

FERRO CORPORATION

BOARD OF DIRECTORS

**CHARTER OF THE
AUDIT COMMITTEE**

A. Purpose

The Audit Committee will assist the Board with oversight of –

1. The integrity of the Corporation's financial statements,
2. The Corporation's compliance with all legal and regulatory requirements relating to its financial reports, including the annual Audit Committee report as required by the Securities Exchange Act of 1934,
3. The Corporation's external independent auditors' qualifications, independence, and performance,
4. The performance of the Corporation's internal audit and risk management functions,
5. Compliance with the Corporation's legal and ethical policies, and
6. The Corporation's accounting practices and systems of internal control.

Notwithstanding the above, the Committee will not be responsible for conducting audits, preparing financial statements, or accuracy of any financial statements or filings, all of which remain the responsibility of management and the independent auditors.

B. Composition

1. The Committee will consist of such number of directors as the Board determines from time to time, but the Committee shall have at least three members at all times.
2. Each member of the Committee must be "independent" (as determined by the Board in compliance with SEC Rule 10A-3(b)(1) under the Securities Exchange Act of 1934 and the NYSE listing standards.
3. Each member of the Committee must be or become "financially literate" (as determined by the Board) within a reasonable period of time after appointment to the Committee.
4. No member of the Committee will be permitted to serve simultaneously on the Committee and the audit committees of more than two other public companies without the prior approval and authorization of the Board.

C. Responsibilities

In addition to other duties and responsibilities that may be assigned to the Committee from time to time by the Board or that the Committee itself may determine are required in order for it to achieve its stated purpose, the Committee will have the following goals and responsibilities:

1. Integrity of the Corporation's Financial Statements

- a. The Committee will discuss with the Corporation's management and independent auditors the Corporation's annual and quarterly financial statements, including the Corporation's disclosures under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations."
- b. The Committee will discuss periodically with the Corporation's management earnings releases and other financial information concerning the Corporation, including financial information and earnings guidance provided to analysts and rating agencies.
- c. The Committee will review with management and the Corporation's independent auditors the annual financial statements, including the independent auditors' judgment about
 - i. The quality of the accounting principles as applied,
 - ii. The reasonableness of significant judgments, and
 - iii. Any other matters required to be communicated by the Corporation's independent auditors under generally accepted auditing practices.
- d. The Committee will pre-review any management proposal to seek a second opinion on significant accounting issues.

2. Compliance with Legal and Regulatory Requirements

- a. Periodically, the Committee will meet separately with –
 - i. Management,
 - ii. The independent auditors, and
 - iii. The head of internal audit.
- b. The Committee will have, or delegate authority to the chair of the Committee to have, discussions with the independent auditors required under generally accepted auditing practices with respect to the independent auditors' review of interim financial statements to be included in the Corporation's quarterly reports on Form 10-Q.

- c. The Committee will have discussions with the independent auditors required under generally accepted auditing practices with respect to the independent auditors' audit of annual financial statements to be included in the Corporation's annual report on Form 10-K and to review any audit problems or difficulties and management's response.
- d. The Committee will review annually and recommend to the Board whether the financial statements presented by management should be included in the Corporation's Annual Report on Form 10-K.
- e. The Committee will issue annually a report for inclusion in the proxy statement that contains the disclosures about the Audit Committee and its functioning required under applicable NYSE rules and SEC regulations.

3. Independent Auditors' Qualifications, Independence and Performance

- a. The Committee will be directly responsible for appointing the Corporation's independent auditors, subject only to ratification of its selection by the Corporation's shareholders if requested by the Board, and for the compensation, retention, and oversight of the work of such independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, and the independent auditors will report directly to the Committee.
- b. The Committee will engage only independent auditors that are duly registered with the Public Company Accounting Oversight Board and have sufficient independence to perform their auditing responsibilities as required by law and generally accepted auditing practices.
- c. The Committee will oversee the work of the Corporation's independent auditors, including resolution of any disagreements between management and the independent auditors regarding financial reporting.
- d. The Committee will review the annual audit plan with the independent auditors.
- e. The Committee will require the independent auditors to provide the Committee, and the Committee will review, at least annually a report from the independent auditors describing the following:
 - i. The auditing firm's internal quality control procedures,
 - ii. Any material issues raised by the auditing firm's most recent internal quality control review or peer review and by any governmental or professional authorities within the preceding five years with respect to one or more independent audits carried out by the auditing firm,
 - iii. Any steps taken by the auditing firm with respect to any of the issues raised in paragraph ii. above, and

- iv. Any relationships between the auditing firm and the Corporation or its Board or management which might reasonably be expected to have any effect on the auditing firm's independence.
- f. The Committee will have sole authority, in consultation with management, for approving the terms and fees for the engagement of and for engaging the independent auditors to perform for the Corporation –
 - i. Audits, reviews, and attestations of the financial statements of the Corporation and its subsidiaries and controlled affiliates,
 - ii. Audit-related services, and
 - iii. Non-audit services.

Generally, the Committee will not engage the independent auditors to perform any work other than audit services or pre-approved audit-related service except in extraordinary circumstances. Under no circumstances will the Committee engage independent auditors to perform any non-audit services of the nature described in Section 15 U.S.C. 78j-1(g).

- g. The Committee will assess at least annually its evaluation of the qualifications, independence and performance of the Corporation's independent auditors.
- h. The Committee will assess periodically the advisability of rotating audit firms for future-years' audits.
- i. The Committee will have sole responsibility for terminating the Corporation's independent auditors.

4. Performance of the Corporation's Internal Audit and Risk Management Functions

- a. The Committee will oversee the internal controls and audit functions of the Corporation, including the controls applicable to the quarterly and annual reporting process.
- b. The Committee will review periodically the internal audit function for adequacy and competence of staffing.
- c. The Committee will periodically
 - i. Discuss with management the Corporation's guidelines and policies governing the assessment and management of financial and other risks, and
 - ii. Discuss with management any major financial risk exposures and the steps management has taken to monitor and control such exposures.

- d. The Committee will establish internal procedures within the Corporation for –
 - i. Receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters,
 - ii. The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, and
 - iii. Review with counsel to the Corporation of any issues of potential fraud or illegal conduct.

5. Legal and Ethical Policies

- a. The Committee will periodically review with management key internal management policy guidelines with respect to whether –
 - i. Such guidelines create a suitable control environment for management of the Corporation and its subsidiaries and affiliates,
 - ii. Management has in place appropriate mechanisms to assure implementation of such guidelines, and
 - iii. Management is required to certify at least annually compliance with such guidelines.
- b. Without limiting the generality of paragraph 5.a above, the Committee will periodically review with management the Corporation's policies with respect to:
 - i. Conflicts of interest,
 - ii. Misappropriation of corporate opportunities,
 - iii. Confidentiality,
 - iv. Fair dealing with the Corporation's customers, suppliers, competitors and employees,
 - v. Protection, safeguarding and proper use of assets of the Corporation,
 - vi. Reporting, investigation and resolution of issues involving violations of the Corporation's policies and ethical misbehavior.
- c. The Corporation's policies and procedures will provide that –

- i. All exceptions to and waivers of the Corporation's ethical and internal control policies are properly disclosed, documented and approved by the Committee, and
 - ii. No employee is disciplined, punished or otherwise disadvantaged as a consequence of reporting in good faith violations of the Corporation's policies.
- d. The Committee will review and approve the Corporation's code of ethics for the Corporation's senior financial officers in compliance with the requirements of section 406 of the Sarbanes-Oxley Act of 2002.

D. Other Duties and Authorities

- 1. The Committee will have authority to obtain, at the Corporation's expense and as it deems appropriate, advice and assistance from outside legal, accounting and other advisors.
- 2. No employee or former employee of the Corporation's independent auditors may be employed, directly or indirectly, by the Corporation without the Committee's prior approval, which approval may be given only after the Committee affirmatively determines that the employment of such individual has not and will not affect adversely the independent auditors' independence.
- 3. The Committee will evaluate annually the Corporation's audit process, addressing at least the following:
 - a. Any major issues regarding accounting principles and financial statement presentation, including
 - i. Any significant changes in the Corporation's selection or application of accounting principles,
 - ii. Any major issues as to the adequacy of the Corporation's internal controls,
 - iii. Any special audit steps adopted in light of material control deficiencies, and
 - iv. After review with the Corporation's independent auditors, any audit problems or difficulties and management's response.
 - b. Any analyses prepared by management and/or independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative methods of applying generally accepted accounting principles on the Corporation's financial statements.
 - c. The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.

4. The Committee will review press releases (paying particular attention to any use of "pro forma," or "adjusted" non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies.
5. The Committee will assess its own performance annually.

E. Other

1. The Corporation will provide appropriate funding, as determined by the Committee, for payment of –
 - a. Compensation to the Corporation's independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Corporation,
 - b. Compensation to any advisers employed by the Committee under item D.1 above, and
 - c. Ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
2. The Corporation will provide ongoing training as requested by the Committee to allow each Committee member to maintain his or her financial literacy.
3. The Corporation will provide the Committee access to the Corporation's Manager of Internal Audit on a regular basis as needed to accomplish the Committee's oversight function.
4. The Committee will report regularly to the Board.