetheless are encouraged to follow the principles set forth herein. If in doubt, consult your supervisor or manager or General Counsel (James Baker).

The Code is important to Allied. The Company expects that all employees and affiliates will familiarize themselves with the Code and exercise honesty, objectivity, diligence and act ethically in the performance of their duties and responsibilities. Failure to comply with it will result in disciplinary action, which may include termination of employment. These standards are set forth to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that Allied files with, or submits to, the Securities and Exchange Commission ("SEC") and in other public communications made by the Company;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting of violations of the Code; and
- Accountability for adherence to the Code.

This Code will be posted and maintained on the Company's website and will be disclosed in the Company's Annual Report on Form 10-K.

STANDARDS OF CONDUCT

High standards are expected of all employees, regardless of position or location. Allied Defense Group is committed to building and maintaining a diverse workplace, free from discrimination or harassment. In particular, Allied will not tolerate discrimination or harassment in the workplace on the basis of race, gender, religion, national origin, disability, sexual preference, or veteran status. It is Allied's policy to treat everyone, our fellow employees as well as business associates and competitors, with fairness and respect.

While not comprehensive in nature, these standards include:

- Employees shall not knowingly be a party to any Fraud or other illegal or improper activity whether or not it is intended to benefit the Company. The term "Fraud" for purposes of this Code includes, but is not limited to, embezzlement, criminal fraud, taking of property through deceit or artifice, misappropriation and other irregularities including such things as any dishonest act, theft, forgery or alteration of negotiable instruments such as Company checks and drafts, misappropriation of Company or customer assets, conversion to personal use of cash, securities, supplies or any other Company asset, unauthorized handling or reporting of Company transactions, and falsification of Company records or financial statements for personal or other reasons.
- Employees shall refrain from entering into any activity that is in conflict with, or would reasonably appear to be in conflict with, the interest of the Company or which would prejudice their ability to exercise independent judgment in carrying out their duties and responsibilities or devote undivided loyalty to the Company. Such activities may include, without limitation, investments in suppliers, customers or competing companies (except insubstantial securities investments in publicly traded companies), outside employment, which would affect working efficiency, and direct or indirect ownership of property or tangible items, which may be sold or leased to the Company.

- Employees, when reporting the results of their work, shall reveal all material facts known to them that, if not revealed, could either distort reports of operations or conceal unlawful practices.
- Employees should safeguard confidential information from accidental loss or disclosure to unauthorized parties, unless you are legally obligated to disclose that information. Confidential information must not be used for personal advantage.
- An Employee who leaves the employ of the Company must return all Confidential Information in his or her possession or control to the Company, and shall remain obligated to use and protect the Confidential Information of the Company, and its suppliers and customers consistently with the principles set forth in this Code.

CONFLICT OF INTEREST

All business decisions should be made in the best interests of Allied. Conflicts between an employee's on- or off-the-job activities and Allied's business interests can arise in many situations. They occur most often where an employee, or a relative of an employee, could obtain some personal benefit at the expense of the Company or our stockholders. All employees are expected to observe the standards established in the Code at all times and are subject to corrective action, up to and including termination, in appropriate cases, if they do not.

PROTECTING ADG ASSETS

Protecting all company assets, including physical property and intangible assets (such as data, software, trade secrets, intellectual property, and confidential information) against loss, theft, and misuse is every employee's responsibility. Company assets may be used only for proper company purposes during and following employment with the Company. They may not be used for personal benefit, nor may they be sold, loaned, given away or disposed of without proper authorization.

INFORMATION GATHERING FOR BUSINESS INTELLIGENCE AND BENCHMARKING

In our highly competitive global economy, benchmarking and intelligence about competitors, suppliers, and customers are necessary and valuable assets. Information about practices, plans, and operating methods can affect the Company's successful competition for contracts, orders, and business. For these reasons, legitimate intelligence gathering, benchmarking, and programs for protecting and defending Allied's confidential and proprietary information are appropriate.

In dealing with non-public sources, accepted standards of fair conduct and legality must be observed. No information should be sought, obtained, or used that would violate antitrust laws, court orders, laws protecting confidential information or trade secrets, laws restricting access to information regarding government procurements, or confidential relationships between employers and employees. Improper acquisition or improper means of acquiring information could lead to litigation (including criminal prosecution of individual employees and Allied) and disruption of valued relations with customers and suppliers.

If in doubt, consult with Allied's legal counsel: James E. Baker, Jr.
 120 E. Baltimore Street
 Baltimore, MD 21202-1643
 (410) 385-8122
 jeb@bbsclaw.com

BUSINESS INFORMATION

Confidential information and trade secrets include non-public information about The Allied Defense Group (such as, business strategies, pending contracts, unannounced transactions, financial projections and customer lists) and internal documents and communication that might be useful to competitors or harmful to the Allied Defense Group, its subsidiaries or its customers, if disclosed.

Allied has developed business information over many years at considerable expense. Because of this effort, the Company possesses valuable confidential information, including proprietary information and trade secrets (such as confidential data, designs, and business expertise) relating to products, processes, systems, services, financial information and business practice. Employees must protect Allied's business information as carefully as the Company's physical and other property. Unauthorized disclosure of this information could destroy its value to the Company and give unfair advantage to others.

To ensure confidentiality of Company information, employees must adhere to the following principles:

- Employees must not disclose confidential information, either during or after employment, except when authorized by Allied to disclose to its suppliers or others who have entered into confidential disclosure agreements with the Company.
- Similar restrictions, usually spelled out in contracts, apply to information obtained from Allied's customers, partners, suppliers, or others who furnish information to the Company on a confidential basis.

FULL, FAIR , ACCURATE & TIMELY DISCLOSURE

Allied Defense Group is committed to complying with the applicable securities laws, including reporting requirements, and to ensuring that information contained in its public communications, including financial statements, reports to investors and the SEC, fairly present in all material respects, the financial condition, results of operations and cash flows of the Company. It is essential that the business transactions of all of Allied Defense Group's subsidiaries and divisions are reported accurately and that accounts and records are properly maintained.

FAIR DISCLOSURE

Allied is committed to fair disclosure of information about the Company without advantage to any particular analyst or investor, consistent with the Securities and Exchange Commission's Fair Disclosure Regulation ("Regulation FD") which became effective October 23, 2000. The Company will continue to provide current and potential stockholders access to key information reasonably required to make an informed decision on whether to invest in Allied stock. Consistent with Regulation FD, the Company also will provide investor access to management.

Allied and its management believe it is in the Company's best interest to maintain an active and open dialogue with stockholders and potential investors regarding the company's historical performance and future prospects. Allied can best create stockholder value by publicly articulating its strategies, business strengths, and growth opportunities through an active dialogue, while guarding the Company's need for confidentiality as outlined above.

INSIDER INFORMATION

Allied Defense Group personnel may learn information about Allied Defense Group, its shareholders, or a third party that is not generally known to the public and that could affect someone's decision to buy, sell or hold the securities of Allied Defense Group, its shareholders or such third party. Such "inside information" would include, but not be limited to, trade secrets, business plans, marketing and sales programs, audits, dividend changes, financial results, earnings estimates, litigation or other actual or contingent liabilities or other confidential or proprietary information.

The rules in the United States and other jurisdictions in which Allied Defense Group operates governing trading on the basis of inside information are very complex and, if breached, could result in civil and criminal penalties for Allied Defense Group Personnel and Allied Defense Group itself. As a general rule, and subject to more specific procedures for a given transaction involving Allied Defense Group, you must hold inside information in strictest confidence and must not buy or sell securities of Allied Defense Group or any other company while in possession of this information until it has been publicly and legally disclosed. You also must not disclose or tell others about the information so that they may trade in the stock of Allied Defense Group or another company. In addition to potential civil or criminal penalties, Allied Defense Group Personnel are also subject to disciplinary actions up to and including termination of employment or contract assignment.

- Employees are prohibited from trading in the Company's securities while in possession of material nonpublic information concerning the Company, or making selective disclosure of such information, in violation of the Securities and Exchange Act of 1934, as amended ("Exchange Act"), and the rules and regulations of the SEC.

More detailed and stringent policies concerning insider trading are applicable to certain employees who regularly have access to inside information, and these employees have been provided with those policies.

INTERNAL CONTROLS AND DISCLOSURE CONTROLS AND PROCEDURES

The Company shall maintain a system of internal controls for financial reporting to ensure reliability and adequacy of its books and records and proper recording of all transactions including dispositions of assets. The Company guidelines and procedures are intended to prevent the Company's records from being misleading or concealing anything that is improper.

- Employees must strictly comply with the disclosure controls and procedures and internal controls for financial reporting and must be vigilant in ensuring that the Company's funds or assets are not used for any unlawful or improper purpose. Employees may only enter into transactions that are executed in accordance with the Company's specific authorization or established formalized policies and procedures.
- Employees must not allow any transaction to be recorded in the accounts of the Company unless it is within the scope of written policies and procedures or is specifically and formally approved by an appropriate and designated employee. Such approval requires the determination that all transactions that have been accounted for in accordance with Company policy will be accumulated and processed in a manner that will permit preparation of financial statements, reports and data for purposes of internal, public and regulatory reporting. Such statements, reports and data must be in a form sufficient to reflect accurately and fairly the results of transactions entered into by the Company and to permit proper accountability for assets.

The Company recognizes the importance of preventing improper influence on the conduct of auditors. Accordingly, the Company prohibits:

- Any Employee from taking any action, or failing to take any action, to fraudulently influence, coerce, manipulate, or mislead any of our auditors during their review or audit of our financial statements, and related books and records, for the purpose of rendering the financial statements false or materially misleading. Such conduct is prohibited even if it does not succeed in affecting the auditors' review or audit.

ACCURACY OF RECORDS

Employees must record and report information accurately and honestly. This includes accurate and complete reporting of business expenses incurred, revenues and costs, and other business-related activities. All company records are subject to audit, and financial records should be maintained in accordance with generally accepted accounting principles (GAAP). Dishonest reporting, both inside and outside the Company, will not be tolerated. This includes reporting or organizing information in an attempt to mislead or misinform. No entry will be made on the Company's books and records that intentionally hides or disguises the true nature of any transaction.

FALSIFICATION OR ALTERATION OF RECORDS

Falsifying or altering records, or knowingly approving false records, is prohibited and may be a criminal offense. Here are some rules you should keep in mind:

1. False or misleading entries or statements should never be made in any of our books, records, expense or incentive compensation reports or other documentation for any reason. Keep books, records and accounts in reasonable detail so they accurately reflect the transaction.
2. Expense reports must be filled out accurately and completely, showing the correct purpose and amount of each expense item. If reports relate to meals or entertainment, they must list all parties for whom the expense was incurred.
3. Permanent entries in Allied Defense Group's records should never be altered in any way.
4. No secret or unrecorded funds or assets should be created or maintained for any purpose.
5. You should never make a payment or approve a receipt with the understanding that it will be used for a purpose other than what is described in the record of the transaction.

RETENTION OF RECORDS

Company records include internal and external documents prepared in the ordinary course of our business. There are laws governing the retention of company records and no records relating to a pending or threatened litigation, audit, or government investigation may be destroyed.

COMPLIANCE WITH LAWS, AGREEMENTS AND PRACTICES

As a global company, The Allied Defense Group is affected by laws and mores of the countries in which it operates. These laws differ, often widely. It is Allied's policy and each employee's responsibility to conduct business in compliance with the Code and all applicable laws of the country in which it operates. When conflicts exist, legal counsel is available to assist in resolving them.

It is Allied's policy to comply in all respects with the U.S. Foreign Corrupt Practices Act (FCPA), which prohibits making any substantial gift or payment, either directly or through an intermediary, to a government official or employee or political party or candidate in order to obtain or retain business for Allied or an affiliate, to direct business to any other person, or to obtain an unfair advantage. Annual review and certification to uphold the tenets of Allied's policy is required by management, key employees and the Company's independent financial auditors.

Employees who transact business for Allied in the international marketplace have a personal responsibility to be familiar with the FCPA and applicable export regulations and procedures. Employees such as production managers, program engineers, purchasing agents, information systems managers, and any other individuals who may be brought into direct involvement with foreign customers or export activities bear this responsibility.

The sale of our products and services to foreign customers is covered under the export/import controls imposed by the authority of the Arms Export Control Act (AECA) as implemented by the International Traffic in Arms Regulations (ITAR), which are, by definition, the law.

There are countries where common trading or negotiating practices are based on less stringent or different codes of conduct than Allied customarily follows. In such countries, employees should follow Allied's Code, unless variances that are permitted by U.S. or other applicable law and are based on reasonable business judgment have been approved by designated corporate management.

INTERNAL REPORTING OF CODE VIOLATIONS

The Company expects that employees, vendors or customers will report violations of this Code of Ethical Conduct, should they arise. If you believe that someone associated with Allied Defense Group or its subsidiaries has violated our standards, you are expected to bring the matter in good faith to the attention of your local Managing Director/President or to the Company's General Counsel, James. E. Baker, Jr. (jeb@bbsclaw.com, telephone +1-410-385-8122). All reports will be handled confidentially to the extent possible under the circumstances and any such reports will be promptly evaluated and/or investigated. You may choose to remain anonymous but any person reporting a policy violation or illegal practice should provide as much detail as possible about the suspected violation including the individuals involved, the nature of the violation and documentation of the violation if available. Reported violations and the results of any investigations will be reported to the Company's Audit Committee on a quarterly basis.

NO RETALIATION

The Allied Defense Group will not retaliate against any person who brings in good faith an ethics or compliance issue to our attention. Individuals who raise concerns or who help us resolve reported matters are protected against retaliation by US law. Anyone who uses the ethics and compliance program to spread falsehoods, threaten others, or damage another person's reputation will be subject to disciplinary action. Discouraging other employees from making a report or getting the help they need is prohibited and could result in disciplinary action.



Code of Ethical Conduct Acknowledgement

The Board of Directors, Officers, Executives and Finance Department personnel are expected to acknowledge in writing that they have read The Allied Defense Group Code of Ethical Conduct.

I _____ acknowledge that I have received,
Please print name

read and understand The Allied Defense Group Code of Ethical Conduct. I commit to uphold the ethical principles designated in the Code.

Signature

Date