

**MTS Systems Corporation**  
**Code of Business Conduct**



*Committed to Integrity*



June, 2008

Dear MTS Colleague:

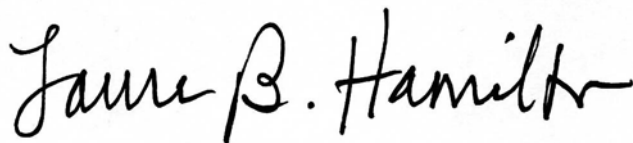
At MTS, we believe that how we do things is as important as what we do. As such, we are committed to integrity.

Our Code of Conduct addresses how we, as MTS employees and all representatives, including directors and consultants, align our individual behavior with the Company's expectation for integrity. We are expected to conduct ourselves with the highest level of integrity and, explicitly, we will comply with both the letter and the spirit of the laws wherever we do business.

By following this Code, we also ensure we are in full compliance with the laws and governmental regulations that apply to us. Please read it carefully, ensure that you understand it, refer to it often and live by it every day.

We are all responsible, individually and together, to represent the very best of MTS – to our customers, our suppliers, our shareholders and each other. Thank you for your commitment to integrity and to our future.

Sincerely,



Laura Hamilton  
President and Chief Executive Officer

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## INTRODUCTION

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This MTS Code of Conduct (“the Code”) provides an overview of MTS policies and procedures for conducting business in a legal and ethical way. It applies to all employees and officers, representatives, agents, contractors, consultants and members of the Board of Directors (“Representatives”). This Code is neither a contract nor a comprehensive manual that covers every situation. Rather, the Code is a guideline for expected behavior when conducting business. Employees should refer to the MTS policies/procedures for more detailed information.

Employees and Representatives are expected to comply with the letter and the spirit of all applicable rules and regulations of federal, state, provincial and local governments, and other appropriate private and public regulatory agencies, including the Securities and Exchange Commission (SEC) and the NASDAQ Stock Market (NASDAQ), as well as the laws of all countries where we do business.



In addition to following the laws, employees and Representatives are expected to make ethical business decisions. When faced with a business decision that may trigger ethical concerns, refer to the questions below to help determine the proper course of action:

- Am I adhering to the spirit, as well as the letter, of any law or the Code?
- Would I want my actions reported on the front page of a newspaper?
- What would my family, friends, or neighbors think of my actions?
- Will there be any direct or indirect negative consequences for MTS?
- How will the decision stand up over time?
- How would I feel if it happened to me?

If the course of action still is unclear, contact your manager or MTS’ Principal Attorney for further guidance. Managers are designated as the first contact for raising a concern regarding a potential violation of the Code. Directors should contact the Chairman of the Board. More details on the process for reporting violations can be found in the “Resolution of Issues and Concerns” section.

**ETHICAL BUSINESS CONDUCT**

**ACCURACY OF RECORDS**

Accurate business records are a key factor in maintaining the trust of employees, shareholders, and other stakeholders.



Information that employees and Representatives record and submit either inside or outside MTS must be accurate, verifiable, and complete. At MTS, we do not engage

in inaccurate, false or misleading record-keeping. This includes reporting information or organizing it in a way that is intended to mislead or misinform those who receive it. No undisclosed or unrecorded funds or assets of MTS may be maintained for any purpose.

Keeping accurate books and records is not only about good corporate citizenship, the law also requires it. In addition to various federal and state laws, MTS is required to comply with the rules and regulations of both the SEC and NASDAQ. MTS also maintains internal controls and procedures for reporting financial data according to applicable laws of each country where we conduct business.

All employees and Representatives have a responsibility to ensure that current and full information is provided to MTS management and our auditors. It is against MTS policy to unduly or fraudulently influence, coerce, manipulate or mislead independent or internal auditors regarding financial statements, processes or internal controls. Finance employees, in particular, bear a heightened responsibility to ensure MTS finance and accounting practices support the full, fair, accurate, timely and understandable disclosure of MTS financial results.

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**ANTITRUST AND COMPETITION**

MTS competes in the global marketplace. However, we will only conduct business according to the letter and spirit of the laws that govern and promote free and fair competition. This means we will comply with the antitrust laws of the United States and, where applicable, the antitrust or related laws of any other country or economic union.

All MTS employees and Representatives must refrain from discussing MTS' pricing policies, customers, technologies, sales strategies, R&D, or future plans with an MTS competitor. Any contacts with competitors that could create the appearance of improper agreements or understandings must be avoided.

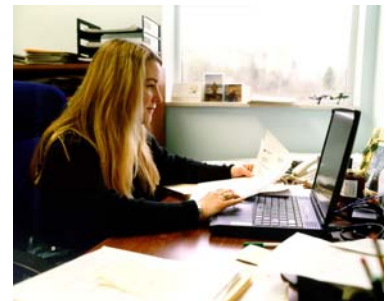
MTS seeks to outperform its competition fairly and honestly, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing disclosure of trade secret information by past or present employees of other companies is prohibited.

**ELECTRONIC DATA AND COMMUNICATIONS**

The MTS electronic data and communication systems, such as email and the intranet, are the property of MTS and are to be used for legitimate business purposes.

Employees and selected

Representatives are provided access to the computer network to assist them in the performance of their jobs. It is



the responsibility of employees and selected Representatives to use these resources in a professional,

lawful, and ethical manner according to MTS policies and procedures.

MTS understands that you may need to use MTS' systems for personal purposes during working hours; however, you are expected to limit your personal use to very brief periods of time and for urgent and critical personal matters.

It is also the policy of MTS that licensed computer software be used in a manner which is consistent with the terms of the software license. Employees and Representatives who use licensed personal computer software are responsible to know, fully understand, and continually conform to the software license terms.

MTS may monitor all electronic or voice communications. This monitoring may include the use of filtering devices and software in order to prevent access to certain sites, estimate incoming and outgoing electronic or phone message flow, and opening professional files and professional correspondence. This monitoring will be carried out consistent with applicable law relating to the obligations to respect personal matters of employees, the privacy of personal correspondence of employees and the rights of the representatives of the employees subject to prior (a) notice to the applicable legal authorities, when required; (b) consultation with the employees' representatives, when required; and (c) notice to the affected employee of MTS.



## **INTERNATIONAL BUSINESS**

Many of the countries in which we operate have significantly different laws than those of the U.S. MTS complies with all laws of the U.S. and those of all

countries where we do business. Laws governing trade

matters include the U.S. Foreign Corrupt Practices Act and laws relating to exports/imports, boycotts, and embargoes. Employees and Representatives are expected to comply with the laws of the U.S. and those countries where we do business.

The U.S. Foreign Corrupt Practices Act, foreign anti-corruption laws and MTS policy prohibit making or offering payments or other consideration to foreign officials in order to obtain or retain business. Any MTS employee or Representative, in their relations with governmental agencies, customers, or suppliers, will not directly or indirectly engage in bribery, kickbacks, payoffs or other corrupt business practices.

The U.S. and other countries mandate very specific requirements that must be followed in order to import or export goods, services, software, or technology. Employees and Representatives involved in importing or exporting are required to follow both the specific MTS procedures and all applicable U.S. and international laws.

Under U.S. anti-boycott regulations, MTS will not participate in any foreign economic boycott not sanctioned by the U.S. Government, and will not provide information to third parties concerning business relationships with boycotted countries. This request for information could be included on a purchase order, contract, or letter of credit. Employees or Representatives, who receive a request to support a boycott or to provide information related to a boycott, must contact their manager or MTS' Principal Attorney immediately. MTS is required to report boycott requests to the U.S. Department of Commerce. Similarly, MTS will not import/export to any countries subject to U.S. trade embargoes.

## CONFLICTS OF INTEREST

MTS respects the rights of its employees and Representatives to manage their personal lives and to take part in legitimate financial, business and other independent business outside of work. Employees and Representatives should avoid situations that present a real, potential or perceived conflict between their personal interests and the interests of MTS. A conflict of interest occurs when any person or situation compromises the judgment or ability to conduct business in the best interest of MTS. Employees and Representatives are expected to act honestly and ethically and handle actual or apparent conflicts of interest between personal and professional relationships in an ethical manner.

Some examples of situations that may cause a conflict of interest include:

- Using MTS assets for personal use
- Contracting with a supplier or customer managed or owned by a close friend or family member
- Having an undisclosed substantial financial interest in a supplier, competitor, or customer
- Working independently as a consultant to a supplier, competitor or customer
- Giving/receiving gifts and/or business courtesies
- Using inside information for trading securities

### GIFTS AND BUSINESS COURTESIES

Receiving or giving of gifts and business courtesies by an employee or Representative, any member of the employee's or Representative's immediate family, or anyone designated by the employee or Representative may present potential conflicts of interest. A business courtesy is generally a gift or entertainment such as tickets, discounts or meals to or from someone with whom MTS has a business relationship. Employees and Representatives should never accept or give gifts or business courtesies that will compromise their judgment

or actions in the performance of their duties. Business courtesies of nominal value from MTS suppliers or customers may be accepted if they are consistent with common business practices and local laws. However, these nominal gifts or business courtesies should not be received on a regular or frequent basis. When in doubt, ask for clarification by your manager or MTS' Principal Attorney.

Some business situations may require giving gifts (i.e., may be part of the culture). Employees and Representatives must comply with the legal requirements of the U.S. and each country where business is conducted and should strive for the highest ethical standards in these business dealings. These gifts should be nominal in value and not seek to improperly influence the decisions of customers or suppliers, just as MTS policy requires that the decisions of employees and Representatives at MTS not be affected by having received a gift or business courtesy.

There are very stringent rules that apply to U.S. and foreign government customers where in many cases gifts and business courtesies are absolutely prohibited. Employees involved with current or potential U.S. government contracts are prohibited from giving or receiving anything of value to or from a supplier, customer, or subcontractor for any reason.

### INSIDE INFORMATION AND SECURITIES TRADING

MTS employees and Representatives, directly or indirectly through their families or others, are prohibited from purchasing or selling MTS stock while in possession of material, non-public information concerning MTS. Information is considered material if it could influence someone to buy, hold or sell a stock.



Material, non-public information is also called “inside” information. If you have learned of “inside” information about other companies, the law also prohibits both trading in that company’s stock and disclosure to others who would trade based on that information. Some examples of inside information include:

- Unannounced financial data
- Joint venture, merger, or acquisition plans
- A new major contract, customer, or supplier
- Unannounced products and/or marketing plans
- Government investigations

## **POLITICAL ACTIVITIES AND CONTRIBUTIONS**

MTS supports everyone’s right to participate actively in the political process. However, any political activity must take place on an employee’s or Representative’s own time. By law and by practice, MTS does not make political contributions. Corporate funds or assets may not be contributed directly or indirectly to support a political party, an elected official, or the campaign of any candidate for local, state, or federal office.

The MTS Political Action Committee (PAC) is permitted under U.S. law. This committee’s activities are driven by employee membership in the form of voluntary contributions. All MTS PAC contributions are publicly disclosed in accordance with U.S. election laws.

## **DISCLOSURE OF INFORMATION**

### **CONFIDENTIAL INFORMATION**

Confidential MTS information and trade secrets are important corporate assets that merit the same protection as physical assets. This information is the result of the ideas and hard work of many MTS employees and of substantial investments by MTS. Therefore, all employees and Representatives must not disclose such information to unauthorized persons, either within or outside MTS, and must exercise care to protect the

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confidentiality of such information received from another party. Employees need to consult with their manager prior to providing confidential information to any third party (for example: legal counsel, government officials, customers, or vendors). Representatives should consult with MTS’ Principal Attorney prior to providing confidential information to any third party.



Confidential information refers to information that is not already in the public domain that a company would normally expect to be non-public and that might affect the company’s competitive or financial position. It includes information sometimes referred to as trade secrets. Some examples of confidential information are: technical information about current or planned products, projects and processes; procurement plans, vendor lists or purchase prices; cost, pricing, marketing or service strategies; non-public earnings reports and other financial reports; information related to divestitures, mergers and acquisitions, and significant customer orders or relationships.

Employees and Representatives must also adhere to all laws and regulations regarding the protection of U.S. government classified information, which should only be made available to individuals who have a need to know and who hold the proper government security clearance.

Many employees and Representatives are required to sign confidentiality agreements. This serves as a reminder of that obligation not to disclose confidential information, both while employed or retained by and after leaving MTS.

### **GOVERNMENTAL REQUESTS/INVESTIGATIONS**

MTS will make reasonable efforts to cooperate with government investigations or to answer an official request

from an authorized government representative. Unless the law proscribes otherwise, employees are to inform their manager or MTS' Principal Attorney and ensure the response is appropriate before responding to such a request.

Employees and Representatives **should not:**

- Destroy any MTS documents in anticipation of a request for those documents
- Alter any historical MTS document or record
- Provide untrue or misleading statements
- Try to influence any other MTS employee or any other person to provide untruthful information

## **PUBLIC STATEMENTS AND FILINGS; PRESS RELEASES**

The disclosures contained in all reports and documents that MTS files with the SEC, or makes public by any other formal or informal means (such as press releases), must be full, fair, accurate, timely and understandable. Financial managers bear a heightened responsibility for maintaining disclosure controls and procedures designed to capture all financial and non-financial information required to be disclosed in SEC filings.

Only authorized officers may make press releases and public statements. Other employees and Representatives may not make public statements regarding MTS. If contacted by a media representative, please obtain the name of the person making the inquiry and immediately notify a manager or MTS' Principal Attorney.

## **WORK ENVIRONMENT**

### **EQUAL OPPORTUNITY**

MTS provides equal employment opportunity for all qualified individuals without regard to race, color, age, religion, sex, national origin, physical or mental disability, or sexual orientation. This policy applies to all

employees, Representatives and applicants for employment and to all aspects of the employment relationship,



including recruitment, hiring, compensation, benefits, training, transfer, and any other terms and conditions of employment. MTS locations or activities not subject to U.S. law on this matter should apply the intent and provisions of this policy consistent with the applicable national or local laws.

### **HARASSMENT**

It is everyone's responsibility to treat one another with courtesy, dignity, and respect. It is the policy of MTS that harassment, of any type, will not be tolerated from any employee, Representative, or other third party dealing with MTS. The term "harassment" includes, but is not limited to slurs, jokes, cartoons, graffiti or verbal, graphic or physical conduct relating to an individual's race, color, age, religion, sex, national origin, physical or mental disability, sexual orientation or other legally protected status.

### **HEALTH AND SAFETY**

MTS is committed to providing a work environment that strives to protect employee health and safety and is in compliance with applicable laws and regulations. Employees and Representatives are required to observe applicable workplace safety rules and report injuries or unsafe conditions according to MTS procedures and applicable laws. Workplace violence, including threats, threatening behavior, harassment, intimidation, assaults and similar conduct, will not be tolerated. To provide a safe work environment, firearms are not permitted on any MTS facility.

**ALCOHOL AND ILLEGAL DRUGS**

Alcohol and Illegal drugs in the workplace are inconsistent with a safe and productive work environment. It is the policy of MTS that the production, use, possession, sale, purchase, or transfer of unauthorized or illegal drugs or substances, or the abuse or misuse of legal drugs on MTS or customer premises is prohibited. Employees or Representatives whose behavior, judgment or performance is impaired by drugs or alcohol will be prohibited from engaging in MTS business while under the influence of such substances.

**RESOLUTION OF ISSUES AND CONCERNS**

If you have questions or concerns about the Code, you should contact your manager or MTS' Principal Attorney for clarification. Concerns may include, but aren't limited to: clarification about specific policies, questions on what you should do in a particular ethical or legal situation and the reporting process when you suspect a violation has occurred.

**REPORTING VIOLATIONS OF THE MTS CODE OF CONDUCT**

If you suspect MTS or an employee or Representative may have violated a law, this Code, MTS policy, or engaged in other improper activities, it is your responsibility to immediately raise these concerns. If applicable law prohibits MTS from requiring you to report your concerns, you are not required to do so; but you may raise them if you suspect MTS may have violated laws relating to accounting, financial audit, anti-bribery or banking. Also, you may report facts which may affect MTS' vital interests or its employees' physical or mental condition (for example: threat to the safety of another employee, moral harassment, sexual harassment, discrimination, insider trading, conflicts of interest, serious environment breaches or threats to public health,

disclosure of a manufacturing secret, or serious risk to MTS' information system security).

It is MTS policy to provide various points of contact to respond to your concerns. You may contact your manager, another member of management, MTS' Principal Attorney or a Human Resources Generalist, as appropriate. Additionally, if you work for MTS in North America, you may report your concern by calling the Compliance Line at 800-750-4972. Compliance Line details and instructions for employees outside of North America are available on the MTS intranet at [http://intranet.mts.com/news/files/2004/july/040707\\_04/ComplianceLineFoldout.pdf](http://intranet.mts.com/news/files/2004/july/040707_04/ComplianceLineFoldout.pdf). The processes described in the Code are not the only options for reporting your concerns; additionally, the process is not intended to limit your rights to refer the matter to other persons such as employee representatives, labor inspector and any other person as indicated by applicable law.

All employees and Representatives will be treated with dignity and respect and the appropriate level of confidentiality will be maintained throughout the process. You will not be subject to any form of retaliation for raising, in good faith, concerns or reporting violations even if the suspected concerns are not supported by MTS' investigation. Unless restricted by applicable law, you may report your concern anonymously. Under certain laws and situations, the people identified in a reported concern are entitled to access to and modification and suppression of the information in the report if it is not accurate or complete.

If you work for MTS in the European Union, your personal data that is reported to the Compliance Line or that MTS receives through the reporting process may be shared within MTS and, in particular, with MTS Systems Corporation in the U.S. MTS may share your personal data with MTS' advisors if it appears necessary to the requirements of the investigation and such communication results from the corporate reporting

structure within MTS and its affiliated companies. When an employee or Representative, who is the subject of a report, works in the European Union, MTS (including any third party receiving the data if it is established in a country outside of the European Union) will treat the personal data about the employee or Representative in compliance with applicable law.

If a manager is notified of a suspected violation of the law, this Code, MTS policy, or other improper activities, they are to immediately report the concern to their assigned Vice President, unless proscribed by applicable law. Vice Presidents should report concerns to the CEO, a member of the Board of Directors or MTS' Principal Attorney, as appropriate.

## **INVESTIGATION**

Each report of a known or suspected violation will be promptly and thoroughly investigated. MTS will take reasonable precautions to maintain the confidentiality of the individual who reports the violation and the person about whom the report is made. It is important that individuals involved in an investigation or who have made reports honor this commitment to confidentiality.

Depending on the nature of the investigation, MTS may need to conduct searches or inspections of company-provided property including computers and other equipment. Employees and Representatives are expected to cooperate with investigators. Such investigations will be in compliance with the individual's rights granted under the applicable law and in particular within the limits set out by local law regarding the protection of personal privacy. If you believe that an investigation is being conducted inappropriately, report your concern to the CEO, Vice President, Director, or MTS' Principal Attorney as appropriate.

## **ENFORCEMENT**

Except for your use of the reporting procedure (which you are not required to use if you work for MTS in the European Union), violation of the Code is a serious matter

and could subject you or MTS to civil liability or even criminal prosecution. Disciplinary action may also be taken, in compliance with applicable law, against anyone who condones, permits or causes inappropriate action, or fails to take appropriate action against illegal, unethical or other improper conduct, taking into consideration the position and the responsibilities of the employee or Representative concerned. Any employee or Representative who violates the Code will be subject to discipline, up to and including termination. Violations of the Code by directors will be addressed by the Board of Directors and sanctions may include reprimand or dismissal.

Any waiver of application of this Code to officers and directors may only be made by the Board of Directors. Any waiver of application of this Code to other employees or Representatives may be made by the CEO. Waivers of application of this Code to officers, directors and certain financial managers may have to be reported in MTS' publicly available filings with the SEC or on the MTS internet website.

