



CODE OF CORPORATE GOVERNANCE

INTRODUCTION CLAUSES



Code of corporate governance (hereinafter referred to as the Code) sets the principles of corporate governance and supervision over management in the company Metalac a.d. and its subsidiaries (hereinafter referred to as the Company), based on principles suggested by The OECD Principles of Corporate Governance, and more precisely regarding issues like:

- Rights of shareholders
- Majority share of non-executive members as well as independent members in corporate governance bodies (Management and Supervisory Boards)
- Division of positions of President of the Management Board and of Managing Director as President of the Executive Board
- Forming of commissions of the Management Board
- Protection of interests of small shareholders
- Frequency of Management Board sessions and procedure of scheduling sessions and presenting conclusions of the session as well
- Transparency in the work and use of internet

The Code is supplement to the on-force regulations established by the Law, Statute and Articles of Incorporation of the Company, meaning that no provision of the Code cancels any rule established by the mentioned Acts that may establish the same issue in other way, nor the Code repeats liabilities, rules and principles established by the terms of the above mentioned governing documents, respected and applied by the Company.

As the principles of corporate governance established by the Code are aiming to upgrade economic efficiency, growth and development of the Company, its competitive advantages as well as confidence of shareholders and investors, the principles of the Code are evolutional and subject to changes.

Following contemporary world trends and exchange of experiences in the field, as well as developments in macroeconomic policy, market economy, and culture of values and business ethics of the Company, the Management Board will make all necessary amendments and supplements to the Code, fully and regularly informing public about them on the Company's web-site.



THE RIGHTS OF SHAREHOLDERS AND KEY OWNERSHIP FUNCTIONS

The Company enables exercise of basic shareholder rights that include the right to:

1. Secure methods of ownership registration,
2. Convey or transfer shares,
3. Obtain relevant and material information on the Company on a timely and regular basis, via the Company's web-site,
4. Participate and vote in general shareholder meetings,
5. Elect president of the Company and members of the Management and Supervisory Board,
6. Share in the profits of the Company.

The Company shall provide shareholders the right to participate in, and to be sufficiently informed on, decision concerning fundamental corporate changes such as:

1. Amendments to the Statute or Articles of incorporation of the Company,
2. The authorization of additional shares,
3. Extraordinary transactions including the transfer of all or substantially all assets that in effect result in the sale of the Company.

Shareholders shall have the opportunity to participate effectively and vote in annual or extraordinary general shareholder meetings and shall be informed of the rules, including voting procedures that govern general shareholder meetings:

1. Sufficient and timely information concerning the date, location and agenda of general meetings, as well as full and timely information about agenda items and the issues to be decided at the meeting.
2. Opportunity to ask the Management and Supervisory Boards questions, including questions referring the annual external audit of financial reports, to place items on the agenda of general meetings as by the Law, Articles of incorporation and Statute of the Company.
3. Facilitated effective shareholder participation in key corporate governance decisions, such as the election of President of the Company, members of the Management and Supervisory Boards. Making shareholder views known on remuneration policy for members of these boards and of the Executive Board as well. The equity component of compensation schemes for board members shall be subject to shareholder approval.
4. Shareholders shall be able to vote in person or in absentia, and equal effect should be given to votes whether cast in person or in absentia.

Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.



The Company will ensure that the mechanisms of corporate governance shall not be used in the way that prevents markets for corporate control to function in an efficient and transparent manner as follows:

1. The rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate as sets, shall be clearly articulated and disclosed so that investors understand their rights and recourse.
2. Transactions should occur at transparent prices and under fair conditions that protect the rights of all shareholders according to their class.
3. Anti-takeover devices should not be used to shield management and the board from accountability.

The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated:

1. Institutional investors acting in a fiduciary capacity should disclose their overall corporate governance and voting policies with respect to their investments, including the procedures that they have in place for deciding on the use of their voting rights.
2. Institutional investors acting in a fiduciary capacity should disclose how they manage material conflicts of interest that may affect the exercise of key ownership rights regarding their investments.

Shareholders, including institutional investors, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in principles of corporate governance, subject to exceptions to prevent abuse.



THE EQUITABLE TREATMENT OF SHAREHOLDERS

The Company ensures that all shareholders of the same series of a class of shares are treated equally:

1. Within any series or class of shares, all shares shall carry the same rights. All investors shall be able to obtain information about the rights attached to all series and classes of shares before the purchase. Any changes in voting rights shall be subject to approval by those classes of shares which are negatively affected.
2. Minority shareholders shall be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress.
3. Votes should be cast by nominees in a manner agreed upon with the beneficial owner of the shares.
4. Impediments to cross border voting should be eliminated.
5. Procedures for general shareholder meetings and voting should allow for equitable treatment of all shareholders. Voting process should be organized in the way not to make unduly difficult or expensive to cast votes.

The Company prohibits insider trading and abusive self-dealing.

Members of the Management and Executive Boards should be required to disclose to the Management Board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the Company.

THE ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE



The rights of shareholders, investors and all other stakeholders that are established by law or through mutual agreements are to be respected.

Performance-enhancing mechanisms for employee participation shall be permitted to develop.

Where stakeholders participate in the corporate governance process, the Company shall ensure them access to relevant, sufficient and reliable information on a timely and regular basis, as by law and Company's governing documents.

Shareholders, employees and all other stakeholders shall be able to freely communicate their concerns about illegal or unethical practices to the Management Board, and their rights shall not be compromised for doing this.

The corporate governance framework the Company shall complement by an effective, efficient insolvency framework and by effective enforcement of creditor rights.



DISCLOSURE AND TRANSPARENCY

Disclosure from the side of the Company should include, but not to be limited to, material information on:

1. The financial and operating results of the Company.
2. Company business plans and objectives.
3. Major share ownership and voting rights
4. Remuneration policy for members of Management, Supervisory and Executive Boards, and information about board members, including their qualifications, other company directorship and whether they are regarded as independent by the board
5. Related party transactions.
6. Foreseeable risk factors.
7. Issues regarding employees and other stakeholders.
8. Governance structures and policies, in particular, the content of any corporate governance code or policy and the process by which it is implemented.

The Company shall prepare and disclose information in accordance with high quality standards of accounting and financial and non-financial disclosure.

An annual audit of the Company's business shall be conducted by an independent, competent and qualified auditor, in order to provide an objective assurance to the board and shareholders that the financial statements fairly represent the financial position and performance of the Company in all material respects.

External auditors should be accountable to the shareholders and owe duty to the Company to exercise due professional care in the conduct of the audit.

Company will communicate with public via its web site and daily newspapers with large circulation, as well as other information disseminators which will enable the users to have an access to relevant information, taking care of timing and cost efficiency.

The corporate governance framework of the Company will be supplemented by procurement of analyses or advice given by professional analysts, brokers, rating agencies and others, referring to investor decisions, taking care, at the same time, of the material conflict of interests, which can eventually arise and jeopardize the integrity of their analysis or advice.

THE RESPONSIBILITIES OF THE BOARD



Members of the Management Board will act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and shareholders.

Where Board decisions may affect shareholder groups differently, the board shall treat all shareholders fairly.

The Board shall apply high ethical standards and standards of the Business Ethics Code, taking into account the interests of all stakeholders.

Beside the functions given by the law, Statute and the Articles of Incorporation, the Board shall fulfil key functions including:

1. Reviewing and guiding corporate strategy, defining business policy and annual business plans, risk policy, setting performance objectives, and overseeing major capital expenditures, acquisitions and divestitures.
2. Monitoring implementation of corporate governance principles and making changes of the Code as needed.
3. Selecting members of the Executive Board, and selecting, compensating, monitoring and, when necessary, replacing other key executives, and overseeing plan making for key executives.
4. Aligning key executive and Boards remuneration with the longer term goals of the Company and the shareholders.
5. Ensuring a formal and transparent Board nomination and election process.
6. Monitoring and managing potential conflicts of interest of management Board members and shareholders, including misuse of corporate assets and abuse of related party transactions.
7. Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, financial and operational control, and compliance with the law and relevant standards.
8. Ensuring the integrity of the Overseeing the process of disclosure and communications.

The management Board shall be able to exercise objective independent judgement on corporate affairs:

1. The Board shall consider assigning a sufficient number of non-executive board members capable of exercising independent judgement to tasks where there is a potential for conflict of interest.
2. When committees of the Board are established, their mandate, composition and working procedures shall be well defined and disclosed by the Board.
3. Board members shall be able to commit themselves effectively to their responsibilities.

In order to fulfil their responsibilities, the Company will assure Board members to have access to accurate, relevant and timely information.

The principles of corporate governance comprised in this Code should be applied and performed by:

1. The Company METALAC AD and the subsidiaries
2. Shareholders
3. Members of the management, Supervisory and Executive Boards
4. Management and other key executives in the Company and in the subsidiaries
5. Auditing parties
6. Employees of METALAC AD and of the subsidiaries
7. Investors, consultants and business partners

The Board shall ensure the Code implementation and performance as well as behaviour and acting consistency with the principles of corporate governance.

To ensure efficient management the Board shall offer and provide for an interpretation of any principle included in the Code, in cases when a misinterpretation given by shareholder(s) or other stakeholders for any reason and in any way disturbs or disables decision making process of the management or Company executive bodies.

Should any dispute arise from the implementation, interpretation or performance of the accepted principles, the Board shall suggest to the other party an arbitration agreement in order to solve the dispute efficiently and economically in mutual interest.

September, 2007

*President of the Management Board
Dragoljub Vukadinovic, B.Sc.*