

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 Company's financial statements,
2. The Company'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 Company's independent auditors' qualifications, independence, and performance,
4. The performance of the Company's internal audit and risk management functions,
5. Compliance with the Company's legal and ethical policies, and
6. The Company'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. The Board will appoint the members of the Committee and the Chair of the Committee and have the power to remove or replace members of the Committee and the Chair of the Committee.
3. 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.
4. 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 and at least one member must have accounting or related financial management expertise (as determined by the Board).
5. 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.
6. The Chair of the Committee will be responsible for its operation and conduct and will have the power to designate such subcommittees as he or she deems appropriate.
7. The Committee will report to 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 Company's Financial Statements

- a. The Committee will discuss with the Company's management and independent auditors the Company's annual and quarterly financial statements, including the Company'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 Company's management earnings releases and other financial information concerning the Company, including financial information and earnings guidance provided to analysts and rating agencies.
- c. The Committee will review with management and the Company'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 Company's independent auditors under standards of the Public Company Accounting Oversight Board (United States).
- 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 standards of the Public Company Accounting Oversight Board (United States) with respect to the independent auditors' review of interim financial statements to be included in the Company's quarterly reports on Form 10-Q.
- c. The Committee will have discussions with the independent auditors required under standards of the Public Company Accounting Oversight Board (United States) with respect to the independent auditors' audit of annual financial statements to be included in the Company'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 Company'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 Company's independent auditors 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 Company, and the independent auditors will report directly to the Committee. The Committee will submit its selection of independent auditors to the Company's shareholders for ratification if requested to do so by the Board.
- 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 standards of the Public Company Accounting Oversight Board (United States).
- c. The Committee will oversee the work of the Company'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 Company 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 Company:
 - i. Audits, reviews, and attestations of the financial statements and internal control over financial reporting of the Company and its subsidiaries and controlled affiliates,
 - ii. Audit-related services, and
 - iii. Non-audit services.
- g. Any audit, audit-related or non-audit services that are to be performed by the Company's independent auditors will be approved in advance by the Committee consistent with applicable regulations. Under no circumstances will the Committee engage the Company's independent auditors to perform non-audit services that constitute "prohibited activities" under Section 201(a) of the Sarbanes-Oxley Act and Section 10A of the Securities Exchange Act of 1934, as amended. The Committee may delegate to the chair of the Committee the authority to approve in advance audit-related and non-audit

services that are permitted to be performed by the Company's independent auditors. Any such decisions of the chair will be reported to the Committee at its next regularly scheduled meeting.

- h. The Committee will review and evaluate, at least annually, the qualifications, independence and performance of the Company's independent auditors, including the lead partner of the independent auditor.
- i. The Committee will assess periodically the advisability of rotating audit firms for future-years' audits.
- j. The Committee will have sole responsibility for terminating the Company's independent auditors.

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

- a. The Committee will oversee the internal controls and audit functions of the Company, including the controls applicable to the quarterly and annual reporting process, and will review and approve the annual internal audit plan and major changes to such plan.
- 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 Company'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 Company for –
 - i. Receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters,
 - ii. The confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters, and
 - iii. Review with counsel to the Company 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 Company 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 Company's policies with respect to:
 - i. Conflicts of interest,
 - ii. Misappropriation of corporate opportunities,
 - iii. Confidentiality,
 - iv. Fair dealing with the Company's customers, suppliers, competitors and employees,
 - v. Protection, safeguarding and proper use of assets of the Company,
 - vi. Reporting, investigation and resolution of issues involving violations of the Company's policies and ethical misbehavior.
- c. The Company's policies and procedures will provide that –
 - i. All exceptions to and waivers of the Company'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 Company's policies.
- d. The Committee will review and approve the Company's code of ethics for the Company's senior financial officers in compliance with the requirements of Section 406 of the Sarbanes-Oxley Act of 2002.

6. Benefit Plans Funding and Performance

- a. The Committee will review annually the funding of the Company's retirement benefit plans.
- b. The Committee will review annually the investment performance of the Company's retirement benefit plans.

7. Other Financial Matters

The Committee will review other financial matters affecting the Company as the Board may deem appropriate and designate to the Committee from time to time.

D. Other Duties and Authorities

- 1. The Committee will have authority to obtain, at the Company's expense and as it deems appropriate, advice and assistance from outside legal, accounting and other advisors.
- 2. The Committee will set clear policies for the hiring of employees or former employees of the independent auditors.
- 3. The Committee will evaluate annually the Company'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 Company's selection or application of accounting principles,

- ii. Any major issues as to the adequacy of the Company's internal controls,
 - iii. Any special audit steps adopted in light of material control deficiencies, and
 - iv. After review with the Company'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 Company's financial statements.
- c. The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company.
- 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 Company will provide appropriate funding, as determined by the Committee, for payment of –
 - a. Compensation to the Company's independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company,
 - 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 Company will provide ongoing training as requested by the Committee to allow each Committee member to maintain his or her financial literacy.
- 3. The Company will provide the Committee access to the Company's head of Internal Audit on a regular basis as needed to accomplish the Committee's oversight function.